



CRADLE RESOURCES LIMITED
ABN 60 149 637 016

SCHEME BOOKLET

**For a scheme of arrangement in relation to the proposed acquisition
by Tremont Investments Limited of all of your Cradle Shares
for A\$0.33 cash per Cradle Share**

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE
SCHEME RESOLUTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL**

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme Resolution. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

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IMPORTANT NOTICES

Date of this Scheme Booklet

This Scheme Booklet is dated 24 May 2017.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet (other than in the Independent Expert's Report (including the Independent Technical Specialist's Report) contained in Annexure 1) and the Proxy Form accompanying this Scheme Booklet are either defined in brackets when first used or are defined in the Glossary in Section 12. The Glossary also sets out some rules of interpretation which apply to this Scheme Booklet. The Independent Expert's Report and the Independent Technical Specialist's Report contain their own defined terms which are sometimes different from those set out in the Glossary in Section 12.

References to Scheme Booklet, Sections and Annexures

Unless otherwise specified, references to Sections and Annexures are to the named Sections and Annexures in this Scheme Booklet.

Purpose of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by section 412(1) of the Corporations Act. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved). This Scheme Booklet provides all information required to be given to Cradle Shareholders or that is otherwise material to the decision of Cradle Shareholders as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting.

General

This Scheme Booklet is important. You should read this Scheme Booklet carefully before making a decision about how to vote on the Scheme Resolution to be considered at the Scheme Meeting.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual investment objectives, financial situation, taxation position or particular needs of any Cradle Shareholder or any other person. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to Cradle Shares or any other securities. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Cradle Shareholders should consult their taxation adviser as to the applicable tax consequences of the Transaction. A summary of relevant shareholder tax implications for Cradle Shareholders is contained in Section 9.

Responsibility statement

The Cradle Information has been prepared by Cradle and is the responsibility of Cradle. None of Tremont, its Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Cradle Information.

The Tremont Information has been prepared by Tremont and is the responsibility of Tremont. None of Cradle, its Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Tremont Information.

BDO has prepared, and is responsible for, the Independent Expert's Report contained in Annexure 1. None of Cradle, Tremont, their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

The MSA Group Pty Ltd has prepared, and is responsible for, the Independent Technical Specialist's Report contained in the appendices to the Independent Expert's Report. None of Cradle, Tremont, their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Technical Specialist's Report.

Role of ASIC

A copy of this Scheme Booklet has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date.

Role of ASX

A copy of this Scheme Booklet has been lodged with ASX. None of ASX or any of its respective officers take any responsibility for the contents of this Scheme Booklet.

Court order under subsection 411(1) of the Corporations Act

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how you should vote (on this matter, you must reach your own decision); or
- has prepared, or is responsible for the content of, the explanatory statement.

Notice to Cradle Shareholders in the United States

The solicitation of proxies made pursuant to this Scheme Booklet is not subject to the requirements of section 14(a) of the US Exchange Act. Accordingly, this Scheme Booklet has been prepared in accordance with disclosure requirements applicable in Australia only. Cradle Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the US Securities Act and to proxy statements under the US Exchange Act.

The financial information relating to Cradle included or incorporated by reference in this Scheme Booklet has been prepared, or derived from financial statements prepared, in accordance with IFRS and is subject to Australian auditing and auditor independence standards and thus may not be comparable to financial statements of United States companies.

Cradle Shareholders who are resident in, or citizens of, the United States are advised to consult their own tax advisers to determine the particular United States tax consequences to them of the Scheme in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

Foreign jurisdictions

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

The release, publication, or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

Forward-looking information

This Scheme Booklet contains statements concerning Cradle and Tremont, including the anticipated completion of the Scheme and expectations, goals, objectives, plans, targets, estimates of reserves and resources and future costs of Cradle or Tremont, that are “forward-looking information”. All statements in this Scheme Booklet, other than statements of historical facts, that address events or developments that Cradle expects to occur, are statements of forward-looking information. The forward-looking information in this Scheme Booklet and the transactions contemplated by the Scheme Implementation Agreement are not based on historical facts, but rather reflect the current views and expectations of Cradle or, in relation to the Tremont Information, Tremont, concerning future events and circumstances. Although Cradle believes that forward-looking Cradle Information is based on reasonable assumptions and Tremont believes that forward-looking Tremont Information is based on reasonable assumptions, such information is not a guarantee of future performance and actual results or developments may differ materially from the forward-looking information.

Forward-looking information involves known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Cradle or Tremont to be materially different from future results, performances or achievements expressed or implied by such forward-looking information, including niobium price volatility, discrepancies between actual and estimated production, Ore Reserves and Mineral Resources, mining operational and development risk, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of niobium exploration, the global economic climate, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property. See Section 8 for a discussion of potential risk factors underlying, and other information relevant to, the forward-looking information. Forward-looking

information should, therefore, be construed in light of such risk factors and undue reliance should not be placed on them. All forward-looking information should be read in light of such risks and uncertainties.

The forward-looking information in this Scheme Booklet reflects views and expectations held only at the date of this Scheme Booklet. Cradle believes that all forward-looking information included in the Cradle Information has been included on a reasonable basis and Tremont believes that all forward-looking information included in the Tremont Information has been included on a reasonable basis. However, none of Cradle, Tremont and their respective directors, nor any other person, gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward-looking information in this Scheme Booklet will actually occur. Cradle Shareholders should therefore treat all forward-looking information with caution and not place undue reliance on it.

Subject to any continuing obligations under law, regulation, policy or the Listing Rules, Cradle, Tremont and their respective directors disclaim any obligation to revise or update, after the date of this Scheme Booklet, any forward-looking information to reflect any change in views, expectations or assumptions on which that information is based.

Ore Reserves and Mineral Resources

The Mineral Resource and Ore Reserve estimates, and technical studies are undertaken by competent and qualified independent external professionals and reviewed by Cradle's technical staff. These reviews have not identified any material issues and are undertaken as part of a standard risk assessment.

Cradle reports its Mineral Resources, Ore Reserves and technical studies in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("the JORC Code") 2012 Edition. Competent Persons named by Cradle are Members or Fellows of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and/or appropriate recognised institutions and qualify as Competent Persons as defined in the JORC Code.

There can be no assurance that those portions of such Mineral Resources that are not Ore Reserves will ultimately be converted into Ore Reserves. Mineral Resources which are not Ore Reserves do not have demonstrated economic viability.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including those in respect of the Scheme Consideration, are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Scheme Booklet to:

- "A\$", "AUD", "Australian dollars" are to Australian currency; and
- "US\$", "USD" and "US dollars" are to United States currency.

Privacy and personal information

Cradle, Tremont and their respective agents will need to collect personal information to implement the Transaction. The personal information may include the names, contact details and details of shareholdings of Cradle Shareholders together with contact details of individuals appointed by Cradle Shareholders as proxies, body corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Cradle Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact the Share Registry on +61 1300 554 474 if they wish to exercise those rights.

The information may be disclosed to print and mail service providers, and to Cradle and Tremont and their respective advisers and agents to the extent necessary to effect the Scheme. If the information outlined above is not collected, Cradle may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Transaction effectively, or at all.

Cradle Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Register. The Register contains personal information about Cradle Shareholders.

LETTER FROM THE BOARD OF CRADLE

Dear Cradle Shareholder

On 10 March 2017, Cradle announced that it had entered into a Scheme Implementation Agreement with Tremont Investments Limited (**Tremont**) under which, subject to the satisfaction of certain conditions contained in the Scheme Implementation Agreement, Tremont will acquire all of your shares in Cradle through a scheme of arrangement (the **Scheme**). The Scheme requires the approval of Cradle Shareholders at the Scheme Meeting currently scheduled for 10:00am (WST) on 28 June 2017.

If the Scheme is implemented, Scheme Participants will be paid A\$0.33 in cash for every Cradle Share held. This represents a premium of 43.5% to the last closing price on the ASX prior to the announcement on 10 March 2017, a premium of 37.3% based on the volume weighted average price on the ASX over the 20 trading days immediately prior to the 10 March 2017 announcement and a 3.13% premium to the last closing price on the ASX on 19 May 2017, being the last practicable date prior to finalisation of this Scheme Booklet.

The Directors have considered the advantages and disadvantages of the Scheme and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. The Directors intend to vote in favour of the Scheme with respect to any Cradle Shares they hold or control, in the absence of a Superior Proposal.

In addition, BDO, the Independent Expert engaged by Cradle, has concluded that the Scheme is fair and reasonable and in the best interests of Cradle Shareholders, in the absence of a Superior Proposal.

The advantages and disadvantages of the Scheme are set out in Section 2 of this Scheme Booklet.

Your vote is important regardless of how many Cradle Shares you own. If you are unable to attend the Scheme Meeting in person, please vote by completing the Proxy Form enclosed with this Scheme Booklet and returning it in accordance with the directions on the form. If you are in any doubt as to what action you should take in relation to the Scheme, you should consult your legal, investment, taxation or other professional adviser.

If you have any questions regarding the Scheme please call Mr Greg Swan (Company Secretary) on +61 8 9322 6322 any time between 8.00am and 5.00pm (WST) Monday to Friday.

The Board of Directors

IMPORTANT DATES AND TIMES FOR THE SCHEME⁽¹⁾

Latest time and date for lodgement of completed Proxy Form for the Scheme Meeting	10.00am (WST), 26 June 2017
Time and date for determining eligibility of Cradle Shareholders (other than Excluded Shareholders) to vote at the Scheme Meeting	5.00pm (WST), 26 June 2017
Time and date of the Scheme Meeting	10.00am (WST), 28 June 2017
Court hearing for approval of the Scheme (Second Court Date)	4 July 2017
Effective Date of the Scheme	5 July 2017
Last date of trading of Cradle Shares on ASX	5 July 2017
Record Date for determining entitlements to the Scheme Consideration	12 July 2017
Implementation Date for the Scheme and payment of the Scheme Consideration	19 July 2017

- (1) All stated dates and times are indicative only. The actual timetable will depend on many factors outside the control of Cradle, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Scheme by each of Cradle and Tremont. Any changes to the above timetable will be announced to ASX and will be available under Cradle's profile on ASX at www.asx.com.au.

1 SUMMARY OF THE TRANSACTION

1.1 Introduction

This summary identifies key features of the Transaction but must be read with the additional detailed information for Cradle Shareholders set out in this Scheme Booklet. Please read the entire Scheme Booklet.

On 10 March 2017, Cradle announced that it had entered into the Scheme Implementation Agreement with Tremont under which, subject to the satisfaction or waiver, as applicable, of defined conditions, Tremont will acquire all of the Cradle Shares through a scheme of arrangement for consideration of A\$0.33 per Cradle Share. The Scheme values the total equity on issue in Cradle at approximately A\$55 million.

If the Scheme is approved by the Requisite Majority of Cradle Shareholders and by the Court, and if all other conditions to the Transaction are satisfied or waived (where applicable), all Cradle Shares (other than those held by Excluded Shareholders) will be transferred to Tremont with effect from the Implementation Date and without the need for any further act by the Cradle Shareholders (other than acts required to be performed by Cradle, its Directors or officers, as attorney or agent for the Cradle Shareholders). Cradle Shares are expected to be delisted from ASX on or shortly after the Implementation Date.

A copy of the Scheme is set out in Annexure 3.

It is a condition of the Scheme that prior to the Second Court Date, all Cradle Options are vested and Cradle enters into binding agreements with the holders of Cradle Options to cancel their Cradle Options in return for the Cancellation Consideration. Further details regarding the cancellation of the Cradle Options are set out in Section 10.16(a).

1.2 What you will receive if the Scheme is approved

If the Court makes an order approving the Scheme and the Scheme becomes Effective, Scheme Participants will be paid the Scheme Consideration on the Implementation Date for the transfer of the Scheme Shares held by them to Tremont.

Further details about the Scheme Consideration are set out in Section 5.2.

1.3 Directors' recommendations

Your Directors have determined that the Scheme is in the best interests of Cradle Shareholders and unanimously recommend that Cradle Shareholders vote in favour of the Scheme in the absence of a Superior Proposal. Each of the Directors will (in the absence of a Superior Proposal) vote, or procure the voting of, any Cradle Shares held by or on behalf of that Director at the time of the Scheme Meeting, in favour of the Scheme Resolution at the Scheme Meeting.

The reasons to vote in favour of or against the Scheme, as considered by the Directors, are set out in Section 2.

The implications for Cradle Shareholders if the Scheme does not proceed are significant and are set out in Section 2.3 "What happens if the Scheme is not implemented?"

1.4 Independent Expert

Cradle has commissioned BDO as the Independent Expert to prepare a report to ascertain whether the Scheme is in the best interests of Cradle Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Cradle Shareholders, in the absence of a Superior Proposal.

The Independent Expert's Report is attached in Annexure 1.

1.5 Implementation, timetable and procedures

If the Scheme is approved by Cradle Shareholders and the Court, and all other conditions to the Transaction are satisfied or (where applicable) waived, it is expected that the Scheme will be implemented on or around 19 July 2017. The key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet. These key dates are indicative only and are subject to change.

1.6 Conditions to the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are set out in Section 10.10(a).

Details about the conditions to the Scheme that have been satisfied or waived at the date of this Scheme Booklet are set out in Section 10.10(b). A description of all of the conditions to the Scheme is included in the Scheme Implementation Agreement in Annexure 2.

1.7 Scheme Meeting

The Scheme Meeting, to approve the Scheme, is scheduled to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday, 28 June 2017 at 10.00am (WST). Voting eligibility for the Scheme Meeting will be determined on 26 June 2017 at 5.00pm (WST).

Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 5.

1.8 Voting thresholds

(a) Scheme

The Scheme Resolution must be approved by the Requisite Majority, being:

- (i) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Cradle Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and
- (ii) at least 75% of the total number of votes which are cast on the Scheme Resolution.

Excluded Shareholders, being Tremont and its Associates, will not be entitled to vote on the Scheme Resolution.

(b) Court Approval

If the Scheme Resolution is approved at the Scheme Meeting, and all other conditions of the Scheme have been satisfied or (where applicable) waived, the Court will be asked to approve the Scheme on the Second Court Date, in accordance with section 411(4)(b) of the Corporations Act. The Second Court Date is expected to be on or around 4 July 2017.

1.9 Tax implications

The transfer of your Cradle Shares in accordance with the Scheme may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of relevant shareholder tax implications for Cradle Shareholders is contained in Section 9.

1.10 What to do next

(a) Read the remainder of this Scheme Booklet

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

(b) Consider your options

Cradle Shareholders should refer to Section 2 for further guidance on the reasons to vote in favour of, or against, the Scheme and Section 8 for guidance on the risk factors associated with the Scheme.

If you have any questions in relation to the Transaction, the Scheme or the Scheme Meeting, please contact Mr Greg Swan (Company Secretary) on +61 8 9322 6322 any time between 8.00am and 5.00pm (WST) Monday to Friday or consult your legal, investment, taxation, financial or other professional adviser.

(c) Vote at the Scheme Meeting

Your Directors urge you to vote on the Scheme Resolution at the Scheme Meeting. The Scheme affects your shareholding in Cradle, and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds.

Your Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

2 REASONS TO VOTE IN FAVOUR OF OR AGAINST THE SCHEME

Set out below are reasons why the Cradle Board recommends that you vote in favour of the Scheme. Also set out below is a summary of some of the reasons why you may decide to vote against the Scheme. You should read the entire Scheme Booklet before deciding whether or not to vote in favour of the Scheme.

While your Directors acknowledge that there are reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

2.1 Reasons to vote in favour of the Scheme

Your Directors recommend the Scheme	Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. In reaching their recommendation, your Directors have had regard to reasons to approve, or not to approve, the Scheme as outlined in this Section 2. Your Directors will (in the absence of a Superior Proposal) vote, or procure the voting of any Cradle Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme Resolution.
The Independent Expert, BDO, has concluded that the Scheme is in your best interests	The Independent Expert, BDO, has concluded that the Scheme is fair and reasonable and in the best interests of Cradle Shareholders, in the absence of a Superior Proposal. The Independent Expert's Report is set out in Annexure 1.
The Scheme Consideration represents a premium to the market price of Cradle Shares prior to announcement of the Scheme	The cash payment of A\$0.33 per Cradle Share to be paid to Scheme Participants represents a premium of 43.5% to the last closing price on the ASX prior to the announcement of the Scheme, a 37.3% to the volume weighted average price of Cradle Shares over the 20 trading days prior to announcement of the Scheme and a 3.13% premium to the last closing price on the ASX on 19 May 2017, being the last practicable date prior to finalisation of this Scheme Booklet.
No Superior Proposal has emerged	Since announcement of the Scheme on 10 March 2017, and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Cradle Board is not aware of any Superior Proposal that is likely to emerge.
The Scheme Consideration is all cash and provides certainty of value and timing to Cradle Shareholders	The cash payment of A\$0.33 per Cradle Share to be paid to Scheme Participants provides certainty of value and timing in relation to realising an investment in Cradle Shares. If the Transaction does not proceed, Cradle Shareholders will continue to be subject to the risks associated with Cradle's business and operations, which are set out in Section 8, rather than realising a certain value for their Cradle Shares under the Scheme.
Risks associated with the development of the Panda Hill Project if the Scheme is not implemented	If the Transaction does not proceed, Cradle Shareholders will continue to be exposed to the risks inherent in the business of niobium exploration, project development and production. If the Scheme is not implemented, Cradle will require additional financial resources to continue funding the development of the Panda Hill Project pro rata to its shareholding in Panda Hill Tanzania Limited (PHT). Any capital raising by Cradle will be dilutive to existing Cradle Shareholders. If adequate funds are not available to satisfy the capital requirements of PHT, Cradle may be required to limit its contributions to the Panda Hill Project significantly which would consequentially dilute its interest in PHT and the Panda Hill Project.

If the Scheme is not implemented the Cradle Share price may fall	Your Directors believe that, in light of the consequences termination of the Scheme may have on Cradle's interest in the Panda Hill Project, Cradle's share price may trade below its current trading levels in the near term (although it is difficult to predict the Cradle Share price movement with any certainty).
No brokerage costs	Cradle Shareholders will not be required to pay any brokerage or other costs in connection with the disposal of their Cradle Shares under the Scheme.

2.2 Reasons to vote against the Scheme

You may disagree with your Directors' unanimous recommendation or the Independent Expert's conclusion	In concluding that the Scheme is in the best interests of Cradle Shareholders, in the absence of a Superior Proposal, the Directors and Independent Expert are making judgements based on future events which are not predictable with certainty and which may prove to be incorrect (either positively or negatively). Cradle Shareholders may not agree with the Directors' unanimous recommendation or the Independent Expert's conclusion and are not obliged to follow the recommendation.
You may believe that now is the wrong time to divest your shares in Cradle	You may believe that Cradle Shareholders will have the opportunity for greater returns over the long term when compared to the Scheme Consideration or a Superior Proposal for Cradle may materialise in the future. In assessing and recommending the Scheme, your Directors have evaluated the benefits of Cradle continuing its current operations against the value of the Transaction. In deciding that they should recommend the Transaction, your Directors determined that, on balance, the Transaction was more favourable to Cradle Shareholders than continuing with Cradle's current operations.

2.3 Other relevant considerations

The Scheme is conditional	The Scheme is conditional on approval by the Requisite Majority of Cradle Shareholders and by the Court. The Transaction is also conditional on a number of other conditions which are set out in Section 10.10. As at the date of this Scheme Booklet, your Directors are not aware of any matter which they expect will result in any of those conditions not being satisfied. See Section 10.10(a) for the conditions which remain outstanding as at the date of this Scheme Booklet.
All or nothing proposal	If the Scheme is approved by the Requisite Majority of Cradle Shareholders and the Court and all of the other conditions to the Transaction are either satisfied or waived (where applicable): - the Scheme will bind all Scheme Participants, including those who do not vote on the Scheme Resolution and those who vote against it, meaning that all Scheme Participants will have their Cradle Shares transferred to Tremont and will receive the Scheme Consideration; and - Cradle will be delisted from ASX. If any of the conditions to the Transaction are not satisfied or waived (where applicable) on or before the Second Court Date, the Scheme Implementation Agreement may be terminated and the Transaction will not be implemented.

What happens if the Scheme is not implemented?	The consequences of the Scheme not being implemented include: • Scheme Participants will retain their Cradle Shares, will not receive the Scheme Consideration, and will continue to be exposed to the risks associated with their investment in Cradle Shares; • the expected benefits of the Transaction (as discussed in Section 2.1) will not be realised; • Cradle will have incurred significant costs and management time and resources through the strategic review process and pursuing the Transaction, for no outcome; • Cradle may be liable to pay the Cradle Reimbursement Fee (US\$750,000) to Tremont (for further details in relation to the Cradle Reimbursement Fee, see Section 10.15); • if the Scheme Implementation Agreement is terminated pursuant to a Cradle Clause and the termination is not as a result of a breach or repudiation of the Scheme Implementation Agreement by Tremont, Cradle and its nominee PHT directors are deemed to agree that the PHT Study is a Completed DFS. This may have consequential effects on Cradle's interest in the Panda Hill Project (refer to Sections 6.5(a), 10.11 and 10.14 for further details); and • the market price of Cradle Shares may decline to the extent that the prevailing market price reflects an assumption that the Scheme will be completed.

3 FREQUENTLY ASKED QUESTIONS

The following table provides brief answers to questions you may have in relation to the Transaction, and you are urged to read these in conjunction with the more detailed information included in this Scheme Booklet.

Questions about the Transaction	
What is the Scheme?	The Scheme is a proposed acquisition of Cradle to be implemented by way of a scheme of arrangement between Cradle and the Cradle Shareholders as at the Record Date under which all of the Cradle Shares (excluding those held by Excluded Shareholders) will be transferred to Tremont in consideration for the payment by Tremont of the Scheme Consideration. The Scheme requires the approval of both the Requisite Majority of Cradle Shareholders at the Scheme Meeting and the Court. The terms of the Scheme are set out in full in Annexure 3.
What is the Scheme Consideration?	If the Transaction proceeds, the Scheme Consideration, being A\$0.33 for each Cradle Share you hold on the Record Date, will be sent to you on the Implementation Date. Cradle will pay you the Scheme Consideration: • if you have made an election prior to the Record Date to receive payments from Cradle by electronic funds transfer to a bank account nominated by you, by direct credit to your nominated bank account; or • otherwise, by sending a cheque drawn on an Australian bank in Australian currency to you by post.
What will be the effect of the Scheme?	If the Scheme is approved by the Requisite Majority of Cradle Shareholders and the Court: • all your Cradle Shares as at the Record Date will be transferred to Tremont; • in exchange, you will receive the Scheme Consideration for each Cradle Share transferred; and • Cradle will be delisted from ASX.
Are there conditions that need to be satisfied before the Scheme can proceed?	Implementation of the Scheme is subject to satisfaction (or waiver in some cases) of a number of conditions contained in the Scheme Implementation Agreement, set out in Section 10.10 and Annexure 2. A number of those conditions remain outstanding as at the date of this Scheme Booklet, as described in Section 10.10(a), some of which are outside of the control of Cradle.
What is the Directors' recommendation?	Your Directors have carefully considered the advantages and disadvantages of the Transaction and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Your Directors will (in the absence of a Superior Proposal) vote, or procure the voting of any Cradle Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme Resolution.
What are the reasons to vote in favour of the Scheme?	The Directors have described in Section 2.1 the reasons why Cradle Shareholders should vote in favour of the Scheme.
What are the reasons to vote against the Scheme?	The Directors have described in Section 2.2 the reasons why Cradle Shareholders may decide to vote against the Scheme.
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Cradle Shareholders, in the

Questions about the Transaction	
	absence of a Superior Proposal. The Independent Expert's Report is set out in Annexure 1.
If I wish to support the Scheme, what should I do?	If you are a Cradle Shareholder and wish to support the Scheme you should vote your Cradle Shares in favour of the Scheme Resolution at the Scheme Meeting either in person or by proxy. See Section 4 for directions on how to vote and important voting information generally.
What happens if I vote against the Scheme?	If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Transaction, you may vote against the Scheme Resolution at the Scheme Meeting. If the Scheme is approved by the Requisite Majority of Cradle Shareholders and by the Court, and all other conditions to the Transaction are satisfied or waived (where applicable), your Cradle Shares will be transferred to Tremont in consideration for you receiving the Scheme Consideration for your Cradle Shares. This will occur even if you voted against the Scheme Resolution at the Scheme Meeting. If the Scheme is not approved by the Requisite Majority of Cradle Shareholders or the Court, Cradle will remain a stand-alone company and you will remain a Cradle Shareholder.
How will the Transaction be implemented?	If the Scheme becomes Effective, no further action is required on the part of the Scheme Participants in order to implement the Scheme. Under the Scheme, Cradle is given authority to effect a valid transfer of all Scheme Shares to Tremont and to enter the name of Tremont in the Register as holder of all Scheme Shares. If the Scheme becomes Effective, each Scheme Participant will receive the Scheme Consideration on the Implementation Date for each Cradle Share they hold as at the Record Date and Cradle will be delisted from ASX.
What happens if the Scheme is not approved?	If the Scheme is not approved by the Requisite Majority of Cradle Shareholders or the Court, the Scheme will not be implemented. Further, if any of the conditions to the Transaction are not satisfied or waived (where applicable), including if the Scheme is not approved by the Requisite Majority of Cradle Shareholders and by the Court, the Scheme Implementation Agreement may be terminated and the Transaction will not be implemented. The consequences of the Scheme not being implemented are described in Section 2.3.
Is a Superior Proposal likely? What happens if a Superior Proposal emerges?	As at the date of this Scheme Booklet, no Superior Proposal for Cradle has emerged. Until the Effective Date (if the Scheme is approved by the Requisite Majority of Cradle Shareholders and the Court) there is nothing preventing other parties from making unsolicited Competing Transactions for Cradle. It is possible that, if the Scheme does not proceed and Cradle were to continue as a stand-alone company, a Superior Proposal for Cradle may materialise in the future. However, Cradle believes that any Superior Proposal will have to take into account the impact that termination of the Transaction will have on Cradle, see Section 10.14. Further details regarding Competing Transactions and Superior Proposals are set out in Sections 5.3 and 10.12.
What are the tax implications of the Transaction?	Your receipt of cash consideration under the Scheme will typically be a taxable transaction. Section 9 provides a description of the general Australian tax consequences of the Transaction. Your tax consequences will depend on your particular situation. You should

Questions about the Transaction	
	consult your own tax adviser for a full understanding of the applicable tax consequences to you resulting from the Scheme.

Questions about your entitlements	
Who is entitled to participate in the Transaction?	Each person (other than Excluded Shareholders) who is a Cradle Shareholder on the Record Date (expected to be 5.00pm (WST) on 12 July 2017) will be entitled to participate in the Scheme. See Sections 11.2 and 11.3 for details on Tremont's holdings in Cradle.
When will I be paid the Scheme Consideration?	If the Scheme is implemented, you will be sent your Scheme Consideration on the Implementation Date, which is expected to be on or around 19 July 2017.
Will I have to pay brokerage fees on the disposal of my Cradle Shares?	No brokerage fees or other costs are payable in connection with the payment of the Scheme Consideration.

Questions about voting	
Who can vote?	If you are an eligible Cradle Shareholder (other than an Excluded Shareholder) at 5.00pm (WST) on 26 June 2017 you will be entitled to vote on the Scheme Resolution to be proposed at the Scheme Meeting. For further details on how to vote, see Section 4.
When and where will the Scheme Meeting be held?	The Scheme Meeting to approve the Scheme is scheduled to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday, 28 June 2017 commencing at 10.00am (WST). Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 5.
What vote is required to approve the Scheme?	The Scheme Resolution needs to be approved by the Requisite Majority of Cradle Shareholders, which is: • unless the Court orders otherwise, a majority in number (more than 50%) of eligible Cradle Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and • at least 75% of the total number of votes cast on the Scheme Resolution, where Excluded Shareholders are not entitled to vote on the Scheme Resolution.
Is voting compulsory?	No, voting is not compulsory. However, your vote is important. If you are a Cradle Shareholder and cannot attend the Scheme Meeting, scheduled to be held on Wednesday, 28 June 2017 at 10.00am (WST), you should complete and return the Proxy Form enclosed with this Scheme Booklet. For further details regarding voting and submitting Proxy Forms for the Scheme Meeting, see Section 4.
Why should I vote?	Your vote will be important in determining whether the Transaction will proceed.

Questions about voting	
	Your Directors have determined that the Scheme is in the best interests of Cradle Shareholders and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.
What happens if I do not vote?	If you do not vote and the Scheme is approved by a Requisite Majority of Cradle Shareholders and the Court, your Cradle Shares on the Record Date will be transferred to Tremont in consideration for you receiving the Scheme Consideration for your Cradle Shares. If the Scheme is not approved, Cradle will remain a stand-alone company and you will remain a Cradle Shareholder.
What are my options?	You may: • vote in favour of the Scheme Resolution at the Scheme Meeting in person or by proxy; • vote against the Scheme Resolution at the Scheme Meeting in person or by proxy; • sell your Cradle Shares in the market at any time before the close of trading on ASX on the Effective Date; or • do nothing and abstain from voting.
What if I cannot, or do not wish to, attend the Scheme Meeting?	If you cannot, or do not wish to, attend the Scheme Meeting, you may appoint a proxy, corporate representative or attorney to vote on your behalf. For further details regarding voting and submitting Proxy Forms for the Scheme Meeting, see Section 4.
How do the Directors intend to vote in respect of their own Cradle Shares?	Each Director will (in the absence of a Superior Proposal), vote, or procure the voting of any Cradle Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme Resolution. Your Directors collectively control the voting rights attaching to approximately 28.05% of the total number of Cradle Shares on issue.
How do major Cradle Shareholders intend to vote in respect of their Cradle Shares?	Directors of Cradle and other substantial Cradle Shareholders (Arredo Pty Ltd, Aviemore Capital Pty Ltd, Alba Capital Pty Ltd, Mr Brett and Michelle Mitchell, and Edwards Family Holdings Limited), holding in aggregate 45.75% of the voting Cradle Shares, have stated their present intention to vote, or procure the voting of, all of the Cradle 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.

Question about Tremont	
Who is Tremont?	Tremont is an entity incorporated in Mauritius established for the primary purpose of engaging in activities related to mining, including identifying, evaluating and, as appropriate, investing in undercapitalised mining assets or projects that, with the application of capital and managerial efficiency, can be brought to cash flow and profitability. See Section 7 for further information on Tremont.

General questions	
What other information is available to answer my questions about the	You should read the detailed information in relation to the Transaction provided in this Scheme Booklet. Further information in relation to Cradle can be obtained from ASX on

Transaction?	its website www.asx.com.au or on Cradle's website www.cradleresources.com.au. You may also contact Mr Greg Swan (Company Secretary) on +61 8 9322 6322 any time between 8.00am and 5.00pm (WST) Monday to Friday to request copies of Cradle's financial statements. Financial information is provided in Cradle's comparative annual financial statements for its most recently completed financial year in Section 6.6 of this Scheme Booklet. You may also consult your legal, investment, taxation, financial or other professional adviser.

4 SCHEME MEETING AND VOTING INFORMATION

This Section contains information relating to voting entitlements and information on how to vote at the Scheme Meeting for Cradle Shareholders.

4.1 Scheme Meeting

(a) Time and location

The Scheme Meeting to approve the Scheme is scheduled to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday, 28 June 2017 at 10.00am (WST).

(b) Requisite Majority

At the Scheme Meeting, the Scheme Resolution will be proposed to the Scheme Meeting which must be approved by:

- (i) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Cradle Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and
- (ii) at least 75% of the total number of votes which are cast on the Scheme Resolution,

for the Scheme Resolution to be passed. Excluded Shareholders, being Tremont and its Associates, will not be entitled to vote on the Scheme Resolution.

(c) Notice of Scheme Meeting

The Scheme Resolution is set out in the Notice of Scheme Meeting in Annexure 5.

4.2 Entitlement and ability to vote at the Scheme Meeting

If you are a Cradle Shareholder (other than an Excluded Shareholder) as at 5.00pm (WST) on 26 June 2017, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting.

Voting on the Scheme Resolution will be by poll.

4.3 Voting Process

(a) Voting in person

If you wish to vote in person, you should attend the Scheme Meeting.

(b) Voting by proxy

Your personalised Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

You can appoint a proxy by completing and returning to Cradle the enclosed Proxy Form for the Scheme Meeting. The Proxy Form must be received by Cradle by no later 10.00am (WST) on 26 June 2017, or 48 hours before any adjourned or postponed Scheme Meeting.

You must return the Proxy Form to Cradle by either:

- (i) posting it in the envelope provided, hand delivering or faxing it to the Share Registry:

Mail to:
Cradle Resources Limited

C/- LINK Market Services Limited
Locked Bag A14, Sydney South NSW 1235
Hand deliver to:
Cradle Resources Limited
C/- LINK Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

Fax to:
+61 2 9287 0309

- (ii) Lodging it online at www.linkmarketservices.com.au, instructions as follows:

Select 'Investor & Employee Login' and enter Cradle Resources Limited or the ASX code CXX in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your Proxy Form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney, under which the Proxy Form was signed, must be received by the Share Registry at the same time as the Proxy Form (unless you have already provided a certified copy of the power of attorney to Cradle).

If you complete and return a Proxy Form, you may still attend the meeting in person, revoke the proxy and vote at the meeting. Proxy Forms may also be revoked by contacting the Share Registry or submitting a new Proxy Form prior to 10.00am (WST) on 26 June 2017 or 48 hours before any adjourned or postponed Scheme Meeting.

- (c) Undirected proxies

A Cradle Shareholder who has submitted a proxy has the right to appoint the chairman of the Scheme Meeting, or another person (who need not be a Cradle Shareholder) to represent him, her or it at the Scheme Meeting and vote on the Scheme Resolution, by inserting the name of his, her or its desired representative in the space provided for that purpose on the Proxy Form. A Cradle Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes.

Any instrument of proxy in which the name of the appointee is not filled in will be deemed to have been given in favour of the chairman of the Scheme Meeting.

The chairman of the Scheme Meeting intends to vote all undirected proxies in favour of the Scheme Resolution.

- (d) Voting by corporate representative

To vote in person at the Scheme Meeting, a Cradle Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Cradle Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A certificate with or without the seal of the body corporate Cradle Shareholder, signed by two directors of that body corporate, or signed by one director and one secretary, or any other document as the chairman of the Scheme Meeting in his sole discretion considers sufficient, will be evidence of the appointment, or of the revocation of the appointment, as the case may be, of a representative.

(e) Voting by attorney

A Cradle Shareholder may appoint a person (whether a Cradle Shareholder or not) as its attorney to attend and vote at the Scheme Meeting.

An instrument appointing an attorney must be in writing executed under the hand of the appointer or the appointer's attorney duly authorised in writing, or if the appointer is a corporation, under its common seal (if any) or the hand of its duly authorised attorney or executed in a manner permitted by the Corporations Act. The instrument may contain directions as to the manner in which the attorney is to vote on a particular resolution(s) and, subject to the Corporations Act, may otherwise be in any form as the Directors may prescribe or accept. A fax of a written power of attorney is valid provided it has been provided to Cradle on the fax numbers in Section 4.3(b) by no later than 10.00am (WST) on 26 June 2017. Such fax will be deemed to have been served on Cradle upon the receipt of a transmission report confirming successful transmission of that fax.

5 KEY CONSIDERATIONS

The purpose of this Section 5 is to identify significant issues for you to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting, you should carefully consider the factors discussed below and the risk factors, outlined in Section 8, as well as the other information contained in this Scheme Booklet.

5.1 Background

Under the Transaction, Tremont will acquire all of the Scheme Shares through a scheme of arrangement under Australian law.

The Scheme is subject to, among other things, approval by the Requisite Majority of Cradle Shareholders at the Scheme Meeting, approval by the Court pursuant to section 411(4)(b) of the Corporations Act on the Second Court Date and the satisfaction or waiver (where applicable) of certain conditions.

If the Scheme becomes Effective, Cradle will be delisted from ASX. Cradle is expected to be delisted from ASX on or shortly after the Implementation Date. All Scheme Shares will be transferred to Tremont and Scheme Participants will be paid the Scheme Consideration on or around the Implementation Date for the transfer of the Cradle Shares held by them on the Record Date.

5.2 What you will receive under the Scheme

If the Scheme is implemented, Scheme Participants will be paid A\$0.33 cash per Cradle Share from Tremont as consideration for the transfer of their Cradle Shares on the Implementation Date.

Tremont has executed the Deed Poll pursuant to which Tremont has agreed, subject to the Scheme becoming Effective, to pay the aggregate Scheme Consideration to a trust account held by Cradle. Under the Scheme, Cradle must then pay the Scheme Consideration to the Scheme Participants. A copy of the Deed Poll is attached as Annexure 4.

Details on Australian tax considerations in relation to the Scheme Consideration can be found in Section 9.

For those Scheme Participants who have made an election prior to the Record Date to receive payments from Cradle by electronic funds transfer to a nominated bank account, Cradle will pay the Scheme Consideration by direct credit. Otherwise, Cradle will pay Scheme Participants the Scheme Consideration by sending a cheque drawn on an Australian bank in Australian currency to the Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post).

5.3 Competing Transactions

During the Exclusivity Period, the Scheme Implementation Agreement prohibits Cradle and certain of their representatives from taking certain actions in relation to Competing Transactions.

If the Directors receive a Competing Transaction from a third party, Cradle must give notice of the Competing Transaction to Tremont. Tremont has the right, but not the obligation, within five Business Days of receipt of that notice to provide a matching or superior proposal to the terms of the Competing Transaction.

Your Directors will carefully consider any Competing Transaction received from a third party (provided it does not breach the terms of the Scheme Implementation Agreement) and inform you of any material developments. Presently your Directors are not aware of any such proposals.

Further details on Competing Transactions are provided in Section 10.12 and in the Scheme Implementation Agreement, a copy of which is attached as Annexure 2.

5.4 Directors' recommendation

Your Directors believe that the Scheme is in the best interests of Cradle Shareholders, and they unanimously recommend that Cradle Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

Your Directors have formed their conclusion and made their recommendation on the Scheme based on the reasons outlined in Section 2.1.

Each of the Directors (set out in Section 6.3) will vote or procure the voting of, any Cradle Share (as applicable) held by or on behalf of a Director at the time of the Scheme Meeting, in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Proposal.

The reasons Cradle Shareholders might elect to vote against the Scheme and other relevant considerations are set out in Sections 2.2 and 2.3 respectively.

5.5 Independent Expert's Report

The Independent Expert, BDO, has reviewed the terms of the Scheme and concluded that the Scheme is fair and reasonable, and in the best interests of Cradle Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the fair value of Cradle Shares to be in the range of \$0.269 to \$0.319 per Cradle Share, with a preferred value of \$0.295. This reflects the estimated full underlying value of Cradle, including a premium for control. As the Scheme Consideration is A\$0.33 cash per Share, the Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of Cradle Shareholders, in the absence of a Superior Proposal.

The Independent Expert has considered a number of factors in assessing the Scheme, including:

- (a) how the value of a Cradle Share compares to the Scheme Consideration for each Cradle Share;
- (b) the likelihood of a Superior Proposal being available to Cradle;
- (c) other factors which the Independent Expert considers relevant to Cradle Shareholders in their assessment of the Scheme; and
- (d) the position of Cradle Shareholders should the Scheme not proceed.

The Independent Expert's Report is set out in Annexure 1 and should be read in its entirety, including the assumptions on which the conclusions are based.

5.6 What are your options and what should you do?

You have the following four options in relation to your Cradle Shares. Cradle encourages you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Cradle Shares.

- (a) Vote in favour of the Scheme Resolution at the Scheme Meeting

Your Directors unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Proposal. The reasons for your Directors' unanimous recommendation are set out in Section 2.1.

To vote in favour of the Scheme, you need to vote in favour of the Scheme Resolution at the Scheme Meeting. For directions on how to vote at the Scheme Meeting, and important voting information generally, please refer to Section 4.

- (b) Vote against the Scheme Resolution at the Scheme Meeting

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Transaction, you may vote against the Scheme Resolution at the Scheme Meeting.

However, you should note that if the Scheme becomes Effective (as a result of Cradle Shareholders passing the Scheme Resolution by the Requisite Majority and the Scheme being approved by the Court, amongst other things), the Scheme will bind all Cradle Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

(c) Sell your Cradle Shares on ASX

The Transaction does not preclude you from selling your Cradle Shares on market for cash, if you wish, provided you do so before close of trading in Cradle Shares on ASX on the Effective Date (currently expected to be 5 July 2017).

Since the Announcement Date, Cradle Shares have traded on ASX at prices above the closing share price on 9 March 2017 (being the last ASX trading day for Cradle Shares prior to the announcement of the Transaction).

If you are considering selling your Cradle Shares on ASX you should have regard to the prevailing trading prices of Cradle Shares at that time.

If you sell your Cradle Shares on market for cash, you:

- (i) will not be entitled to receive the Scheme Consideration;
- (ii) may incur a brokerage charge;
- (iii) may experience tax consequences, including incurring Australian CGT; and
- (iv) will not be able to participate in a Superior Proposal, if one emerges, noting that, as at the date of this Scheme Booklet, your Directors have not received notice from any third party of an intention to make any Competing Transaction.

(d) Do nothing

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if the Scheme becomes Effective (as a result of Cradle Shareholders passing the Scheme Resolution by the Requisite Majority and the Scheme being approved by the Court, amongst other things), the Scheme will bind all Cradle Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

Remember, if you want to receive the Scheme Consideration, your vote is important. If the Scheme is not approved by the Requisite Majority of Cradle Shareholders, you will not be entitled to receive any Scheme Consideration.

6 INFORMATION ABOUT CRADLE

6.1 Overview of Cradle

Cradle is an Australian public company which has been listed on the official list of ASX since 16 September 2011. Cradle is an exploration and project development company with a 50% interest in PHT. The remaining 50% of PHT is owned by Tremont.

In 2013 Cradle acquired all the share capital of Panda Hill Mining Pty Ltd (**PHM**), which held a 49% shareholding in RECB, a special purpose vehicle that owned 100% of the Panda Hill Project. PHM held an option to acquire a further 1% shareholding in RECB (which was exercised and acquired in 2014) in addition to an option to acquire the remaining 50% of RECB (or to acquire 100% of the Project's assets directly) under an earn-in/option agreement.

In 2014 Cradle announced that it had entered into an agreement with Tremont, under which, Tremont had the right to contribute US\$20 million to acquire a 50% interest in PHM, by sole funding of the development expenditure in four stages. Tremont acquired its interest by subscribing for shares in a newly incorporated company, PHT, into which all of Cradle's interest in the Project was transferred.

In 2015, PHT, the joint venture entity owned by Cradle and Tremont, exercised its option to acquire the remaining 50% of the Panda Hill Project from RECB. Completion under the amended purchase agreement took place on 9 November 2015 following approval by the Tanzanian Government of the transfer of the mining licences.

The Panda Hill Project is located in the Mbeya region in south western Tanzania, approximately 680km west of the capital, Dar es Salaam. The Panda Hill Project is covered by three mining licences covering a total area of approximately 22.1km² which are valid until November 2026 (subject to further extension). See Section 6.4 for further information.

Cradle is listed on ASX, is a 'disclosing entity' for the purposes of the Corporations Act and is subject to regular reporting obligations under the Corporations Act and the Listing Rules. See Section 6.10 for further information.

In addition to the information about Cradle contained in this Section, the Independent Expert's Report in Annexure 1 contains further detailed information on Cradle.

6.2 Organisational Structure

The following chart illustrates the entities comprising the Cradle Group as at the date of this Scheme Booklet.

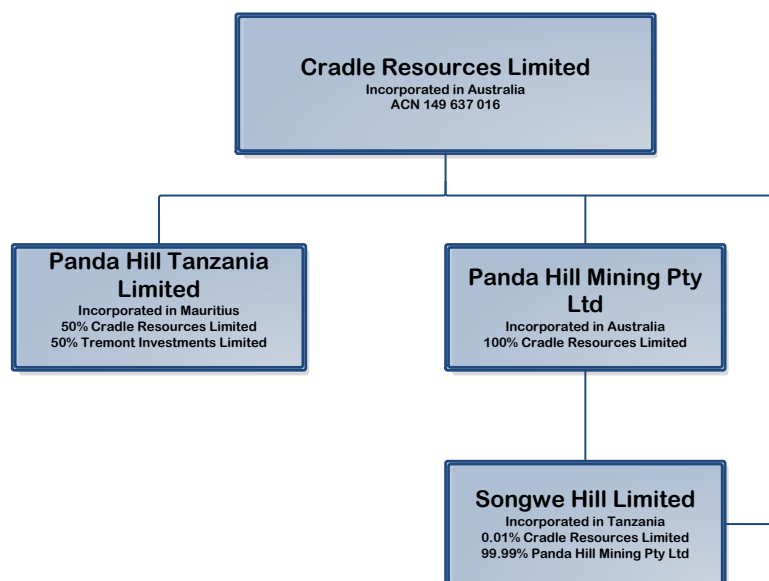


Figure 1

6.3 Directors and Key Management Personnel

The current Directors and other key management personnel (**KMP**) of Cradle are as follows:

(a) Directors

Ian Middlemas - Non-Executive Chairman

Ian Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international chartered accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director of a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Non-Executive Director on 8 May 2016 and Chairman on 1 August 2016. Mr Middlemas holds directorships in Apollo Minerals Limited, WCP Resources Limited, Paringa Resources Limited, Berkeley Energia Limited, Prairie Mining Limited, Syntonic Limited, Salt Lake Potash Limited, Equatorial Resources Limited, Sovereign Metals Limited, Odyssey Energy Limited, and previously held directorships in Papillon Resources Limited (May 2011 – October 2014), Sierra Mining Limited (January 2006 – June 2014) and Decimal Software Limited (July 2013 – April 2014).

James Kelly - Executive Director

James Kelly is a metals and mining executive with extensive financial experience encompassing corporate finance, general finance, banking and principal investing. At Xstrata PLC, a FTSE 100 diversified mining company, James was a senior member of the business development team whose remit included strategy, M&A and capital allocation. As part of the small corporate team, James had additional extensive involvement in investor relations as well as financial management of the underlying business units, including a secondment to Xstrata Coal. During his time at Xstrata, James worked on numerous transactions prior to the merger with Glencore. Most recently, James has been a founding member of two natural resources private equity funds: Greenstone Resources LP which is focused on post exploration, mining development projects; and Buckthorn Partners LLP which is focused on companies providing products and services to the oil and gas, mining and water sectors. James is a fellow of the Institute of Chartered Accountants of England and Wales.

Mr Kelly was appointed a Non-Executive Director on 4 February 2016 and became an Executive Director on 1 April 2016.

Craig Burton - Non-Executive Director

Craig Burton is an experienced and active investor in emerging businesses, both publicly listed and private. Over the last 25 years, he has co-founded numerous new projects, with a focus on the resources, oil and gas and mining services sectors.

Mr Burton was appointed Non-Executive Chairman and Director on 16 September 2013 and became a Non-Executive Director on 1 August 2016. Mr Burton is also a Director of Atrium Coal Limited, TSV Montney Ltd, Panda Hill Mining Pty Ltd and PHT and was formerly Chairman of Transerv Energy Limited.

Robert Behets - Non-Executive Director

Robert Behets is a geologist with over 28 years' experience in the mineral exploration and mining industry in Australia and internationally. He was instrumental in the founding, development and subsequent sale of Mantra Resources Limited, a Tanzanian-focused uranium company. Prior to Mantra, Mr Behets held various senior management positions during a long career with WMC Resources Limited. Mr Behets has a strong combination of technical, commercial and managerial skills and extensive experience in exploration, development and operations across a range of commodities including uranium, gold and base metals. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists.

Mr Behets was appointed a Non-Executive Director on 8 May 2016. Mr Behets is currently a Non-Executive Director of Berkeley Energia Limited, Equatorial Resources Limited, Apollo Minerals Limited and WCP

Resources Limited and was previously Non-Executive Director of Papillon Resources Limited (May 2012 – October 2014).

(b) Key Management

Mr Grant Davey - Consultant

Grant Davey is a mining engineer with over 20 years of senior management and operational experience in the construction and operation of gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, he has been involved in venture capital investments in several exploration and mining projects and he has been instrumental in developing the Panda Hill Project.

Mr Davey is also company secretary of Panda Hill Mining Pty Ltd and a director of PHT, and is a member of the Australian Institute of Company Directors.

Mr Greg Swan - Company Secretary

Greg Swan is a member of the Institute of Chartered Accountants and Institute of Chartered Secretaries. He commenced his career with a large international chartered accounting firm and has since worked in the corporate office of several listed resources companies, including Paringa Resources Limited, WCP Resources Limited, Mantra Resources Limited, Equatorial Resources Limited and Papillon Resources Limited.

6.4 Panda Hill Project

The information in this Section 6.4 relating to the Panda Hill Mineral Resources is extracted from the announcement entitled 'Substantial Increase in Panda Hill Resource' dated 30 April 2015. Information in this Section 6.4 relating to the Ore Reserves is extracted from the announcement entitled 'Ore Reserves for Panda Hill Declared' dated 14 June 2016. The information in this Section 6.4 relating to the Cradle DFS is extracted from the announcement entitled 'Definitive Feasibility Study on Panda Hill' dated 20 April 2016. The information in this Section 6.4 relating to the Front-end Engineering and Design (**FEED**) activities is extracted from the announcement entitled 'December 2016 Quarterly Activity Report' dated 31 January 2017. These announcements are available to view at www.cradleresources.com.au.

Cradle 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. Cradle 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.

(a) Project Description and Location

The Panda Hill Project (Figure 2) is located in the Mbeya region in south western Tanzania and 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 Panda Hill Project is located near the main highway to Dar es Salaam and in close proximity to the recently completed Songwe International Airport.

The Panda Hill Project is covered by three mining licences (Figure 3) (ML 237/2006, 238/2006 and 239/2006) granted on 16 November 2016 and covers a total area of approximately 22.1km². Title of these licences was transferred to PHT and subsequently extended for a further 10 years to November 2026.

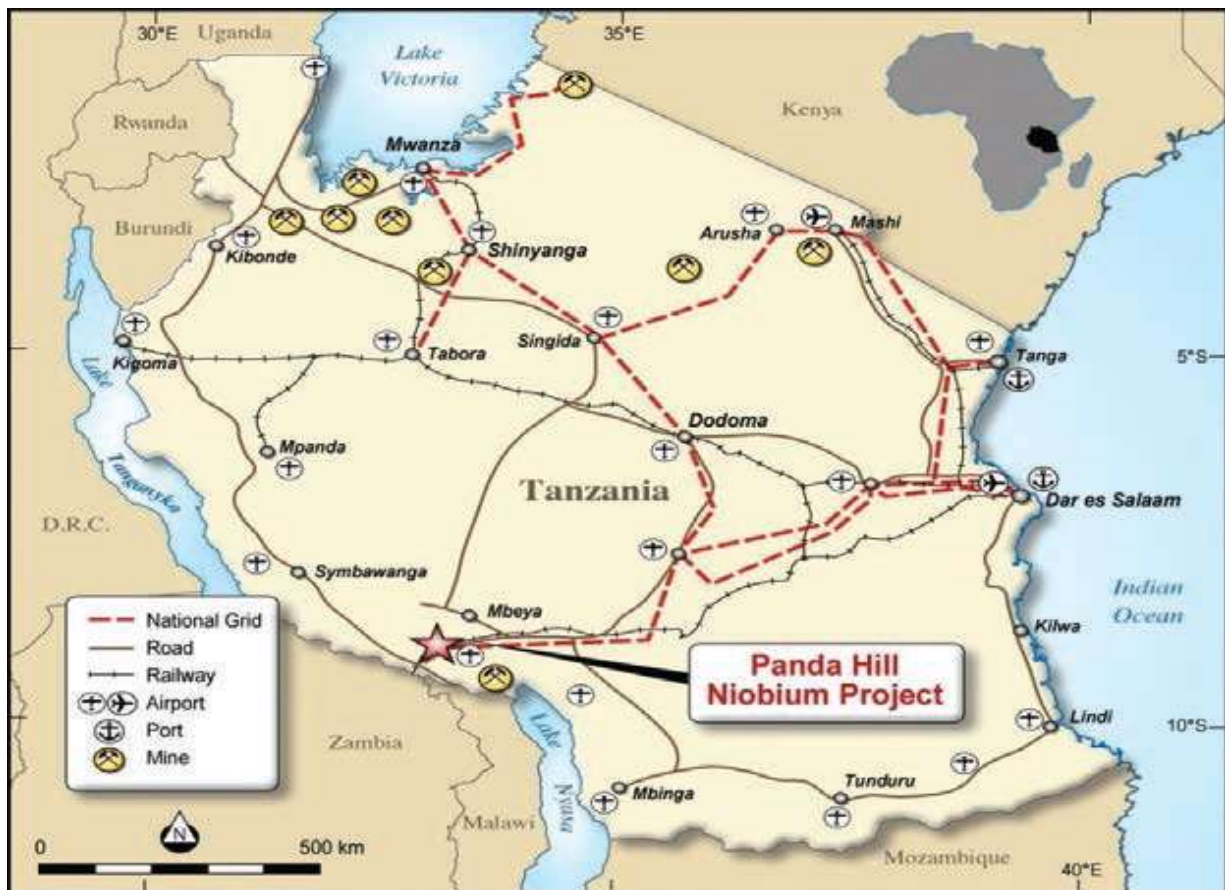


Figure 2

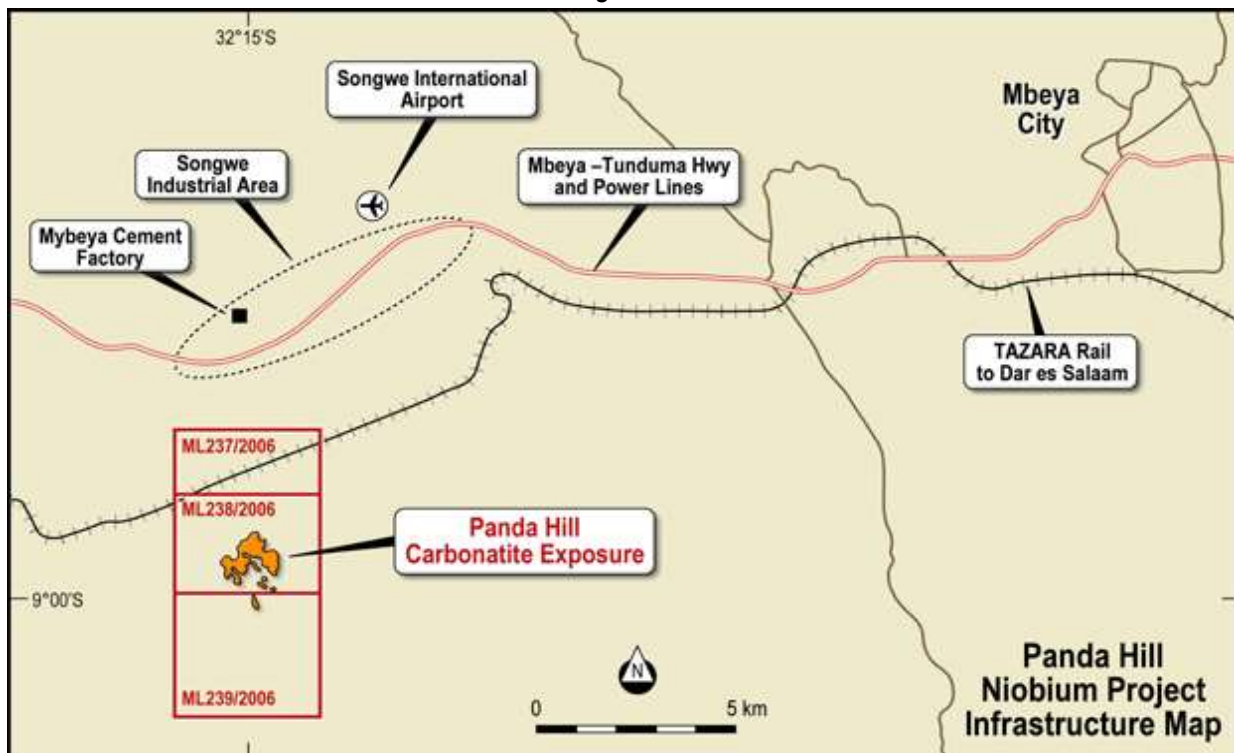


Figure 3

The Panda Hill Project is located close to surrounding infrastructure including the TAZARA Railway line (2km) which passes through the northernmost mining licence ML237/2006, the Dar es Salaam-Tunduma Highway (between 5km and 7km to the north of the Panda Hill Project), the Songwe International Airport (8km to the north north-east of the Panda Hill Project) and major power infrastructure located in Mbeya (26km east north-east of the Panda Hill Project).

(b) Mineral Resources and Ore Reserves

On 30 April 2015, Cradle announced an updated Mineral Resource estimates for the Panda Hill Project which now stands at 178Mt at 0.5% Nb₂O₅ (Niobium Oxide). The information contained in Table 1 and elsewhere in this Scheme Booklet in respect of Mineral Resources has been summarised from this announcement (entitled 'Substantial Increase in Panda Hill Resource') dated 30 April 2015.

Panda Hill Project Mineral Resource (inclusive of Reserves) (April 2015) Reported Above a 0.3% Nb ₂ O ₅ Lower Cut-off			
Combined			
Classification	Tonnage (Mt)	Nb ₂ O ₅ (%)	Contained Nb ₂ O ₅ (kt)
Measured	16	0.63	99
Indicated	53	0.50	263
Inferred	109	0.48	528
Total	178	0.50	891
Primary Carbonatite ¹			
Classification	Tonnage (Mt)	Nb ₂ O ₅ (%)	Contained Nb ₂ O ₅ (kt)
Measured	14	0.62	84
Indicated	50	0.49	247
Inferred	103	0.48	496
Total	167	0.50	828
Weathered Carbonatite ²			
Classification	Tonnage (Mt)	Nb ₂ O ₅ (%)	Contained Nb ₂ O ₅ (kt)
Measured	2	0.67	15
Indicated	3	0.53	15
Inferred	6	0.52	32
Total	11	0.55	63

Table 1

Notes:

1. Primary Carbonatite is defined as a region of fresh to Moderately Oxidised material dominated by carbonatite lithologies. This material is expected to have a higher metallurgical recovery.
2. Weathered Carbonatite is a region dominated by strongly oxidised material comprising weathered carbonatite with other mixed lithologies. This material is expected to have a lower recovery than the Primary Carbonatite material.
3. Figures have been rounded.

There is also an Exploration Target on the Panda Hill Project of between 200Mt to 400Mt at a grade of between 0.40% and 0.60% Nb₂O₅ that covers the region outside of the boundary of the current Mineral Resource. The Exploration Target is conceptual in nature as there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

On 14 June 2016, Cradle announced a maiden Ore Reserve estimate for the Panda Hill Project, being 20.6Mt at average grade 0.68% Nb₂O₅ (Niobium Oxide). Importantly, all mill feed within the first 10 years of the planned production schedule of the Cradle DFS are classified as Ore Reserves (see Table 2).

Panda Hill Project Ore Reserve Estimate (May 2016)				
Classification	Mineralisation Type	Tonnage (Mt)	Nb ₂ O ₅ (%)	Contained Nb ₂ O ₅ (t)
Proved Ore Reserve	Oxide	0.84	0.77	6,424
	Transition	3.46	0.77	26,814
	Fresh	3.02	0.66	20,087
	Subtotal	7.32	0.73	53,325
Probable Ore Reserve	Oxide	0.83	0.68	5,668
	Transition	3.84	0.68	36,294
	Fresh	8.57	0.63	54,353
	Subtotal	13.25	0.65	86,315
Combined Ore Reserve	All Mineralisation Types	20.6	0.68	139,640

Table 2

The Ore Reserve used the April 2015 Mineral Resource estimate incorporating in total 46 diamond and 87 RC holes drilled by Cradle from 2013 to December 2014 with 11,400 samples taken for 20,100m drilled, plus 33 historic diamond holes for 2,389m.

The Ore Reserves were reported in accordance with JORC Code (2012) and incorporated the results of the Cradle DFS, inclusive of the extensive investigations and work carried out since 2012 by Cradle and more recently by PHT.

The Ore Reserves assume that the Panda Hill Project commences at a throughput of 1.3 Mt per annum and is ramped up to 2.6 Mt per annum after four years of production and are based on the mine designs generated from the first three pushbacks defined in the Cradle DFS.

These mine designs were based on extensive pit optimisation and included geotechnical inputs, ground and surface water recommendations, metallurgical testwork, environmental studies and detailed mine scheduling. Mining costs were based on a schedule of rates received from selected international and local mining contractors that are currently working, or have worked, in Tanzania. Plant and general and administration costs were based on tenders received from multiple suppliers as part of the feasibility enquiry process. Ore Reserves only utilise Measured Mineral Resources and Indicated Mineral Resources and are reported above an average cut-off grade of 0.46% Nb₂O₅ (the actual cut-off grade varies by year for the first 10 years).

(c) Cradle DFS

The results of the Cradle DFS on the Panda Hill Project were announced on 20 April 2016. The Cradle DFS assumes that the Panda Hill Project commences at a throughput of 1.3 Mt per annum and is ramped up to 2.6 Mt per annum after four year's production, with this ramp up funded by Panda Hill Project cash flows. The total mine life is 30 years with total throughput being 72.4 Mt of ore at a strip ratio of 1.5 to 1.

The estimated initial construction capital cost including pre-production requirements is US\$196M (excluding working capital). Average life of mine operating costs for the process are estimated at US\$21.34/kg including royalties and marketing. Positive financial metrics are generated for the Panda Hill Project with a projected NVP₁₀ (after tax) of US\$404 million and a nominal pay-back period of only 4.75 years (from fully funded and inclusive of the expansion capital).

The first 10 years of production (20.6 Mt of mill feed) was based solely upon Measured Mineral Resources and Indicated Mineral Resources, with payback of all upfront and expansion capital well within this period. The 30-year life of mine is based upon 35.3 Mt of Measured and Indicated Resources (49%) and 37.1 Mt of Inferred Mineral Resources (51%).

The key technical inputs to the Cradle DFS were delivered by South African based project engineers MDM Technical Africa Pty Ltd who undertook plant design and operating cost and capital expenditure estimation and incorporated technical aspects from:

- (i) Coffey Mining Pty Ltd for the Mineral Resource estimate;
- (ii) SRK Consulting (Australasia) Pty Ltd for the geotechnical analysis and mine planning, including open pit optimisation, pit design, and production scheduling and associated cost estimates;
- (iii) SGS Canada Inc. for metallurgical test work;
- (iv) SLR Consulting (Africa) Pty Ltd for tailings and water studies and associated cost estimates;
- (v) MTL Consulting Company Ltd for environmental and social studies; and.
- (vi) Roskill Consulting Group Limited for ferroniobium pricing.

The Cradle DFS released to ASX is not the Completed DFS for the purposes of the Investment and Shareholders Agreement. Refer to Section 6.5(a) for further details.

The results of the Cradle DFS differ from the results of the model adopted by the Independent Technical Specialist for the purposes of the Independent Technical Specialist's Report. These differences have arisen as a result of different assumptions adopted by the Independent Technical Specialist such as the mine life which was adjusted to 15 years as opposed to the 30 year life of mine in the Cradle DFS (the Independent Technical Specialist determined that in their view it was appropriate to consider an alternate valuation approach under the VALMIN Code 2015 to value certain inferred resources instead of using an income based valuation as Cradle did for the Cradle DFS), and niobium price forecasts (the Independent Technical Specialist determined their own niobium price forecasts based on independent market research). Refer to appendix 4 of the Independent Expert's Report for further details.

(d) FEED Program

The front end engineering and design program was completed during the quarter ended 31 December 2016 by MDM Technical Africa Pty Ltd. Two main differences to the Cradle DFS were highlighted as follows:

- (i) project capital costs reduced by approximately US\$10 million; and
- (ii) schedule for the execution of the project reduced by 3 months (to 18 months).

(e) Permitting

The ESIA documentation was submitted to the Tanzanian National Environment Management Council (**NEMC**) in May 2015. The full ESIA program of work, including the wet season and dry season baseline studies and the social studies were undertaken during the Cradle DFS and pre-feasibility studies. The certification for the Panda Hill Project was issued on 18 August 2015. There were no restrictions or special instructions imposed on the ESIA certification. This ESIA complies with Tanzanian standards but the inclusion of the results from the dry season baseline study was required for the ESIA to be compliant with the standards of the International Finance Corporation. This update was completed and the final ESIA report was issued in April 2016.

The three mining licences (ML 237/2006, 238/2006 and 239/2006) were renewed for a further 10-year term to 16 November 2026 as per the Tanzanian Mining Act and regulations.

(f) Marketing and Financing of Panda Hill Project

PHT is currently engaged in negotiations to secure senior project debt funding as well as offtake and marketing arrangements for the niobium produced from the Panda Hill Project. Although commercial negotiations with these parties is progressing, there are no agreements in place relating to senior project debt funding, offtake or marketing arrangements for the Panda Hill Project. There is no assurance that

current negotiations will result in definitive agreements being entered into in relation to senior project debt funding for all or part of the Panda Hill Project or offtake or marketing arrangements.

To enable PHT to engage in meaningful discussions with these parties, irrespective of the outcome of the Transaction, Cradle has agreed with Tremont that if the Scheme Implementation Agreement is terminated, PHT can negotiate and finalise formal agreements relating to senior project debt funding, offtake and marketing for the Panda Hill Project provided that the final agreements are consistent with key commercial terms agreed between Cradle and Tremont. However, this does not apply if Tremont has breached the Scheme Implementation Agreement.

6.5 Material Contracts

(a) Joint Venture

On 6 June 2014, Cradle, Panda Hill Mining Pty Ltd and Tremont entered into an agreement in respect of:

- (i) the ownership, control and management of PHT;
- (ii) PHT's business of evaluating and developing the Panda Hill Project; and
- (iii) various matters ancillary to those arrangements,

(the **Investment and Shareholders Agreement**).

PHT owns 100% of the mining licences, being the Mineral Rights, in respect of the Panda Hill Project.

Under the Investment and Shareholders Agreement, some of the key terms are as follows:

- (i) Cradle and Tremont (in this Section 6.5(a) each a "party") each hold 23,210,000 (50%) PHT shares in accordance with, and as adjusted pursuant to Tremont's exercise of its right of sole funding under, the Investment and Shareholders Agreement;
- (ii) each party is entitled to appoint two nominee PHT directors, jointly appoint one independent director agreed between the parties, Cradle has the right to appoint an additional nominee PHT director if Tremont elects to cease its right of sole funding and Tremont may appoint an additional nominee PHT director if Cradle's interest falls below 50%;
- (iii) a technical committee, comprised of members from each party, is established which is responsible for the creation, implementation and supervision of budgets and programs for the Panda Hill Project;
- (iv) each party has a pre-emptive right over any PHT shares offered for sale by the other party;
- (v) in order to reach a Decision to Mine in respect of the Panda Hill Project, following the preparation of a Completed DFS by PHT:
 - (A) the parties may agree to make a Decision to Mine; or
 - (B) if a Decision to Mine is not agreed within 60 days of the delivery of the Completed DFS, an individual party can make a Decision to Mine provided that the party:
 - (I) delivers to the PHT board a non-binding term sheet for the provision of project debt finance for at least 25% of the funding required for the Panda Hill Project;
 - (II) gives an irrevocable commitment to contribute their balance of equity funding required for development of the Panda Hill Project at US\$1.00 per share in PHT; and

- (III) demonstrates to the other party, a reasonable ability to fund or raise funding to cover the equity funding required for construction and development of the Panda Hill Project;
- (vi) where a Decision to Mine is made, irrespective of the manner in which that decision was reached, PHT must thereafter and in good faith implement the construction and development of the Panda Hill Project in accordance with the Decision to Mine;
- (vii) if a party fails to provide all of the equity funds that it is obligated to contribute pro rata to its shareholding in PHT, the other party who has elected to contribute funding has the right (but not the obligation) to fund all or a portion of the shortfall at a price of US\$1.00 per PHT share. A decision by a party to sole fund in these circumstances will result in the other party's shareholding interest being diluted;
- (viii) each party has a pre-emptive right to market that percentage of product produced from the Panda Hill Project proposed to be sold by PHT, equal to that party's shareholding in PHT;
- (ix) after sole funding, Tremont may elect to roll up its shareholding in PHT to an equivalent shareholding in Cradle. Any roll up will be subject to the required regulatory approvals (at the time) including Cradle Shareholder approvals required under the Corporations Act and the Listing Rules; and
- (x) all disputes under the Investment and Shareholders Agreement between the parties are to be settled by arbitration.

On 28 September 2015, Tremont exercised its final right of sole funding under the Investment and Shareholders Agreement and contributed a total investment of US\$20 million in four separate tranches of US\$5 million each, increasing its interest in PHT to 50%.

(b) Memorandum of Agreement - FEED Study Financing

On 10 June 2016, Cradle, Tremont and PHT entered into a memorandum of agreement, describing the financing arrangements to be undertaken in respect of carrying out FEED studies in relation to the Panda Hill Project.

Under the terms of the agreement, Tremont agreed to provide a loan facility of up to US\$3,000,000 to PHT to carry out and complete the FEED studies. As at 31 March 2017, PHT has drawn US\$1,676,000 of the facility.

The key terms and conditions of the agreement are:

- (i) the maximum that can be drawn down by PHT is US\$3,000,000;
- (ii) no interest will accrue on any outstanding amount of the loan;
- (iii) the loan will mature on the date that is 90 calendar days after a Decision to Mine is validly made under the Investment and Shareholders Agreement;
- (iv) any outstanding loan amount will be repaid as follows:
 - (A) PHT will make a cash call to its shareholders under the terms of the Investment and Shareholders Agreement;
 - (B) Cradle will satisfy and pay its proportional share of the cash call and, upon doing so, PHT will immediately use the proceeds thereof to discharge the relevant portion of the outstanding loan amount; and
 - (C) Tremont will discharge its obligation to pay its proportional share of the cash call by converting the balance of the outstanding loan amount into a loan and, upon doing so,

PHT will immediately use the proceeds thereof to discharge the relevant portion of the outstanding loan amount; and

- (v) in the event Cradle fails to satisfy and pay its proportional share of the cash call detailed in Section 6.5(b)(iv)(A), on receipt of the first written demand from Tremont to PHT and Cradle, the outstanding loan amount must be settled in full by way of PHT issuing to Tremont at US\$1.00 per share, such number of shares to satisfy the outstanding loan amount. Upon such shares being issued, Tremont will have no further claim against Cradle or PHT with respect to the outstanding loan amount.

(c) Sale Agreement and Royalty Deed - RECB Limited

PHT acquired the Panda Hill Project from RECB pursuant to a sale of mineral rights agreement (**Sale Agreement**) dated 5 October 2015. Pursuant to the Sale Agreement, PHT agreed to pay a 5% royalty to RECB as part consideration for the purchase of the Panda Hill Project. The royalty is based on the net mining revenue from the Panda Hill Project and is capped at a maximum amount of US\$5,000,000, not including interest on any unpaid portion of the royalty. On 11 November 2015, PHT entered into a separate royalty deed (**Royalty Deed**) with RECB in respect of the Panda Hill Project to place the royalty in a separate document registrable with the Tanzanian mining titles office.

Interest is payable in respect of any unpaid portion of royalty. The Sale Agreement, which reflects the intention of the parties, states that interest is to be calculated at the rate of the three month British Pound LIBOR (London Interbank Offered Rate) interest rate plus 3.5% per annum from completion under the Sale Agreement. However, due to a transpositional issue, the Royalty Deed states that interest is to be calculated at the rate of 10% per annum from 30 June 2018.

In the event that PHT wishes to dispose, transfer or assign any part of the Panda Hill Project to a third party prior to the complete payment of the royalty, PHT must notify RECB of its intention to do so and discharge any outstanding royalty on or prior to completion of the said disposition, transfer or assignment.

There has been no production to date at the Panda Hill Project and hence no payments have been made under this agreement by PHT.

(d) Mandate - Argonaut

On 9 April 2015, Cradle engaged Argonaut as corporate and financial adviser in connection with seeking to secure funding from strategic investors to satisfy Cradle's equity contribution to the Panda Hill Project. The engagement was for an initial term of four months and has since been extended until otherwise terminated in writing by either party.

Under the terms of the mandate, Argonaut is paid an advisory fee of US\$10,000 per calendar month rebateable against any success fees payable in the mandate. Argonaut also received 1,000,000 Options exercisable at \$0.25 on or before 30 April 2018, at an issue price of \$0.0001 per Option upon execution of the mandate. These Options were issued on 30 April 2015.

In accordance with the terms of the mandate, Argonaut is entitled to a success fee upon a change of control event. Cradle and Argonaut have agreed to a success fee of US\$250,000 less any amounts paid by Cradle to Argonaut to date. As at the date of this Scheme Booklet, approximately A\$153,000 has been paid to Argonaut.

(e) Consulting Agreement - Thurwan Limited

On 10 August 2016, Cradle entered into a consulting agreement with Thurwan, a company associated with James Kelly, pursuant to which Thurwan was engaged to provide corporate finance, marketing and financing strategies for Cradle to fund its capital expenditure and development capital requirements in relation to the Panda Hill Project. The initial term of the consulting agreement was for a period of nine months. The parties have mutually agreed to extend the consulting agreement on a monthly basis.

Pursuant to the terms of the consulting agreement, Thurwan is entitled to receive an incentive payment of £25,000 upon a change of control event occurring. The consultancy agreement also provides that Thurwan has the right to be paid the net cash value of the Thurwan Options, being 1,000,000 unissued options

granted to Mr James Kelly pursuant to his letter of appointment as non-executive director. On 7 April 2017, Thurwan exercised its right to payment of the Thurwan Options, whereby Cradle has agreed to the payment of A\$80,000, representing the net cash value of the Thurwan Options (refer to Section 10.16(a) for more details) conditional upon the Court approving the Scheme.

(f) Consulting Agreement - Matador Capital Pty Limited

On 10 August 2016, Cradle entered into a consulting agreement with Matador, a company associated with Grant Davey, pursuant to which Matador was engaged to provide services in relation to the Panda Hill Project by representing Cradle on the board of PHT, provide advice to the Cradle Board, manage Cradle's budgets and invoice payment process and act as a technical consultant to Cradle in respect of the Panda Hill Project. The consulting agreement is ongoing on a monthly basis.

Pursuant to the terms of the consulting agreement, Matador is entitled to receive an incentive payment of A\$50,000 upon a change of control event occurring. The incentive payment is payable by Cradle upon the Court approving the Scheme.

6.6 Historical financial information

(a) Basis of preparation

This Section 6.6 summarises certain historical financial information about Cradle for the half year ended 31 December 2016, and the financial years ended 30 June 2016 and 30 June 2015. The financial information set out in this Section is a summary only and is prepared for the purposes of this Scheme Booklet.

Full financial statements for Cradle for the half year ended 31 December 2016, and the financial years ended 30 June 2016 and 30 June 2015 were released to ASX and are available from ASX's website www.asx.com.au. You may also contact Mr Greg Swan (Company Secretary) on +61 8 9322 6322 any time between 8.00am and 5.00pm (WST) Monday to Friday to request copies of Cradle's financial statements.

The financial statements of Cradle for the year ended 30 June 2016 were audited by Ernst & Young. An unmodified audit opinion was issued on these financial statements, including an emphasis of matter drawing attention to the existence of a material uncertainty that may cast significant doubt about Cradle's ability to continue as a going concern.

(b) Consolidated statement of financial position

Below is a summary of Cradle's consolidated statement of financial position as at 30 June 2015, 30 June 2016 and Cradle's consolidated statement of financial position as at 31 December 2016.

	31 December 2016	30 June 2016	30 June 2015
	\$	\$	\$
Assets			
Current Assets			
Cash and cash equivalents	2,494,270	5,571,352	2,351,093
Trade and other receivables	50,588	33,078	1,087,486
Total Current Assets	2,544,858	5,604,430	3,438,579
Non-Current Assets			
Exploration and evaluation	-	-	1,898,656
Interest in joint venture	22,170,280	18,183,827	24,227,531
Other receivables	26,133	26,133	53,868
Total Non-Current Assets	22,196,413	18,209,960	26,180,055
Total Assets	24,741,271	23,814,390	29,618,634
Liabilities			

	31 December 2016	30 June 2016	30 June 2015
Current Liabilities			
Trade and other payables	100,119	118,002	351,843
Accrued expenses	1,125,597	79,827	95,022
Contingent consideration payable	-	-	2,864,063
Provisions	11,742	47,301	111,994
Total Current Liabilities	1,237,458	245,130	3,422,922
Total Liabilities	1,237,458	245,130	3,422,922
Net Assets	23,503,813	23,569,260	26,195,712
Contributed Equity			
Issued share capital	27,988,391	27,988,391	19,005,683
Issued share options	287,491	287,491	287,491
Share based payment reserve	571,359	489,319	606,510
Consolidation reserve	10,921,281	10,921,281	8,682,016
Foreign currency translation reserve	2,107,972	1,513,472	1,417,000
Accumulated losses	(18,372,681)	(17,630,694)	(8,428,145)
Equity attributable to equity holders of the Parent	23,503,813	23,569,260	21,570,555
Non-controlling interest	-	-	4,625,157
Total Equity	23,503,813	23,569,260	26,195,712

(c) Consolidated statement of profit or loss and other comprehensive income

Below is a summary of Cradle's consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2015 and 30 June 2016 and Cradle's consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2016.

	31 December 2016	30 June 2016	30 June 2015
	\$	\$	\$
Revenue	14,275	9,570	11,076
Expenses			
Administration	(158,277)	(450,031)	(514,858)
Professional fees	(286,708)	(285,513)	(435,496)
Director fees	(170,259)	(329,281)	(169,999)
Exploration and evaluation expenditure	-	(308)	(6,389)
Employee benefits expense	(76,357)	(181,078)	(130,289)
Share based payment expense	(82,040)	(113,809)	(492,393)
Net foreign exchange gains	50,287	337,912	703,372
Exploration and evaluation expenditure written off	-	-	(224,100)
Impairment on joint venture interest	-	(3,922,657)	-
Loss on dilution of interest in PHT	-	(2,410,303)	(2,109,036)
Write down of intercompany loans on loss of control of subsidiary	-	(1,907,839)	-
Share of interest in joint venture losses	(32,908)	(25,648)	(169,344)
Loss on disposal of subsidiary	-	(441)	-
Loss on re-measurement of financial liability	-	(1,917,188)	(426,563)
Loss before income tax expense	(741,987)	(11,196,614)	(3,964,019)

	31 December 2016	30 June 2016	30 June 2015
Income tax benefit	-	-	-
Loss after income tax expense	(741,987)	(11,196,614)	(3,964,019)
Loss after income tax benefit for the period attributable to:			
Member of the parent entity	(741,987)	(9,202,549)	(3,935,764)
Non-controlling interest	-	(1,994,065)	(28,255)
	(741,987)	(11,196,614)	(3,964,019)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations	594,500	96,472	1,417,000
Other comprehensive income for the period, net of tax	594,500	96,472	1,417,000
Total comprehensive income for the period	(147,487)	(11,100,142)	(2,547,019)
Total comprehensive income for the period attributable to:			
Member of the parent entity	(147,487)	(9,106,077)	(2,518,764)
Non-controlling interest	-	(1,994,065)	(28,255)
	(147,487)	(11,100,142)	(2,547,019)
Loss per share			
Basic earnings / (loss) per share (cents)	(0.45)	(6.72)	(3.06)
Diluted earnings / (loss) per share (cents)	(0.45)	(6.72)	(3.06)

(d) Consolidated statement of cash flows

Below is a summary of Cradle's consolidated statement of cash flows for the years ended 30 June 2015 and 30 June 2016 and Cradle's consolidated statement of cash flows for the half year ended 31 December 2016.

	31 December 2016	30 June 2016	30 June 2015
	\$	\$	\$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)	(734,673)	(986,454)	(1,565,812)
Interest received	14,275	9,570	11,077
Net cash (used in)/from operating activities	(720,398)	(976,884)	(1,554,735)
Cash flows from investing activities			
Acquisition of cash in subsidiary acquired	-	-	18,674
Loss of control of subsidiary	-	(1,183)	-
Research and development tax rebate	-	1,154,883	120,907
Cash calls to joint venture partner	69,075	2,170,499	9,941,243
Parent entity's share of investor funding	-	537,480	920,037
Contributions to joint venture	(2,324,467)	-	-
Payments for exploration and evaluation, net	-	(1,984,153)	(9,828,768)
Net cash (used in)/from investing activities	(2,255,392)	1,877,526	1,172,093
Cash flows from financing activities			
Gross proceeds from issue of shares and options	-	2,759,990	200,100

	31 December 2016	30 June 2016	30 June 2015
Share issue costs	(38,104)	(84,707)	-
Funding for onsite exploration spend	(9,773)	9,896	-
Loans to other entities	(61,000)	-	-
Loans to related entities	-	(397,812)	-
Net cash (used in)/from financing activities	(108,877)	2,287,367	200,100
Net increase/(decrease) in cash and cash equivalents	(3,084,667)	3,188,009	(182,542)
Cash and cash equivalents at the beginning of the financial year	5,571,352	2,351,093	2,054,453
Effects of exchange rate changes on the balances held in foreign currencies	7,585	32,250	479,182
Cash and cash equivalents at the end of the financial period	2,494,270	5,571,352	2,351,093

6.7 Material changes in Cradle's financial position

To the knowledge of your Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Cradle has not materially changed since 31 December 2016.

6.8 Recent Share Price History

Figure 4 depicts the trading history of Cradle over the last 12 months up to the Announcement Date.

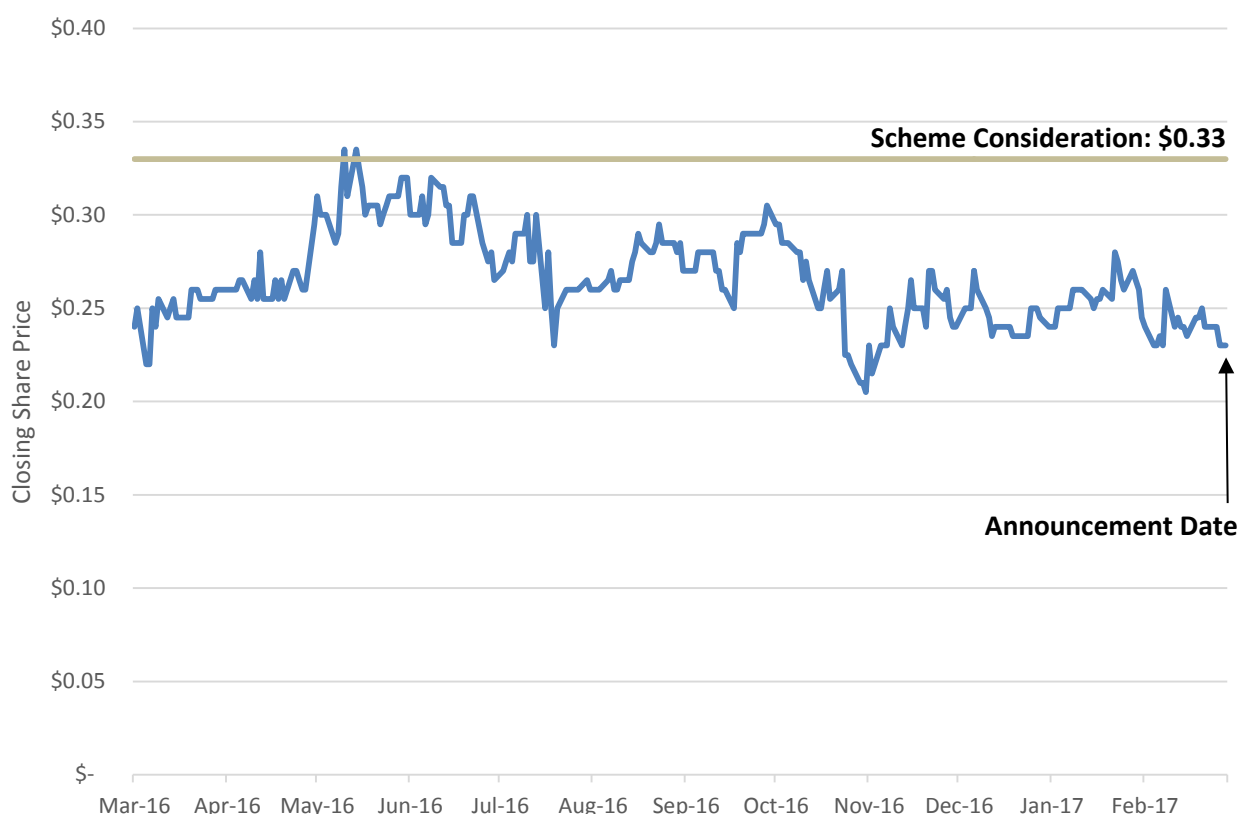


Figure 4 (Source: IRESS)

As at 8 March 2017, being the last trading day prior to the announcement of the Scheme:

- (a) the last recorded trade price of Cradle Shares was A\$0.230;

- (b) the 20-trading day VWAP of Cradle Shares was A\$0.2404;
- (c) the 30-trading day VWAP of Cradle Shares was A\$0.2542;
- (d) the 60-trading day VWAP of Cradle Shares was A\$0.2540;
- (e) the 90-trading day VWAP of Cradle Shares was A\$0.2446.

As at 8 March 2017, being the last trading day prior to the announcement of the Scheme:

- (a) the Scheme Consideration represents a 43.5% premium to the last recorded trading price of Cradle Shares;
- (b) the Scheme Consideration represents a 37.3% premium to 20-trading day VWAP of Cradle Shares;
- (c) the Scheme Consideration represents a 29.8% premium to 30-trading day VWAP of Cradle Shares;
- (d) the Scheme Consideration represents a 29.9% premium to 60-trading day VWAP of Cradle Shares; and
- (e) the Scheme Consideration represents 34.9% premium to 90-trading day VWAP of Cradle Shares.

As at 19 May 2017, being the last practicable date prior to finalisation of this Scheme Booklet:

- (a) the last recorded traded price of Cradle Shares was A\$0.320;
- (b) the 20-trading day VWAP of Cradle Shares was A\$0.3155;
- (c) the 30-trading day VWAP of Cradle Shares was A\$0.3147;
- (d) the 60-trading day VWAP of Cradle Shares was A\$0.3114;
- (e) the 90-trading day VWAP of Cradle Shares was A\$0.3071;
- (f) the highest recorded traded price of Cradle Shares in the previous 3 months was A\$0.325 on 2 May 2017; and
- (g) the lowest recorded traded price of Cradle Shares in the previous 3 months was A\$0.230 on 8 March 2017.

As at 19 May 2017, being the last practicable date prior to finalisation of this Scheme Booklet:

- (a) the Scheme Consideration represents a 3.13% premium to the last recorded trading price of Cradle Shares;
- (b) the Scheme Consideration represents a 4.61% premium to 20-trading day VWAP of Cradle Shares;
- (c) the Scheme Consideration represents a 4.87% premium to 30-trading day VWAP of Cradle Shares;
- (d) the Scheme Consideration represents a 5.98% premium to 60-trading day VWAP of Cradle Shares; and
- (e) the Scheme Consideration represents a 7.47% premium to 90-trading day VWAP of Cradle Shares.

The current price of Cradle Shares on ASX can be obtained from the ASX website (www.asx.com.au).

6.9 Cradle issued securities

As at 19 May 2017, being the latest practical date prior to finalisation of this Scheme Booklet, there were 164,727,617 Cradle Shares and 787,500 Cradle Performance Rights and 6,250,000 Cradle Options on issue.

6.10 Publicly available information

As an ASX listed company and a 'disclosing entity' for the purposes of section 111 AC(1) of the Corporations Act, Cradle is subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

Cradle's most recent announcements are available from Cradle's website at <http://www.cradleresources.com.au/>.

ASX maintains files containing publicly available information about entities listed on their exchange. Cradle's files are available for inspection at Cradle's registered office during normal business hours and are available on the ASX website (www.asx.com.au).

Additionally, copies of documents lodged with ASIC in relation to Cradle may be obtained from or inspected at an ASIC service centre. Please note, ASIC may charge a fee in respect of such services. The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Cradle:

- (a) Cradle's constitution;
- (b) Cradle's annual report for the financial year ended 30 June 2016;
- (c) Cradle's financial report for the financial half-year ended 31 December 2016; and
- (d) Cradle's public announcements.

The annual report and public announcements are available at Cradle's website at <http://www.cradleresources.com.au/>.

6.11 Further information

For the risks associated with the Scheme, refer to Section 8. In particular, Section 8.3 outlines the risks to Cradle if the Scheme does not proceed.

7 INFORMATION ABOUT TREMONT

7.1 Information about Tremont

The Tremont Information, including the information in this Section 7 of the Scheme Booklet, has been prepared and provided by Tremont and is the responsibility of Tremont. None of Cradle, its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Tremont Information.

7.2 Overview of Tremont

Tremont was incorporated in Mauritius on 28 March 2014 as a special purpose vehicle for the specific purpose of holding securities in Cradle and PHT.

Tremont is wholly owned by Tremont Master Holdings (**Tremont Holdings**) an entity incorporated in Mauritius. Tremont Holdings was established for the primary purpose of engaging in activities related to mining, including identifying evaluating and, as appropriate, investing in undercapitalised mining assets or projects that, with the application of capital and managerial efficiency, can be brought to cash flow and profitability.

The majority of shares in Tremont Holdings are indirectly held by Denham Commodity Partners Fund V LP, Denham Commodity Partners Fund VI LP and Denham Commodity Partners Fund VI-A LP (**Denham Funds**).

Denham Funds are advised by Denham Capital Management LP (**Denham Capital**). Denham Capital is an energy and resources focused global private equity firm with more than US\$8.4 billion of invested and committed funds in the oil and gas, power and mining industries. With offices in Boston, Houston, London and Perth, funds advised by Denham Capital make direct investments in the energy and resources sector, including mining, power generation and oil and gas businesses. Such investments are made across the globe and at all stages of the corporate lifecycle.

Further information about Denham Capital is available on its website www.denhamcapital.com.

Tremont has not lodged any financial statements with ASIC and is not listed on any recognised stock exchange and therefore is not subject to periodic and continuous disclosure requirements of the Corporations Act or the ASX Listing Rules.

7.3 Directors of Tremont

The directors of Tremont are:

- (a) Mr Brendon Howard Jones; and
- (b) Mr Pieter Rudolph Pretorius.

Neither director of Tremont has any potential conflicts of interest or relevant interest in any Cradle securities.

7.4 Funding Arrangements for Scheme Consideration

- (a) Scheme Consideration

The Scheme Consideration is 100% cash. Under the terms of the Deed Poll, subject to the Scheme becoming Effective, Tremont has undertaken in favour of each Scheme Participant to pay the Scheme Consideration to Cradle on behalf of each Scheme Participant, by no later than two Business Days before the Implementation Date.

Based on the number of Cradle Shares on issue as at the date of this Scheme Booklet and the Scheme Consideration of A\$0.33 per Cradle Share (including any Cradle Shares issued on vesting of Performance Rights before the Record Date), the cash payable by Tremont under the Scheme, together with cash payable in respect of the Cancellation Consideration pursuant to the Option Cancellation Deeds (see Section 10.16(a)), will be approximately A\$44.4 million.

(b) Overview of funding arrangements

Tremont has entered into a binding funding commitment deed with the Denham Funds. Under these funding arrangements, subject to the Scheme becoming Effective, the Denham Funds agreed to fund the Scheme Consideration and the Cancellation Consideration by way of subscribing for equity in Tremont (indirectly through the interposed holding entities) in their respective proportions or as agreed between them, with the aggregate subscription price to be equal to the Scheme Consideration and the Cancellation Consideration (up to A\$46.15 million). The terms of this arrangement do not have any material pre-conditions to the making available of the funds. Notwithstanding the timing for payment under the funding commitment deed, the Denham Funds have undertaken to Tremont that the Scheme Consideration and the Cancellation Consideration will be transferred to Tremont at least two days before the Second Court Date.

(c) Certainty of funding

Having regard to the arrangements noted in Section 7.4(b), Tremont is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to satisfy its payment obligations to pay the Scheme Consideration and all associated transaction costs if the Scheme becomes Effective.

7.5 Tremont's intentions for Cradle

This Section 7.5 sets out Tremont's current intentions in respect of Cradle's business, assets, corporate structure and employees.

The statements set out in this Section 7.5 are based on information concerning Cradle and its business that is known to Tremont at the time of preparation of this Scheme Booklet from publicly available sources or information which Tremont obtained from Cradle in the course of its due diligence in connection with the Scheme.

If the Scheme is implemented, Tremont intends to conduct a general review of Cradle's assets, business structure, capital, debt, financing and operational arrangements. Tremont's final decisions on these matters will only be made in light of all material facts and circumstances at the relevant time and after having had the opportunity to review Cradle's information in more detail after implementation of the Scheme. Accordingly, the statements set out in this Section 7.5 are statements of current intention only and may change as new information becomes available or as circumstances change.

(a) Removal of Cradle from the official list of ASX

Tremont will seek to remove Cradle's listing on the official list of the ASX.

(b) Strategic review

Tremont intends to conduct a review of the operations, assets, structure and employees of Cradle, and in light of that information, determine business plans for the future of Cradle.

As Cradle's main asset is its holding in PHT, Tremont may wind up and deregister Cradle following implementation of the Scheme, so that Tremont will hold 100% of PHT directly rather than through Cradle, but this will only be confirmed following Tremont's strategic review. Tremont however intends to develop the Panda Hill Project.

(c) Board of Directors

If the Scheme is implemented, Tremont intends to replace the Cradle Board with nominees of Tremont. The number and identities of the relevant nominees have not yet been identified. Final decisions on the replacement of directors and selection of nominees will be made in light of the circumstances at the relevant time.

(d) Employees

Following the strategic review to be undertaken as noted in Section 7.5(b) above, it is possible that certain roles might become redundant due to the removal of Cradle from the ASX. Tremont however cannot currently determine the scope of any staff changes. If there are any redundancies, then it is expected that the relevant terms will be in line with applicable employment laws.

To the extent that activities and functions, including management, presently carried out by Tremont and Cradle will be duplicated, such duplication will be eliminated where it is economically efficient to do so.

7.6 Interests and dealings in Cradle securities

(a) Relevant interests and voting power in Cradle

As at the date of this Scheme Booklet, Tremont has a relevant interest in 32,224,828 Cradle Shares, representing voting power (as defined in the Corporations Act) of 19.56% in Cradle. Neither Tremont, nor any of its associates will vote at the Scheme Meeting. If the Scheme is implemented, the voting power of Tremont in Cradle will increase to 100% (an increase of 80.44%).

(b) Dealing in Cradle securities in previous four months

Except for the consideration to be provided under the Scheme, during the period of 4 months before the date of this Scheme Booklet, neither Tremont nor any of its associates have provided or agreed to provide consideration for any Cradle Shares under a purchase agreement.

(c) Benefits to holders of Cradle securities

Other than as set out in this Scheme Booklet, during the period of 4 months ending on the date of this Scheme Booklet, neither Tremont, nor any of its associates have given, offered to give, or agreed to give a benefit to another person that was likely to induce the other person (or an associate of that person), to:

- (i) vote in favour of the Scheme; or
- (ii) dispose of Cradle Shares,

which was not offered to all other Cradle Shareholders.

7.7 Additional information

Other material information relating to Tremont in relation to the Scheme is detailed below.

(a) FIRB approval

It is a condition precedent to the Scheme that Tremont receives approval from FIRB for the acquisition of the Cradle Shares. This condition precedent must be satisfied before 8.00am on the Second Court Date.

Tremont received this approval on 4 May 2017.

(b) Other regulatory approvals

It is a condition precedent to the Scheme that Tremont receives approval from the Tanzanian Fair Competition Commission (**FCC**) for the acquisition of the Cradle Shares. This condition precedent must be satisfied before 8.00am on the Second Court Date.

(c) Benefits in connection with retirement from office

There is no retirement payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Cradle as compensation or consideration for (or otherwise in connection with) his or her retirement from an office of Cradle pursuant to the Scheme.

If the Scheme becomes effective and the Cradle Board is reconstituted, Tremont will not be making any payment or giving any benefit to any current member of the Cradle Board as compensation or consideration for (or otherwise in connection with) his or her resignation from the Cradle Board.

(d) No other material information

Except as set out in this Section 7, at the date of this Scheme Booklet there is no other information about Tremont or its intentions regarding Cradle that is material to the making of a decision by a Cradle

Shareholder in relation to the Scheme, which is within the knowledge of any director of Tremont and has not previously been disclosed to Cradle Shareholders.

8 RISK FACTORS

8.1 Introduction

The risk factors in this Section 8 include existing factors relating to Cradle's business and the industry in which it operates. However, the list of risks set out in this Section is not exhaustive. Additional risks and uncertainties of which Cradle is unaware, or that it currently considers immaterial, may also impair the business, operations and future prospects of Cradle and its interest in the Panda Hill Project. If any such risks were to occur, the business of Cradle may be harmed and its financial condition, and results of operations, may suffer significantly.

These risks will only continue to be relevant to Cradle Shareholders if the Scheme does not proceed and Cradle Shareholders retain their current investment in Cradle. If the Scheme proceeds, Cradle Shareholders (other than Excluded Shareholders) will receive the Scheme Consideration, will cease to be Cradle Shareholders and will no longer be exposed to the risks set out in this Section.

In deciding whether to vote in favour of the Scheme, you should carefully consider the following risk factors. These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Cradle Shareholders.

Scheme Participants in doubt about how to act, should seek independent professional advice before deciding on how to vote on the Scheme.

8.2 Scheme risk factors

(a) Satisfaction or waiver of conditions

Completion of the Scheme is subject to a number of conditions. There can be no certainty, nor can Cradle provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, there are a number of other conditions precedent to the Scheme which are outside the control of Cradle including, but not limited to, approval of the Scheme by the Requisite Majority of Cradle Shareholders and required regulatory and third party approvals and consents (see Section 10.10 and schedule 2 of the Scheme Implementation Agreement in Annexure 2).

If for any reason the conditions to the Scheme are not satisfied or waived (where applicable) and the Scheme is not completed, the market price of Cradle Shares may be adversely affected.

(b) Termination of the Scheme Implementation Agreement

Each of Cradle and Tremont has the right to terminate the Scheme Implementation Agreement in certain circumstances. Accordingly, there is no certainty that the Scheme Implementation Agreement will not be terminated by either Cradle or Tremont before the implementation of the Scheme.

Under the terms of the Scheme, the Scheme will not become Effective if the Scheme Implementation Agreement is terminated before the Second Court Date.

If the Scheme Implementation Agreement is terminated, there is no assurance that the Cradle Board will be able to find a party willing to pay an equivalent or greater price for Cradle Shares than the price to be paid pursuant to the terms of the Scheme Implementation Agreement.

See Sections 10.11 and 10.14 for further information regarding the effect termination of the Scheme may have on Cradle.

8.3 Risks relating to Cradle if the Scheme does not proceed

(a) Future capital requirements

If the Scheme is not implemented, Cradle will require significant additional financial resources to continue funding the development of the Panda Hill Project pro rata to its shareholding in PHT (currently 50%).

No assurance can be given that any such additional equity or debt financing will be available or that, if available, it will be available on terms acceptable to Cradle or Cradle Shareholders. Cradle may in the future raise additional funds through public or private financing.

As described in Section 6.4(f), PHT is currently in negotiations with various senior project debt funding parties to fund development of the Panda Hill Project. There can be no assurance that current negotiations will result in debt financing for all or part of the costs associated with development of the Panda Hill Project. There is also no assurance that debt financing, if available, will be obtained on favourable terms to PHT and/or Cradle such as the applicable interest rate, security required by the lender (including security over Cradle's interest in PHT), and restrictions on the activities and/or distributions of cash from PHT.

If additional funds are raised through the issue of equity securities, the percentage ownership of the current Cradle Shareholders may be highly diluted, particularly if no debt financing for the Panda Hill Project is obtained, and such securities may, subject to requisite Cradle Shareholder approval, have rights, preferences or privileges senior to those of the holders of Cradle's securities then in issue.

If additional funds are raised through the issue of equity securities, the percentage ownership of the current Cradle Shareholders may be highly diluted and such securities may, subject to requisite Cradle Shareholder approval, have rights, preferences or privileges senior to those of the holders of Cradle's securities then in issue. Debt financing, if available, may involve certain restrictions on operating activities or other financings.

If adequate funds are not available to satisfy either short or long-term capital requirements, Cradle may be required to limit its contributions to the Panda Hill Project significantly which would consequentially dilute its interest in PHT and the Panda Hill Project. Refer to Sections 6.5(a), 10.11 and 10.14 for further details.

(b) Cradle Shareholders will not receive the Scheme Consideration

If the Scheme is not implemented, Cradle Shareholders will retain their Cradle Shares and will not receive the Scheme Consideration. If the Scheme is not implemented, Cradle will remain listed on ASX and will continue to operate its business. In those circumstances, Cradle Shareholders will continue to be exposed to the risks and benefits of owning Cradle Shares.

(c) Cradle Share price may experience price and volume fluctuation and may fall

The market price of a company's publicly traded securities is affected by many variables, some of which are not directly related to the success of Cradle. Share price fluctuations could result from national and global economic and financial conditions, the market's response to the Transaction, changes in niobium prices, market perceptions of Cradle, regulatory changes affecting Cradle's operations, variations in Cradle's operating results, business development of Cradle or its competitors and liquidity of financial markets.

In addition, the Directors believe that if the Scheme is not implemented, the Cradle Share price may fall below its recent trading price.

(d) Transaction costs will be incurred

If the Scheme is not implemented, Cradle's transactions costs will be borne by Cradle alone. Further, Cradle may be liable to pay the Cradle Reimbursement Fee (US\$750,000) to Tremont. For further details in relation to the Cradle Reimbursement Fee, see Section 10.15.

8.4 General risks relating to Cradle

(a) Risks Associated with Operating in Tanzania

Cradle's principal assets are located in Tanzania and Cradle is subject to the various political, economic and other risks and uncertainties associated with operating in that country. Tanzania is a developing country with a multi-party democracy which has successfully evolved over the past decade into having an established and expanding mining industry. There are, however, risks attaching to exploration and mining operations in a developing country which are not necessarily present in a developed country. These risks and uncertainties vary from country to country and include, but are not limited to, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, environmental protection, mine safety, labour relations as well as government control over mineral

properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Cradle may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Tanzania that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of Cradle. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on exploration, development, mining production, price controls, export controls, secondary processing requirements in country, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, local economic empowerment or similar policies, employment, contractor selection and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors adds uncertainties that cannot be accurately predicted and could have an adverse effect on Cradle's operations or profitability.

The legal systems operating in Tanzania may be less developed than in more established countries, which may result in risk such as political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute, a higher degree of discretion on the part of governmental agencies, the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights, inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, or relative inexperience of the judiciary and courts in such matters.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured.

Any of these factors could materially and adversely affect Cradle's business, results of operations and financial condition.

(b) Exploration and Development Risks

The business of niobium exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests
- (v) obtaining consents and approvals necessary for the conduct of niobium exploration, development and production; and
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against Cradle and substantial losses to Cradle due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against Cradle.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of niobium. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(c) Joint Venture

Cradle operates the Panda Hill Project through PHT, an incorporated joint venture with Tremont (see Section 6.5(a) for further information). The nature of the joint venture relationship may change, including, the ownership structure and voting rights in relation to PHT, resulting in Cradle being unable to influence the decisions of PHT for the benefit of Cradle. It is possible a minority stake in PHT and the inability to influence the decisions of PHT in respect of the Panda Hill Project may result in reputational damage and financial loss to Cradle.

There is also a risk of financial failure or default under the Investment and Shareholder Agreement by Cradle, Tremont or any other future PHT shareholder. Any withdrawal by a PHT shareholder or any issues with their ability to perform the obligations due under the Investment and Shareholder Agreement could have a material adverse impact on the financial position of Cradle. There is also the risk of disputes with Tremont or any other future PHT shareholder, the resolution of which could lead to delays in the Panda Hill Project development activities or financial loss.

PHT is currently engaged in negotiations with various parties to secure senior debt funding as well as offtake and marketing arrangements for the niobium produced from the Panda Hill Project. Refer to Section 6.4(f) for further details.

(d) Niobium Marketing, Price Volatility and Exchange Rate Risks

The ability to successfully find a market for niobium produced will be critical to the success of the Panda Hill Project.

If Cradle reaches niobium production, it will earn revenue through the sale of niobium. The demand for, and price of, niobium is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative metals, actions taken by governments, and global economic and political developments. In particular, the niobium market is relatively small.

A material decline in the price of niobium or the inability to find a market for niobium may have a material adverse effect on Cradle's business, financial condition and results of operations.

Furthermore, international prices of various commodities such as niobium are denominated in United States dollars, whereas the income and expenditure of Cradle are and will be taken into account in Australian and Tanzanian currency, exposing Cradle to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and Tanzanian shilling as determined in international markets.

(e) Reserves and Resource Estimates

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect Cradle's operations.

(f) Metallurgy

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- (ii) developing an economic process route to produce a metal and/or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

(g) Result of Studies

Cradle has completed the Cradle DFS on the Panda Hill Project. This study has been completed within certain parameters designed to determine the technical and economic feasibility of the Panda Hill Project within certain limits. There can be no guarantee that the Panda Hill Project will be successfully brought into production.

The proposed development of the Panda Hill Project may exceed the currently envisaged timeframe or cost for reasons outside of Cradle's control. These reasons may include delays in obtaining relevant approvals or in construction of mine infrastructure or the plant. In addition, the contractual terms for the procurement and delivery of the various components of construction are yet to be established, which could also have an impact on the cost of construction. There are many milestones which need to be met in a timely fashion for production to commence in accordance with any proposed mine plan and there is a risk that circumstances (including unforeseen circumstances) may cause a delay, resulting in the receipt of revenue at a later date than expected or not at all.

(h) Tenement Title and Renewal

Interests in tenements in Tanzania are governed by the mining legislation and regulations in that country. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Cradle needs to comply with these licence conditions in order to retain title to, or renew, the tenements. Currently, the tenements in Tanzania attract an annual fee of US\$3,000/km². Cradle could potentially lose its interest in the licences comprising the Panda Hill Project if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise, in line with Tanzanian mining legislation.

(i) Environmental risks

The operations and proposed activities of Cradle are subject to laws and regulation concerning the environment. As with most exploration and mining operations, Cradle's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Cradle will be subject to environmental laws and regulations in connection with operations it may pursue in the niobium industry, which operations are currently in Tanzania. This may include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Cradle intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, Cradle may be the subject of accidents or unforeseen circumstances that could subject Cradle to extensive liability. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for toxic or hazardous substances for which Cradle may become liable as a result of its activities may be impossible to assess against the current legal framework and current

enforcement practices. There is no assurance that future changes in environmental regulation will not adversely affect the activities of Cradle.

Cradle is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase Cradle's cost of doing business or affect its operations in any area.

(j) General Economic and Political Risks

Changes in the general economic and political climate in Tanzania, Australia and on a global basis that could impact on economic growth, niobium prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any niobium activity that may be conducted by Cradle.

(k) Competition

Cradle will compete with other companies, including major niobium companies. Some of these companies have greater financial and other resources than Cradle and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that Cradle can compete effectively with these companies.

(l) Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of Cradle.

(m) Insurance

Insurance against all risks associated with niobium production is not always available or affordable. Cradle will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(n) Additional Requirements for Capital

Cradle's general capital requirements depend on numerous factors. Depending on Cradle's ability to generate income from its operations, Cradle may require further financing in the future for general operational purposes. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If Cradle is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

(o) Reliance on Key Personnel

Cradle is reliant on a number of key personnel and consultants, including members of the Board. The loss of one or more of these key contributors could have an adverse impact on the business of Cradle.

It may be particularly difficult for Cradle to attract and retain suitably qualified and experienced people given the current high demand in the industry and relatively small size of Cradle, compared with other industry participants.

8.5 General market risks

(a) Securities investment risks

Cradle Shareholders should be aware that there are risks associated with any securities investment. The market price of a publicly traded stock is determined by the stock market and will be subject to a range of factors beyond the control of Cradle, the Directors, or Cradle's management. Such factors include, but are not limited to, the demand for and availability of Cradle Shares, actions of major shareholders, movements in domestic interest rates, exchange rates, fluctuations in the ASX and other stock markets and general domestic and economic activity. These factors may materially affect the market price of Cradle's Shares, regardless of Cradle's operational performance.

Furthermore, in recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Cradle's securities.

(b) General economic and financial conditions

Changes in economic and business conditions may affect the fundamentals which underpin the projected growth of Cradle's target markets or its cost structure and profitability. Adverse changes in such things as the level of inflation, interest rates, exchange rates, consumer spending, employment rates, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, and tax rates, among others, are out of the control of Cradle, the Directors, and Cradle's management and may result in material adverse impacts on Cradle's business or its operating results.

9 TAXATION IMPLICATIONS FOR CRADLE SHAREHOLDERS

This Section provides a general summary of the potential Australian tax consequences for Cradle Shareholders arising from the disposal of their Cradle Shares under the Scheme. This summary is based on established judicial and administrative interpretations of the *Income Tax Assessment Act 1997 (Cth)* ("ITAA 1997"), *Income Tax Assessment Act 1936 (Cth)* ("ITAA 1936"), *Taxation Administration Act 1953 (Cth)* ("TAA 1953"), *A New Tax System (Goods & Services Tax) Act 1999 (Cth)* ("GST Act") (collectively, the "Tax Acts") and relevant stamp duty legislation (collectively referred to as the "taxation law") as at the date of this scheme booklet. This summary does not take into account or anticipate changes in the taxation law or future judicial and administrative interpretations of the taxation law.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Cradle Shareholder. Being general in nature, this Section does not take into account the individual circumstances of each Cradle Shareholder and should not be relied upon by any Cradle Shareholder or any other person. Cradle Shareholders should obtain, and only rely upon, their own professional taxation advice about the consequences of disposing of Cradle Shares for cash having regard to their own specific circumstances, including the application and effect of the income and other taxes of any country, state, province or other jurisdiction in which the Cradle Shareholders reside or carry on business.

9.1 Cradle Shareholders who are not resident in Australia

Cradle Shareholders who are not resident in Australia should seek their own independent tax advice on the tax consequences, in their country of residence, of the Scheme. The statements below are limited to the Australian tax consequences for Cradle Shareholders, and are subject to the disclaimer in bold text above.

9.2 Cradle Shareholders who do not hold their shares as capital assets

The statements below are limited to the Australian tax consequences to those Australian tax resident Cradle Shareholders whose Cradle Shares are held on capital account for investment purposes. The Australian tax consequences for Cradle Shareholders who hold their Cradle Shares as revenue assets or trading stock, or as assets used in carrying on a business, or who are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Cradle Shares may be different to the statements below. Such Cradle Shareholders should seek their own advice.

9.3 Australian income tax consequences for Cradle Shareholders

(a) Australian Resident Cradle Shareholders

The disposal of Cradle Shares will give rise to a capital gains tax (CGT) event for Cradle Shareholders. The time of the CGT event should be the Implementation Date.

A Cradle Shareholder will realise a capital gain in connection with the disposal of a Cradle Share equal to the amount of the Scheme Consideration less the cost base (or indexed cost base, if applicable) of that Cradle Share. Alternatively, a Cradle Shareholder will realise a capital loss equal to the amount by which the reduced cost base of the Cradle Share exceeds the Scheme Consideration.

A capital loss may only be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain applicable loss recoupment tests. Cradle Shareholders cannot offset their net capital losses against their ordinary income.

The cost base of a Cradle Share should generally include the amount paid (or deemed to be paid) to acquire the Cradle Share that includes certain incidental costs of the acquisition, such as brokerage fees. Reduced cost base is usually determined in a similar, but not identical manner. These amounts should be determined in Australian dollars (A\$).

A Cradle Shareholder who is an individual who holds the Cradle Shares (directly or indirectly through a trust), or a complying superannuation fund may be entitled to claim the CGT discount in calculating any capital gain provided that the:

- (i) Cradle Shares were acquired at least 12 months before the Implementation Date (excluding the acquisition and disposal dates); and
- (ii) Cradle Shareholder did not choose to index the cost base of their Cradle Shares (if such choice was available).

In these circumstances, the applicable CGT discount that should reduce a net capital gain arising from the disposal of Cradle Shares is as follows:

- (i) 50% for individuals; and
- (ii) 33¹/₃% for a complying superannuation entity.

The CGT discount is applied to the capital gain after any available current or prior year capital losses of the Cradle Shareholder are first offset against that capital gain (i.e. on the net gain). The net capital gain (after applying any losses and the CGT discount) should be included in their assessable income in the relevant income year.

(b) Non-Australian resident Cradle Shareholders

The following discussion applies to a Cradle Shareholder who, immediately before the Implementation Date, is not, and has never been, a resident of Australia for the purposes of the Tax Acts.

A non-Australian tax resident Cradle Shareholder will be able to disregard the whole of the capital gain or capital loss they make for Australian tax purposes on the disposal of their Cradle Shares on the basis the value of Cradle's Taxable Australian Real Property (as defined in Division 855 of the ITAA 1997) should not exceed the value of its non-Taxable Australian Real Property assets.

Non-Australian tax resident Cradle Shareholders should, however, obtain their own independent tax advice on the application of the Tax Act to any gain or loss realised on transfer of their Cradle Shares.

9.4 Australian Goods and Services Tax

Cradle Shareholders should not be liable for GST on the transfer of Cradle Shares on the receipt of the Scheme Consideration. An Australian resident that is registered or required to be registered for GST seeking to claim input tax credits on related transaction costs should seek their own independent tax advice in this regard.

9.5 Australian Stamp Duty

Cradle Shareholders will not be liable for stamp duty in any Australian State or Territory on the transfer of the Cradle Shares.

10 INFORMATION ABOUT THE SCHEME

10.1 Scheme Implementation Agreement

Cradle and Tremont have entered into the Scheme Implementation Agreement in connection with the proposed Scheme. The Scheme Implementation Agreement sets out the obligations of Cradle and Tremont in relation to the Scheme.

The Scheme Implementation Agreement is contained in Annexure 2 of this Scheme Booklet.

10.2 Scheme Meeting

The Court has ordered that a meeting of Cradle Shareholders be held at 10.00am (WST) on Wednesday, 28 June 2017 to consider the Scheme.

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Cradle Shareholders should vote (on this matter Cradle Shareholders must reach their own decision); or
- (b) has prepared, or is responsible for, the content of the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

The Scheme is conditional, among other things, on approval of the Scheme Resolution by the Requisite Majority of Cradle Shareholders, being:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Cradle Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) passed by at least 75% of the votes cast on the Scheme Resolution,

where Excluded Shareholders are not entitled to vote on the Scheme Resolution.

Further details of the consequences of the Scheme not being implemented are set out in Sections 6.5(a), 10.11 and 10.14.

10.3 Court approval of the Scheme

Cradle will apply to the Court for orders approving the Scheme if:

- (a) the Scheme Resolution is approved by the Requisite Majority of Cradle Shareholders at the Scheme Meeting; and
- (b) all other conditions to the Transaction are satisfied or waived (where applicable).

The date on which the Court hears Cradle's application is the Second Court Date.

The Court may refuse to grant the orders referred to above even if the Scheme Resolution is approved by the Requisite Majority of Cradle Shareholders.

ASIC will be asked to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

Cradle Shareholders have the right to seek leave to appear at the Court on the Second Court Date to oppose the approval by the Court of the Scheme or make representations to the Court in relation to the

Scheme. If you wish to oppose approval by the Court of the Scheme at the Court hearing you may do so by filing with the Court, and serving on Cradle, a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Cradle at least one Business Day (in Perth, Western Australia) before the Second Court Date. That date is currently scheduled to occur on or around 4 July 2017. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au. Alternatively, if you wish to make representations to the Court in relation to the Scheme, the Court may grant you leave to be heard at the hearing without becoming a party to the proceeding.

10.4 Actions by Cradle and Tremont

If Court orders approving the Scheme are obtained, the Directors and the Tremont Board will take or procure the taking of the steps required for the Transaction to be implemented. These will include the following:

- (a) Cradle will lodge with ASIC an office copy of the Court order approving the Scheme, under section 411(10) of the Corporations Act, and the Scheme will become Effective;
- (b) on the close of trade on the Effective Date, Cradle Shares will be suspended from trading on ASX;
- (c) by no later than two Business Days before the Implementation Date, Tremont will deposit in a trust account maintained by Cradle in immediately available funds the aggregate amount of funds necessary to pay the Scheme Consideration to Scheme Participants. Cradle will hold these funds on trust for the benefit of the Scheme Participants;
- (d) on the Implementation Date, the Scheme Shares held by Scheme Participants at 5.00pm (WST) on the Record Date will be transferred to Tremont and Cradle will pay each Scheme Participant the Scheme Consideration out of the trust account referred to in Section 10.4(c) on the Implementation Date;
- (e) on the Implementation Date, Cradle will enter the name of Tremont in the Cradle Register as the holder of the Scheme Shares;
- (f) on the Implementation Date, subject to Tremont having provided Cradle with the Cancellation Consideration, Cradle will ensure that the holders of Cradle Options are paid the Cancellation Consideration in respect of the Cradle Options held by them and Cradle will ensure that those Cradle Options will be cancelled;
- (g) after the Scheme has been fully implemented, Cradle will apply to be delisted from ASX, which is expected to occur on or shortly following the Implementation Date; and
- (h) on the Implementation Date, each of the Directors of Cradle and directors and officers of any member of the Cradle Group (other than nominees of Tremont, who will be appointed and hold a maximum of four seats on the Cradle Board, as soon as practicable after the Second Court Date) will resign and be replaced by directors nominated by Tremont.

10.5 Effective Date

The Scheme will become Effective on the date upon which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such earlier date as the Court determines or specifies in the order.

If the Scheme becomes Effective, Cradle will immediately give notice of the event to ASX. Cradle Shares will be suspended from trading on ASX on the Effective Date.

Once the Scheme becomes Effective, Cradle and Tremont will become bound to implement the Scheme in accordance with its terms.

10.6 Scheme

If the Scheme becomes Effective (i.e. after it is approved by Cradle Shareholders and the Court), all Scheme Shares outstanding at 5.00pm (WST) on the Record Date will be transferred to Tremont, in return for the

payment by Tremont of the Scheme Consideration as described in Section 10.4(d). See Annexure 3 for a copy of the Scheme.

10.7 Deed Poll

Tremont has executed a Deed Poll in favour of the Scheme Participants, by which it offers to acquire all of the Cradle Shares held by Scheme Participants. In consideration for the acceptance of that offer and (subject to the Scheme becoming Effective) the transfer of each Scheme Share to Tremont, Tremont undertakes in favour of each Scheme Participant to pay the Scheme Consideration for each Cradle Share, being A\$0.33 cash for each Scheme Share held by Scheme Participants, in accordance with the terms of the Scheme and the Scheme Implementation Agreement. See Annexure 4 for a copy of the Deed Poll.

10.8 Record Date

The Record Date for the Scheme is 5.00pm (WST) on the date which is five Business Days after the Effective Date. Only Cradle Shareholders (other than Excluded Shareholders) who appear on the Cradle Register at 5.00pm (WST) on the Record Date will be entitled to receive the Scheme Consideration.

10.9 Delisting of Cradle

After the Scheme has been fully implemented, it is intended that Cradle will request ASX remove Cradle from the official list of ASX on the Implementation Date.

10.10 Conditions Precedent to the Transaction

(a) Outstanding conditions precedent to Transaction

The Scheme and the obligations of Cradle and Tremont to implement the Transaction are subject to the following outstanding conditions precedent being satisfied or, where applicable, waived, in accordance with the terms of the Scheme Implementation Agreement on or prior to the Second Court Date:

(i) Regulatory Approvals:

- (A) **ASIC and ASX:** ASIC and ASX have issued or provided and not withdrawn such consents or approvals or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction;
- (B) **Tanzanian FCC Approval:** the Tanzanian FCC provides a no objection letter in respect of the Transaction under the *Fair Competition Act 2003*;
- (C) **Regulatory Authority:** all other approvals of a Regulatory Authority which Tremont and Cradle agree are necessary or desirable to implement the Scheme (including in relation to the Mineral Rights) are obtained;
- (D) **Court Orders:** no court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Transaction and no such order, decree, ruling, other action or refusal is in effect;

(ii) Scheme Approval: approval of the Scheme by the Requisite Majority of Cradle Shareholders;

(iii) Cradle Performance Rights: before the Second Court Date, all outstanding Cradle Performance Rights are vested and the relevant resultant Cradle Shares are issued or agreed to be issued before the Record Date;

(iv) Court Approval: the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

- (v) **Independent Expert Report:** the Independent Expert provides a report to Cradle that concludes that the Scheme is in the best interests of Cradle Shareholders and the Independent Expert not withdrawing or adversely modifying that conclusion before 8.00am (WST) on the Second Court Date;
- (vi) **Third Party Consents:** before 8.00am (WST) on the Second Court Date, all other approvals of a third party which Tremont and Cradle agree are necessary or desirable to implement the Scheme are obtained;
- (vii) **No Prescribed Event:** no Prescribed Event occurring between the date of the Scheme Implementation Agreement (being 9 March 2017) and 8.00am (WST) on the Second Court Date;
- (viii) **No Material Adverse Change:** no Material Adverse Change occurring between the date of the Scheme Implementation Agreement (being 9 March 2017) and 8.00am (WST) on the Second Court Date;
- (ix) **No Termination:** the Scheme Implementation Agreement has not been terminated in accordance with clause 14 of the Scheme Implementation Agreement (as summarised in Section 10.13);
- (x) **Index Decline:** after the Announcement Date the Bloomberg Commodity Index does not fall to a level that is 80% or less of the level as at the close of trading on the Announcement Date and remains at or below that 80% level for at least three Business Days or until the date immediately before the Second Court Date;
- (xi) **New Information:** between the date of the Scheme Implementation Agreement (being 9 March 2017) and 8.00am (WST) on the Second Court Date, Cradle does not become aware of any information which:
 - (A) Cradle would be obliged to tell ASX immediately pursuant to Listing Rule 3.1 if it was not relying upon the exception in Listing Rule 3.1A; or
 - (B) if the Transaction were proceeding by way of a takeover bid pursuant to Chapter 6 of the Corporations Act, it would be required to be included in a target's statement pursuant to section 638 of the Corporations Act,
 where that information would, or would be reasonably likely to, result in a Material Adverse Change in relation to Cradle; and
- (xii) **Escrowed Cradle Shares:** prior to the Second Court Date, any escrowed Cradle Shares are released from escrow so that they may be transferred to Tremont in accordance with the Scheme.

(b) Conditions precedent to Transaction that have been satisfied or waived

As at the date of this Scheme Booklet, the following conditions to the Transaction have been satisfied:

- (i) **Deed Poll:** simultaneous with the execution of the Scheme Implementation Agreement, Tremont signs and delivers the Deed Poll;
- (ii) **FIRB Approval:**
 - (A) the Treasurer (or the Treasurer's delegate) has provided a written no objection notification to the Transaction either without conditions or with conditions acceptable to Tremont; or

- (B) following Tremont giving notice of the Transaction to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired;
- (iii) **Thurwan Options:** before the Second Court Date, Thurwan gives notice under its consulting agreement to elect that Cradle pay Thurwan the net cash value of the Thurwan Options pursuant to and in accordance with the consulting agreement between Thurwan and Cradle, such net cash value being equal to the sum of the Scheme Consideration less A\$0.25 per Thurwan Option; and
- (iv) **Cradle Options:** before the Second Court Date, all outstanding Cradle Options are vested and an Option Cancellation Deed is entered in respect of the outstanding Cradle Options between the relevant Cradle Optionholder and Cradle.

As at the date of this Scheme Booklet, none of the conditions to the Transaction have been waived by Cradle or Tremont.

10.11 PHT Arrangements

The Scheme Implementation Agreement provides that from the date of the Scheme Implementation Agreement until the earlier of the Implementation Date and the date on which the Scheme Implementation Agreement is terminated, if recommended by the PHT directors nominated by Tremont, Cradle must instruct its nominee PHT directors to act and vote on any resolution proposed at meetings of the board of PHT under the Investment and Shareholders Agreement to approve the following matters in accordance with the recommendations of the PHT directors nominated by Tremont:

- (a) the approval, appointment and selection of a preferred EPCM contractor, provided the appointment of the EPCM contractor can be terminated (without penalty) upon reasonable notice;
- (b) undertaking preliminary works for the Panda Hill Project; and
- (c) the purchase of long lead time items for the Panda Hill Project,

in each case, provided that all costs incurred by PHT are provided to PHT pursuant to a sole funding loan facility to be provided by Tremont. The purpose of these arrangements is to mitigate the impact that the Scheme has on PHT's operational activities. However, Cradle's nominee PHT directors are not party to the Scheme Implementation Agreement and nothing in the Scheme Implementation Agreement overrides the fiduciary duties of the directors to act in accordance with their director duties under Mauritian law.

10.12 Exclusivity Arrangements

The Scheme Implementation Agreement contains exclusivity arrangements that, during the Exclusivity Period, prevent Cradle and its Related Bodies Corporate, or any of its or their Representatives, directly or indirectly:

- (a) **(No shop):** soliciting, inviting, encouraging or initiating any enquiries, negotiations or discussions or communicates any intention to do any of those things, with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction or which has the effect of, or might reasonably be expected to affect, prejudice or jeopardise the completion of the Transaction.
- (b) **(No talk):** negotiating or entering into or participating in negotiations or discussions with any person regarding a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated, or the person has publicly announced the Competing Transaction or any offer, proposal or expression of interest from any person in relation which has the effect of, or might reasonably be expected to affect, prejudice or jeopardise the completion of the Transaction.

(c) **(No due diligence):**

- (i) soliciting, inviting, initiating, encouraging or permitting any party to undertake due diligence investigations on Cradle or any of its Related Bodies Corporate; or
- (ii) making available to another person any non-public information relating to Cradle or its Related Bodies Corporate, or permit access to such information by Cradle's employees, officers or any other person who might reasonably be expected to submit a proposal for a transaction which has the effect of, or might reasonably be expected to affect, prejudice or jeopardise the completion of the Transaction or which may result in a Competing Transaction.

These restrictions are subject to Cradle's right to engage with third parties in connection with a bona fide, written Competing Transaction where the Directors have determined that, among other things, such a Competing Transaction is a Superior Proposal or failing to respond to such a Competing Transaction would be likely to constitute a breach of their fiduciary duties. However, Tremont has the right, but not the obligation within five Business Days of receipt of a notice from Cradle of a Superior Proposal, to make a matching or superior proposal to the terms of the Competing Transaction.

For more information refer to clause 10 of the Scheme Implementation Agreement in Annexure 2 of this Scheme Booklet.

10.13 Termination of the Scheme Implementation Agreement

The Scheme Implementation Agreement may be terminated (in this Section 10.13 "terminate") in certain circumstances, including:

- (a) If the Scheme fails to become Effective before the End Date

Cradle or Tremont may terminate if the End Date has passed before the Transaction has been implemented (other than as a result of a breach by the terminating party of its obligations under the Scheme Implementation Agreement).

- (b) Lack of support or breach

Tremont may terminate if:

- (i) any Director changes or withdraws their recommendation to the Scheme Participants that they vote in favour of the Scheme, or makes any adverse modification or qualification to their recommendation, or otherwise makes a public statement indicated that they no longer support the Transaction; or
- (ii) any Director qualifies or withdraws their voting intention to vote the Cradle Shares in which they have a relevant interest in favour of the Scheme Resolution, in the absence of a Superior Proposal.

Either Tremont or Cradle, with notice, may terminate if the other is in material breach of the Scheme Implementation Agreement (including a breach of a representation or warranty) at any time prior to the Second Court Date and the material breach is not remedied within ten Business Days and the loss reasonably expected to follow from that material breach, taken in the context of the Transaction as a whole, would exceed A\$1,000,000.

- (c) The Scheme is not approved by Cradle Shareholders

Either Tremont or Cradle may terminate, if the Scheme is not approved by the Requisite Majority of Cradle Shareholders.

(d) A third party acquires a competing interest

Tremont may terminate if a third party acquires an interest of more than 20% in Cradle Shares, other than Tremont, its Associates or another person who had an interest in 20% or more of Cradle Shares as at the date of the Scheme Implementation Agreement.

(e) The Court or Regulatory Authority restrains the Transaction

Either Tremont or Cradle may terminate, if the Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme.

(f) Conditions Precedent

Either Tremont or Cradle may terminate, if there is a breach or non-fulfilment of a condition precedent which is not waived and there is failure to agree on an alternative means of completing the Transaction.

If the condition precedent relating to the Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act is not satisfied, either Tremont or Cradle may terminate where:

- (i) both parties agree in writing;
- (ii) a Queen's Counsel or Senior Counsel representing that party in relation to the Scheme indicates in writing that, in their opinion, an appeal would likely have less than a reasonable prospect of success;
- (iii) there is, in the bona fide view of the Cradle Board, a Superior Proposal which should be recommended in preference to the Scheme; or
- (iv) the first attempted appeal to the initial Court refusal to make orders convening the Scheme Meeting or approving the Scheme does not overturn the initial Court's decision.

(g) A Material Adverse Change or Prescribed Event occurs

Tremont may terminate, if a Material Adverse Change or Prescribed Event occurs prior to the Second Court Date.

(h) Insolvency

Either Tremont or Cradle may terminate, if the other party or, in the case of Cradle, any of its Related Bodies Corporate, becomes Insolvent.

(i) Termination of a Material Contract

Tremont may terminate if a Material Contract is terminated and the loss to Tremont that could reasonably be expected to follow from such termination of the Material Contract would exceed A\$1,000,000.

For more information refer to clause 14 of the Scheme Implementation Agreement in Annexure 2 of this Scheme Booklet.

10.14 Effect of Termination of Scheme Implementation Agreement

If the Scheme Implementation Agreement is terminated, the Scheme will not become Effective and, amongst other things:

- (a) Scheme Participants will retain their Cradle Shares, will not receive the Scheme Consideration, and will continue to be exposed to the risks associated with their investment in Cradle Shares;
- (b) the expected benefits of the Transaction (as discussed in Section 2.1) will not be realised;

- (c) Cradle will have incurred significant costs and management time and resources through the strategic review process and pursuing the Transaction, for no outcome;
- (d) Cradle may be liable to pay the Cradle Reimbursement Fee (US\$750,000) to Tremont (refer to Section 10.15 for further details in relation to the Cradle Reimbursement Fee);
- (e) if the Scheme Implementation Agreement is terminated pursuant to a Cradle Clause and the termination is not as a result of a breach or repudiation of the Scheme Implementation Agreement by Tremont, Cradle and its nominee PHT directors are deemed to agree to certain matters relating to PHT which are described further below; and
- (f) the market price of Cradle Shares may decline to the extent that the prevailing market price reflects an assumption that the Scheme will be completed.

The outcome of the Scheme Implementation Agreement has a number of consequential effects on Cradle's interest in the Panda Hill Project. If the Scheme Implementation Agreement is terminated pursuant to a Cradle Clause and the termination is not as a result of a breach or repudiation of the Scheme Implementation Agreement by Tremont, then Cradle:

- (a) must instruct its nominee PHT directors to act or vote on any PHT board resolution as recommended by the PHT directors nominated by Tremont to approve a termination or non-termination (as the case may be) of the agreements or arrangements referred to in Section 10.11, if so requested by Tremont; and
- (b) its nominee PHT directors are deemed to agree that the PHT Study is a Completed DFS. It is important to note that the PHT Study was prepared on behalf of PHT, not Cradle, and is not the Cradle DFS, which was prepared by Cradle. The agreement that the PHT Study is a Completed DFS has consequential effects on the Panda Hill Project, notably that if Cradle and Tremont are unable to reach an agreement, Tremont may unilaterally make a Decision to Mine (refer to Section 6.5(a) for further details). This will require Cradle to contribute, pro rata to its shareholding in PHT, equity funds to the construction and development of the Panda Hill Project in accordance with the Decision to Mine. For Cradle to meet its pro rata funding obligations, it will be required to obtain substantial debt and/or equity financing, or risk having its shareholding in PHT diluted to a minority interest. The risks associated with such debt and/or equity financing are described in Section 8.3(a).

If the Scheme Implementation Agreement is terminated for any other reason (other than termination due to the circumstances described in the paragraph above), then Tremont must instruct its nominee PHT directors to terminate some or all of the agreements or arrangements referred to in Section 10.11, if so requested by Cradle.

As noted in Section 10.11, the purpose of these arrangements is to mitigate the impact that the Scheme has on PHT's operational activities. These arrangements reflect the intentions of Cradle and Tremont at the time of entering into the Scheme Implementation Agreement. However, Cradle has the right to re-consider the decisions made under these arrangements if the Scheme does not proceed and the Scheme Implementation Agreement is terminated due to circumstances described in the paragraph above.

PHT is currently engaged in negotiations with various parties to secure senior debt funding as well as offtake and marketing arrangements for the niobium produced from the Panda Hill Project. Refer to Section 6.4(f) for further details.

10.15 Cradle Reimbursement Fee

Cradle has agreed to pay to Tremont the Cradle Reimbursement Fee (US\$750,000) if the Scheme does not proceed and:

- (a) on or before the End Date:
 - (i) Cradle enters into a legally binding agreement to undertake a Competing Transaction;
 - (ii) any single director of the Board recommends a Competing Transaction;

- (iii) the Board announces that a Competing Transaction is a Superior Proposal; or
 - (iv) a Competing Transaction is announced or is open for acceptance and is reasonably capable of being completed and is more favourable to Scheme Participants;
- (b) any single director of the Board fails to recommend or withdraws their recommendation for the Transaction, other than as a result of:
 - (i) the Independent Expert opining that the Scheme is not in the best interest of shareholders; or
 - (ii) Cradle validly terminating the Scheme Implementation Agreement as a result of Tremont being in material breach of the Scheme Implementation Agreement, where that breach has continued to exist for ten Business Days after notification by Cradle and where the loss to Cradle could reasonably be expected to exceed A\$1,000,000;
- (c) Tremont has validly terminated the Scheme Implementation Agreement as a result of Cradle being in material breach of the Scheme Implementation Agreement, where that breach has continued to exist for ten Business Days after notification by Tremont and where the loss to Tremont could reasonably be expected to exceed A\$1,000,000;
- (d) Cradle is in breach of its exclusivity obligations and has not ceased the conduct which caused the breach within one Business Day following notification by Tremont; or
- (e) Tremont terminates the Scheme Implementation Agreement as a result of a Prescribed Event or a Material Adverse Change occurring prior to the Second Court Date where:
 - (i) the prevention of the Prescribed Event or Material Adverse Change was within the control of Cradle;
 - (ii) had the Prescribed Event or Material Adverse Change occurred prior to the execution of the Scheme Implementation Agreement, it might reasonably be expected to have resulted in Tremont not entering into the Scheme Implementation Agreement; and
 - (iii) Cradle fails to rectify the Prescribed Event or Material Adverse Change within ten Business Days after being notified by Tremont requiring Cradle to do so.

However, the Cradle Reimbursement Fee is not payable by Cradle once the Scheme becomes Effective.

The obligation to pay any reimbursement fee is not reciprocated nor replicated for the benefit of Cradle. In the event that the Transaction does not proceed as a result of the fault or breach of the Scheme Implementation Agreement by Tremont, Cradle will not be entitled to recover any reimbursement fee under the Scheme Implementation Agreement from Tremont.

10.16 Treatment of Cradle Options, Cradle Performance Rights and Escrowed Shares

(a) Cradle Options

Cradle has entered into binding Option Cancellation Deeds with all Cradle Optionholders to have all of their Cradle Options cancelled on the Implementation Date, conditional upon the Scheme becoming Effective.

Cradle Optionholders will have their Cradle Options cancelled in consideration for Scheme Consideration less the relevant Cradle Option's exercise price (the **Cancellation Consideration**). Under the terms of the Scheme Implementation Agreement, Tremont has agreed to provide Cradle with sufficient funds to pay the Cancellation Consideration to the Cradle Optionholders.

As at the date of this Scheme Booklet, Cradle has the following Cradle Options on issue and has agreed to pay Cradle Optionholders the following Cancellation Consideration:

Exercise Price	Issue Date	Expiry Date	No. of Cradle Options	Cancellation Consideration
A\$0.25	30 April 2015	30 April 2018	1,000,000	A\$0.08 per Cradle Option
A\$0.25	24 December 2014	31 October 2018	2,000,000	A\$0.08 per Cradle Option
A\$0.25	12 March 2015	31 October 2018	500,000	A\$0.08 per Cradle Option
A\$0.25	6 May 2016	31 October 2018	750,000	A\$0.08 per Cradle Option
A\$0.30	17 June 2016	30 June 2018	2,000,000	A\$0.03 per Cradle Option
		TOTAL	6,250,000	A\$400,000

In accordance with the letter of appointment of Mr James Kelly as non-executive director of Cradle dated 4 February 2016, Cradle agreed to issue 1,000,000 options excisable at A\$0.25 and expiring on 31 October 2018 (**Thurwan Options**). Pursuant to a consultancy agreement between Cradle and Thurwan (refer to Section 6.5(e) for more details), Mr Kelly (through Thurwan) has the right to elect for the payment of the net cash value of the Thurwan Options, if the Thurwan Options are not granted by 30 September 2016.

On 7 April 2017, Thurwan exercised its right under the consultancy agreement for the payment of the net cash value of the Thurwan Options for the total net cash value of A\$80,000, conditional upon the Court approving the Scheme.

(b) Cradle Performance Rights

In accordance with the terms and conditions of the Cradle Performance Rights on issue, in the event that a court orders a meeting of Cradle Shareholders to be convened to consider a proposed scheme of arrangement and Cradle Shareholders approve the proposed scheme of arrangement, all existing Cradle Performance Rights on issue will automatically vest.

For the purposes of the proposed Scheme, if Cradle Shareholders (other than Excluded Shareholders) approve the Scheme by the Requisite Majority at the Scheme Meeting, the Cradle Board intends to notify the Cradle Performance Rights holders that their Cradle Performance Rights have vested and will allot and issue the underlying Cradle Shares to those holders by no later than the Record Date.

As at the date of this Scheme Booklet, a total of 787,500 Cradle Performance Rights are on issue.

(c) Escrowed shares

In accordance with the Sale of Mineral Rights Agreement between PHT and RECB dated 5 October 2015 pursuant to which PHT acquired its 100% interest in the Panda Hill Project, Cradle agreed to issue RECB 3,100,000 Cradle Shares to be held in escrow until commencement of production at the Panda Hill Project.

To satisfy the condition precedent under the Scheme Implementation Agreement for the release of any escrowed Cradle Shares prior to the Second Court Date, Cradle will release the 3,100,000 Cradle Shares issued to RECB from escrow prior to the Second Court Date. These Cradle Shares will then be Scheme Shares and the condition precedent in the Scheme Implementation Agreement relating to the release of escrowed shares will be satisfied.

11 ADDITIONAL INFORMATION

11.1 Interests of Directors

The Directors have no interest in the outcome of the Scheme, except as provided for in this Scheme Booklet.

(a) Cradle marketable securities

The number, description and amount of Cradle marketable securities held by or on behalf of each Director as at the date of this Scheme Booklet are:

Director	Cradle Shares	Cradle Options	Cradle Performance Rights
Mr Ian Middlemas	15,400,000 ⁽¹⁾	Nil	Nil
Mr Robert Behets	Nil	750,000 ⁽³⁾	Nil
Mr Craig Burton	30,800,000 ⁽²⁾	Nil	Nil
Mr James Kelly	Nil	Nil ⁽⁴⁾	Nil

Note:

1. Mr Middlemas holds a beneficial interest in the 15,400,000 Cradle Shares held by Arredo Pty Ltd.
2. Mr Burton holds a beneficial interest in 28,800,000 Cradle Shares held by Aviemore Capital Pty Ltd and 2,000,000 Cradle Shares held by Alba Capital Pty Ltd.
3. Mr Robert Behets, holding Cradle Options has entered into an Option Cancellation Deed agreeing to the cancellation of his Cradle Options on or before the Record Date.
4. Thurwan is controlled by Mr James Kelly. Thurwan has agreed to receive payment of the net cash value of the Thurwan Options, in lieu of their issue.

(b) Interest in Tremont

The Directors have no interest in Tremont as at the date of this Scheme Booklet.

(c) Participation in the Scheme

All Directors will be treated in the same way under the Scheme as all other Cradle Shareholders.

(d) Termination Benefits

Except as set out in this Section 11.1, no other termination benefits are proposed to be paid to any Director or officer of Cradle or any Related Entity.

(e) Other Benefits

Except as set out in Section 6.5 and this Section 11.1, there are no agreements or arrangements between any Director and another person which is in connection with or conditional on the outcome of the Scheme.

(f) Interests of Directors in contracts entered into by Tremont

Except as set out in this Section 11.1, none of the Directors have any interests in contracts entered into by Tremont.

(g) Other agreements or arrangements with Directors in connection with the Scheme

Cradle has entered into deeds of indemnity, insurance and access with each director and officer and has agreed to provide insurance coverage for all current Directors and the Company Secretary for seven years from the Implementation Date.

Except as set out in this Section 11.1, there are no other agreements or arrangements between any Director and any other person in connection with or conditional upon the outcome of the Scheme.

11.2 Substantial Shareholders

As at 19 May 2017, being the last practicable date prior to finalisation of this Scheme Booklet, the following persons had notified Cradle that they had voting power in 5% or more of Cradle Shares:

Shareholder Name	Number of Cradle Shares	% of Cradle Shares
Tremont Investments Limited	32,224,828	19.56
Mr Craig Ian Burton ⁽¹⁾	30,800,000	18.70
Edwards Family Holdings Ltd	17,641,000	10.71
Arredo Pty Ltd ⁽²⁾	15,400,000	9.35
Mr Brett Mitchell	11,520,000	6.99

Note:

1. Mr Burton holds a beneficial interest in the Cradle Shares held by Aviemore Capital Pty Ltd and Alba Capital Pty Ltd.
2. Mr Middlemas holds a beneficial interest in the Cradle Shares held by Arredo Pty Ltd.

11.3 Relevant interests of Tremont in Cradle securities

Tremont has a relevant interest in 32,224,828 Cradle Shares (19.56% of the total number of Cradle Shares on issue). Tremont does not hold any Cradle Options.

Tremont has no intention to acquire any Cradle Shares or Cradle Options prior to the Scheme becoming Effective.

11.4 Dealings in Cradle securities

Neither Tremont nor any Associate has provided, or agreed to provide, consideration for any Cradle Shares under a purchase or agreement during the four months ended on the day immediately before the date of this Scheme Booklet.

During the period of four months ended on the day immediately before the date of this Scheme Booklet, neither Tremont nor any Associate has given, offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- (a) vote in favour of the Scheme; or
- (b) dispose of Cradle Shares,

and the benefit has not been offered to all Cradle Shareholders.

11.5 Material change in financial position of Cradle

To the knowledge of the Directors, there has been no material change to the financial position of Cradle since 31 December 2016, being the date of the last published half year financial statement of Cradle.

11.6 Lodgement of Scheme Booklet

This Scheme Booklet was given to ASIC on 8 May 2017 in accordance with section 411(2)(b) of the Corporations Act.

11.7 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any Cradle Shareholder that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

11.8 Creditors of Cradle

The Scheme, if implemented, is not expected to materially prejudice Cradle's ability to pay its creditors as the Scheme involves the acquisition of Cradle Shares for consideration provided by a third party, rather than the acquisition of Cradle's underlying assets. No material new liability (other than Transaction costs) is expected to be incurred by Cradle as a consequence of the Transaction. Cradle has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

11.9 Consents

(a) Consents

The following parties have given and have not withdrawn, before the registration of this Scheme Booklet by ASIC, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- (i) DLA Piper Australia as legal advisers to Cradle;
- (ii) BDO as Independent Expert;
- (iii) Argonaut as financial adviser of Cradle;
- (iv) Ernst & Young as auditor of Cradle;
- (v) The MSA Group Pty Ltd as Independent Technical Specialist;
- (vi) Link Market Services Limited as the Share Registry; and
- (vii) Tremont in respect of the Tremont Information only.

BDO has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

The MSA Group Pty Ltd has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Technical Specialist's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

Ernst & Young has also given and not withdrawn, before the time of registration of this Scheme Booklet by ASIC, its written consent to the incorporation by reference in the Scheme Booklet of its audit report with respect to financial statements of Cradle for the years ended 30 June 2016 and 30 June 2016 and its audit review report with respect to the financial statements of Cradle for the half year ended 31 December 2016.

(b) Disclaimer

Each person referred to in Section 11.9(a):

- (i) has not authorised or caused the issue of this Scheme Booklet;

- (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified Section 11.9(a); and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in Section 11.9(a).

(c) Fees

Each of the persons named in Section 11.9 as performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The estimated fees for professional services paid or payable by Cradle to:

- (i) DLA Piper Australia to the date of this Scheme Booklet (including for Court related aspects of the Scheme) is approximately A\$340,000;
- (ii) BDO as Independent Expert is A\$45,000, excluding GST;
- (iii) MSA Group Pty Ltd as Independent Technical Specialist is A\$58,500; and
- (iv) Argonaut as financial adviser is A\$153,000.

In addition to professional and advisory fees described in this Section, the following parties will be paid a fee contingent on the Court approving the Scheme at the hearing on the Second Court Date. The contingent fees payable by Cradle to:

- (i) Argonaut, is a success fee of approximately US\$250,000 less amounts paid to date as financial adviser (see Section 6.5(d) for further information); and
- (ii) Thurwan, is an incentive fee of £25,000 (see Section 6.5(e) for further information); and
- (iii) Matador, is an incentive fee of A\$50,000 (see Section 6.5(f) for further information).

11.10 Information relating to Ore Reserves and Mineral Resources

(a) Cradle

Information in this Scheme Booklet that relates to Exploration Results and Exploration Targets is based on information compiled or reviewed by Mr Neil Inwood who is a Fellow of The Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Inwood is a full-time employee of Verona Capital Pty Ltd. Mr Inwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Mr Neil Inwood has consented to the inclusion of the matters in this Scheme Booklet based on his information in the form and the context in which it appears.

Information in this Scheme Booklet that relates to Mineral Resources is based on information compiled or reviewed by Mr Ingvar Kirchner, who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Kirchner is a full-time employee of AMC Consultants and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Mineral Resources and Reserves'. Mr Kirchner consents to the inclusion in this Scheme Booklet of the matters based on his information in the form and context in which it appears.

Information in this Scheme Booklet, as they relate to Ore Reserves, on the Mining Factors, Production Schedule, Mine Operating Costs and Mine Capital Costs are compiled by Mr Sjoerd Duim. Mr Duim is a consultant for SRK Consulting (Perth, Australia), and is a Member of the AusIMM. Mr Duim has sufficient relevant experience to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Duim has consented to the inclusion of this information in this Scheme Booklet in the form and context in which it appears.

Information in this Scheme Booklet, as they relate to Ore Reserves, on the Mining Factors, Pit Optimisation and Pit Designs are compiled by Mr Jemini Bhargava based on the input parameters received from the project team. Mr Bhargava is a consultant for SRK Consulting (Perth, Australia), and is a Member of the AusIMM. Mr Bhargava has sufficient relevant experience to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Bhargava has consented to the inclusion of this information in this Scheme Booklet in the form and context in which it appears.

Assumptions in this Scheme Booklet, as they relate to Ore Reserves, on the metallurgical and plant design factors and costs are provided by Mr Roger Gordon Leighton. Mr Leighton is an employee of MDM Engineering, South Africa, and is a Fellow of the SAIMM. Mr Leighton has sufficient relevant experience to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". Mr Leighton has consented to the inclusion of this information in this Scheme Booklet in the form and context in which it appears.

Assumptions in this Scheme Booklet, as they relate to Ore Reserves, on the Tailings Storage Facility and related Infrastructure are provided by Mr Steven A Dorman. Mr Dorman is a consultant for SLR Consulting (Africa), and is a Professional Engineer Registered with the Engineering Council of South Africa (ECSA). Mr Dorman has sufficient relevant experience to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Dorman has consented to the inclusion of this information in this Scheme Booklet in the form and context in which it appears.

(b) Disclaimer

Each person referred to in this Section 11.10:

- (i) has not authorised or caused the issue of this Scheme Booklet;
- (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this Section 11.10; and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in this Section 11.10.

11.11 Regulatory conditions and relief

(a) ASX

Listing Rule 6.23.2 provides that a change which has the effect of cancelling an option for consideration can only be made if shareholders approve the change.

ASX has granted Cradle a waiver from Listing Rule 6.23.2 to allow for the cancellation of Cradle Options without the need to obtain Cradle Shareholder approval. The waiver is conditional on the Scheme being approved by the Requisite Majority of Cradle Shareholders and by the Court, and that full details of the cancellation of the Cradle Options is clearly set out in this Scheme Booklet. See Section 10.16(a) for details of the cancellation of the Cradle Options.

(b) ASIC

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the Directors, the financial position of Cradle has materially

changed since the date of the last balance sheet laid before the company's annual general meeting or sent to Cradle Shareholders in accordance with section 314 or 317 of the Corporations Act, being 30 June 2016.

ASIC has granted Cradle relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the Directors, the financial position of Cradle has materially changed since 31 December 2016 (being the last date of the period to which the financial statements for the half-year ended 31 December 2016 relate). See Section 6.7 for details of the material changes in the financial position of Cradle since 31 December 2016.

Cradle will provide a copy of the financial statements for the financial half-year ended 31 December 2016 free of charge to anyone who requests a copy, prior to the Scheme being approved by the Court.

11.12 Supplementary information

If between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Tremont becomes aware of any of the following:

- (a) a material statement in the Tremont Information is false or misleading;
- (b) a material omission from the Tremont Information;
- (c) a significant change affecting a matter included in the Tremont Information; or
- (d) a significant new matter affecting Tremont that has arisen and that would have been required to be included in the Tremont Information if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Tremont will make available supplementary information to Cradle. Cradle will make any such supplementary material provided by Tremont available to Cradle Shareholders by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Cradle's website (<http://www.cradleresources.com.au>). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Cradle may also send such supplementary materials to Cradle Shareholders.

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Cradle becomes aware of any of the following:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Cradle will make available supplementary material to Cradle Shareholders. Cradle intends to make available any supplementary material by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Cradle's website (<http://www.cradleresources.com.au>). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Cradle may also send such supplementary materials to Cradle Shareholders.

11.13 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or Related Entity of Cradle which has not previously been disclosed to Cradle Shareholders.

THE ISSUE OF THIS SCHEME BOOKLET IS AUTHORISED BY THE DIRECTORS OF CRADLE RESOURCES LIMITED AND THIS SCHEME BOOKLET HAS BEEN SIGNED BY OR ON BEHALF OF THE DIRECTORS OF CRADLE RESOURCES LIMITED ON 24 MAY 2017.

A handwritten signature in black ink, appearing to read 'Craig Burton', written in a cursive style.

Craig Burton
Director

12 GLOSSARY

In this Scheme Booklet (and Annexure 3 to Annexure 5), unless the context requires otherwise:

Accounting Standard has the meaning given to it in section 9 of the Corporations Act.

Annexure means an annexure to this Scheme Booklet.

Announcement Date means the date on which Cradle announced to ASX that it had entered into the Scheme Implementation Agreement, being 10 March 2017.

Argonaut means Argonaut Capital Limited (ACN 099 761 547).

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to it in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

BDO means BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045).

Business Day has the meaning given in the Listing Rules.

Cancellation Consideration has the meaning given to that term in Section 10.16(a).

Cash Budget means the Cradle Group (excluding PHT) cash budget provided by Cradle to Tremont on 7 March 2017 and initialled by the parties as at the date of the Scheme Implementation Agreement.

CGT means capital gains tax.

Competing Transaction means any proposal, agreement, arrangement, reorganisation or transaction which, if completed, would mean a person (other than Tremont or its Related Bodies Corporate) would:

- (a) directly or indirectly, acquire an interest or relevant interest in, or become the holder of:
 - (i) 20% or more of the Cradle Shares; or
 - (ii) all or a substantial part or a material part of the business conducted by the Cradle Group, including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee;
- (b) acquire control of Cradle or any of its material Subsidiaries, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Cradle.

Completed DFS means a definitive feasibility study that, pursuant to the Investment and Shareholders Agreement, enlivens the right for Cradle and/or Tremont to make a Decision to Mine.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia.

Cradle means Cradle Resources Limited (ACN 149 637 019).

Cradle Board means the board of directors of Cradle.

Cradle Clause means any of the following clauses in the Scheme Implementation Agreement set out in Annexure 2:

- (a) clause 14.1(a);
- (b) clause 14.1(b)(i);
- (c) clause 14.1(b)(ii) - provided that the material breach relates to the Cradle Group (excluding PHT) and does not relate to any matter relating to PHT (but including breaches of clause 7.3(a) of the Scheme Implementation Agreement and Cradle's warranties in relation to PHT provided under the Scheme Implementation Agreement);
- (d) clause 14.1(c);
- (e) clause 14.1(d);
- (f) clause 14.1(e);
- (g) clause 14.1(f) - where, if applicable, the relevant condition precedent under the Scheme Implementation Agreement is item 7 or item 15 of Schedule 2 of the Scheme Implementation Agreement or items 2, 3, 4, 5, 6, 8, 9 or 10 of Schedule 2 of the Scheme Implementation Agreement provided in respect to each of items 2, 3, 4, 5, 6, 8, 9 or 10 of Schedule 2 of the Scheme Implementation Agreement only the event relates to the Cradle Group (excluding PHT) and does not relate to any matter relating to PHT only;
- (h) clause 14.1(g) - provided the event relates to the Cradle Group (excluding PHT) and does not relate to any matter relating to PHT (but including breaches of clause 7.3(a) of the Scheme Implementation Agreement);
- (i) clause 14.1(h); or
- (j) clause 14.1(i).

Cradle DFS means the definitive feasibility study completed by Cradle according to Cradle's internal requirements for the Panda Hill Project, the results of which were announced in the announcement 'Definitive Feasibility Study on Panda Hill' dated 20 April 2016.

Cradle Group means Cradle and its Subsidiaries. For the avoidance of doubt, Cradle Group includes PHT.

Cradle Information means the information contained in this Scheme Booklet other than the Tremont Information and the Independent Expert's Report in Annexure 1.

Cradle Option means an option to acquire a Cradle Share.

Cradle Optionholder means each person who is a holder of a Cradle Option.

Cradle Performance Right means a performance right exchangeable for, or exercisable or convertible into, a Cradle Share.

Cradle Reimbursement Fee means the amount of US\$750,000 payable by Cradle to Tremont in the circumstances set out in the Scheme Implementation Agreement and Section 10.15.

Cradle Share means a fully paid ordinary share issued in the capital of Cradle.

Cradle Shareholder means, at the relevant time, a person who is registered in the Register as a holder of Cradle Shares.

Decision to Mine means a decision by the Board of PHT in accordance with the Investment and Shareholders Agreement to proceed with the construction of the mine to carry out mining activities on the Panda Hill Project.

Deed Poll means the deed poll dated 9 March 2017 executed by Tremont, set out in Annexure 4.

Director means a director of Cradle.

Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

End Date means the date that is 6 months from the date of the Scheme Implementation Agreement or such other date as determined in accordance with the Scheme Implementation Agreement or as agreed in writing by Tremont and Cradle.

EPCM means engineering, procurement, construction and management.

ESIA means environment and social impact assessments.

Excluded Shareholder means Tremont and its Associates.

Exclusivity Period means the period from and including the 9 March 2017 to the earlier of:

- (a) the termination of the Scheme Implementation Agreement in accordance with its terms;
- (b) the Effective Date; and
- (c) End Date.

Exploration Target has the meaning given to that term in the JORC Code.

FEED means front end engineering design.

FIRB means the Foreign Investment Review Board.

FIRB Act means the *Foreign Acquisitions and Takeover Act 1975* (Cth).

IFRS means International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by Cradle and Tremont.

Independent Expert means BDO.

Independent Expert's Report means the report of BDO set out in Annexure 1.

Independent Technical Specialist means The MSA Group Pty Ltd.

Independent Technical Specialist's Report means the report of the Independent Technical Specialist set out in the appendixes to the Independent Expert's Report.

Indicated Mineral Resource has the meaning given to that term in the JORC Code.

Inferred Mineral Resource has the meaning given to that term in the JORC Code.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement);
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Investment and Shareholders Agreement has the meaning given to that term in Section 6.5(a).

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012).

KMP means key management personnel.

Listing Rules means the official listing rules of ASX.

Matador means Matador Capital Pty Limited (ACN 144 992 781).

Material Adverse Change means Specified Events which, individually or when aggregated with all Specified Events, would be reasonably expected:

- (a) to result in the value of consolidated net assets of the Cradle Group being reduced by at least A\$2,000,000; or
- (b) to result in cash and cash equivalents of the Cradle Group (excluding PHT) being less than the amount of cash or cash equivalents provided for in the Cash Budget for any one or more periods in the Cash Budget by A\$100,000 or more (except as a result of any emergency expenditure the amount of which is not reasonably ascertainable prior to the date of this agreement and that is approved in writing by Tremont); or
- (c) to have a materially adverse effect on the status or terms of (or rights attaching to) the Mineral Rights or the ability of the owner of those rights to exploit them,

but does not include:

- (d) any matter, event or circumstance disclosed to Tremont in writing prior to 9 March 2017, including in the virtual data room established by Cradle, responses to Tremont's due diligence request list, a

document lodged with ASIC or ASX lodged by Cradle in the 12 months prior to 9 March 2017, or actually known by Tremont (other than matters, events or circumstances known by representatives of professional advisers to the extent those representatives are not involved with the Transaction) on or before 9 March 2017 (including as a result of disclosures made to ASX);

- (e) any change in accounting policy required by law;
- (f) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this agreement, the Scheme or the transactions contemplated by them;
- (g) a change resulting directly from a general deterioration in world niobium prices, equity markets, interest rates, exchange rates or credit spreads, that impacts the Cradle Group and its competitors in a similar manner; or
- (h) any costs incurred directly in relation to the Transaction which exceed the amounts provided for in the Cash Budget.

Without limiting the generality of paragraphs (a), (b) and (c) above, Material Adverse Change includes, at any time before 5.00pm on the day immediately before the Second Court Date, a change or proposed change of laws (including mining, taxation, customs, export, health and safety, environmental or any other law) of Tanzania adversely affecting the development, operation, exploitation or economic benefits to PHT, Tremont or Cradle of the Panda Hill Project and the Mineral Rights being announced or made (whether through amendment of existing laws or enactment of new laws, or a change having the force of law in the interpretation or application thereof by any judicial, arbitral or administrative body).

Material Contract means a contract listed in schedule 8 of the Scheme Implementation Agreement.

Measured Mineral Resource has the meaning given to that term in the JORC Code.

Mineral Resource has the meaning given to that term in the JORC Code.

Mineral Rights means:

- (a) the following mining licences located in Panda Hill, Mbeya District, Tanzania:
 - (i) mining licence 237/2006;
 - (ii) mining licence 238/2006; and
 - (iii) mining licence 239/2006;
- (b) any other mineral right or mineral rights which, may be granted in lieu of or relate to the same ground as the mining rights referred to in paragraph (a); and
- (c) all rights to mine and other privileges appurtenant to the mineral rights referred to in paragraphs (a) and (b) as conferred by law.

NEMC has the meaning given to that term in Section 6.4(d).

Notice of Scheme Meeting means the notice convening the Scheme Meeting together with the Proxy Forms for that meeting as set out in Annexure 5.

Option Cancellation Deed means a deed (in a form acceptable to Tremont) between each Cradle Optionholder pursuant to which the Cradle Optionholder agrees, subject to the Scheme becoming Effective and any necessary ASX waivers being obtained, to the cancellation of each Cradle Option held in return for the Cancellation Consideration.

Ore Reserve has the meaning given to that term in the JORC Code.

Panda Hill Project means the Panda Hill niobium project situated in Mbeya District, Tanzania, comprising of the Mineral Rights.

PHT means Panda Hill Tanzania Limited a company incorporated in Mauritius with company number 122978.

PHT Study means the definitive feasibility study produced by PHT on or about 25 June 2016.

Prescribed Event means, except to the extent publicly disclosed prior to the date of Scheme Implementation Agreement or contemplated by the Scheme Implementation Agreement or the Scheme, any of the events listed in Schedule 1 of the Scheme Implementation Agreement provided that a Prescribed Event listed in items 1 to 14 of Schedule 1 of the Scheme Implementation Agreement will not occur where Cradle has first consulted with Tremont in relation to the event and Tremont has approved the proposed event or has not objected to the proposed event within 5 Business Days of having being so consulted.

Proxy Form means the proxy form that accompanies this Scheme Booklet or is available from the Share Registry.

RECB means RECB Limited, a company incorporated in the British Virgin Islands.

Record Date means 5.00pm (WST) on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Cradle and Tremont may agree in writing.

Register means the share register of Cradle kept pursuant to the Corporations Act.

Regulatory Authority means:

- (a) ASX or ASIC;
- (b) the Takeovers Panel;
- (c) the Tanzanian FCC;
- (d) a government or governmental, semi-governmental or judicial entity or authority;
- (e) a minister, department, office, commission, delegate, instrumentalist, agency, board, authority or organisation of any government; and
- (f) any regulatory organisation established under statute,

including in Australia, Mauritius or Tanzania.

Related Bodies Corporate has the meaning it has in the Corporations Act.

Related Entity means, in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in the Accounting Standards) that is Controlled by that party.

Representatives means any person acting for or on behalf of a party including any director, officer, employee, agent, contractor or professional advisor of a party or its Related Body Corporate.

Requisite Majority means in relation to the Scheme Resolution, a resolution passed by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Cradle Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) at least 75% of the votes cast on the resolution,

where Excluded Shareholders are not entitled to vote on the Scheme Resolution.

Royalty Deed has the meaning given to that term in Section 6.5(c).

Sale Agreement has the meaning given to that term in Section 6.5(c).

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Cradle and the Scheme Participants, the form of which is contained in Annexure 3, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Cradle and Tremont.

Scheme Booklet means this scheme booklet.

Scheme Consideration means the consideration to be provided to Scheme Participants under the terms of the Scheme, being A\$0.33 in respect of each Scheme Share.

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 9 March 2017 between Cradle and Tremont set out in Annexure 2.

Scheme Meeting means the meeting of Cradle Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting, to be held at 10.00am (WST) on 28 June 2017.

Scheme Participant means each person who is a Cradle Shareholder as at the Record Date (other than an Excluded Shareholder).

Scheme Resolution means the resolution to be proposed to the Cradle Shareholders at the Scheme Meeting to approve the Scheme, set out in the Notice of Scheme Meeting.

Scheme Shares means all Cradle Shares on issue as at the Record Date other than those held by Excluded Shareholders.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Section means a section of this Scheme Booklet.

Share Registry means Link Market Services Limited ACN 083 214 537.

Specified Event means an event, occurrence or matter that:

- (a) occurs after the date of the Scheme Implementation Agreement;
- (b) occurs before the date of the Scheme Implementation Agreement but is only announced or publicly disclosed after the date of the Scheme Implementation Agreement; or
- (c) will or is likely to occur after the date of the Scheme Implementation Agreement and which has not been publicly announced prior to the date of the Scheme Implementation Agreement,

including, to avoid doubt:

- (d) termination of a Material Contract; and
- (e) commencement of hostilities not presently existing (whether war has been declared or not) or a major escalation in existing hostilities occurring (whether war has been declared or not) involving Tanzania, or a terrorist act being perpetrated in Tanzania.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Superior Proposal means a publicly announced Competing Transaction which the Cradle Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and
- (b) more favourable to Cradle Shareholders than the Scheme, taking into account all terms and conditions of the Competing Transaction.

Takeovers Panel means the review body continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 of the Corporations Act.

Tanzanian FCC means the Tanzanian Fair Competition Commission.

Tax Act has the meaning given to that term in Section 9.

Thurwan means Thurwan Limited, a company incorporated in the United Kingdom.

Thurwan Options means the 1,000,000 options with an exercise price of \$0.25, expiring on 31 October 2018.

Transaction means the acquisition by Tremont of all of the Cradle Shares (other than those held by Excluded Shareholders) through the implementation of the Scheme and other transactions contemplated by the Scheme Implementation Agreement.

Treasurer means the Treasurer of Australia.

Tremont means Tremont Investments Limited, a company incorporated in Mauritius (company number 121957).

Tremont Board means the board of directors of Tremont.

Tremont Information means all the information contained in this Scheme Booklet regarding Tremont prepared by Tremont or its advisors, being the information in the Sections or parts of those Sections described below:

- (a) Section 3 under the part named, "Question about Tremont";
- (b) Section 7;
- (c) Section 11.3;
- (d) Section 11.4;
- (e) Section 11.12; and
- (f) Section 12: the definitions contained in the Glossary for "Tremont", "Tremont Board" and "Tremont Information",

except in each case to the extent that information is based on information provided or prepared by or on behalf of Cradle.

United States or **US** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

US Exchange Act means the United States Securities Exchange Act of 1934, as amended.

US Securities Act means the United States Securities Act of 1933, as amended.

WST means Western Standard Time in Australia.

In this Scheme Booklet:

- (a) all dates and times are Perth, Western Australia times unless otherwise indicated;
- (b) words and phrases not otherwise defined in this Scheme Booklet (excluding the Annexures of this Scheme Booklet) have the same meaning (if any) as is given to them by the Corporations Act;
- (c) the singular includes the plural and vice versa. A reference to a person includes a reference to a corporation;
- (d) headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet;
- (e) a reference to a Section is to a Section in this Scheme Booklet unless stated otherwise;
- (f) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- (g) the meaning of general words is not limited by specific examples introduced by “including”, “for example” or similar expressions.

Annexure 1 – Independent Expert's Report

CRADLE RESOURCES LIMITED Independent Expert's Report

4 May 2017





Financial Services Guide

4 May 2017

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Cradle Resources Limited ('Cradle' or 'the Company') to provide an independent expert's report on the proposed acquisition of all the ordinary outstanding shares of Cradle by Tremont Investments Limited ('Tremont'), through a scheme of arrangement under the Australian Corporations Act ('the Scheme'). You will be provided with a copy of our report as a retail client because you are a shareholder of Cradle.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$45,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Cradle for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Discount Rate Assessment

Appendix 4 - Independent Technical Report prepared by The MSA Group Pty Ltd

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Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

4 May 2017

The Directors
Cradle Resources Limited
Level 7, 1008 Hay Street
Perth, WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 10 March 2017, Cradle Resources Limited ('Cradle' or 'the Company') announced that it had entered into a Scheme Implementation Agreement ('SIA') with Tremont Investments Limited ('Tremont'), pursuant to which Tremont will, if implemented, acquire all of the ordinary outstanding shares of Cradle, which it does not already own, by way of a scheme of arrangement under the Australian Corporations Act 2001 Cth ('the Scheme').

Under the Scheme, Cradle shareholders will receive cash consideration of \$0.33 per share ('Scheme Consideration').

All currencies are quoted in Australian Dollars ('A\$') unless otherwise stated.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Cradle have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the proposed acquisition of all the ordinary outstanding shares of Cradle by Tremont, through the Scheme, is in the best interests of the non associated shareholders of Cradle ('Shareholders').

Our Report is prepared pursuant to section 411 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and will be included in the scheme booklet prepared by Cradle in relation to the Scheme, in order to assist Shareholders in their decision whether to approve the Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 60 'Schemes of Arrangements' ('RG 60'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

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In arriving at our opinion, we have assessed the terms of the Scheme as outlined in the body of this report. We have considered:

- how the value of a Cradle share on a control basis prior to the implementation of the Scheme compares to the value of the Scheme Consideration;
- the likelihood of an alternative offer being made to Cradle;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Scheme; and
- the position of Shareholders should the Scheme not be implemented.

2.3 Opinion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Scheme is fair and reasonable, and in the best interests of Shareholders.

2.4 Fairness

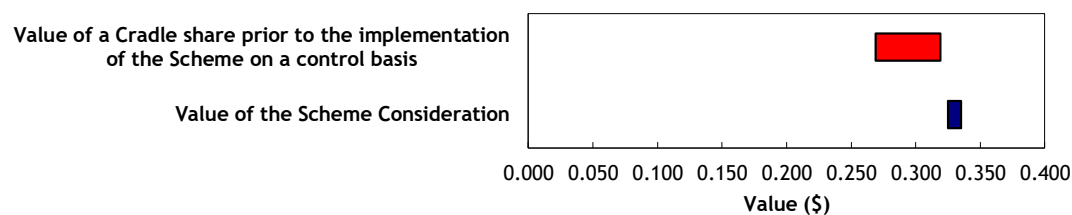
In section 11 we determined that the value of a Cradle share on a control basis compares to the Scheme Consideration, as detailed below:

	Ref	Low \$	Preferred \$	High \$
Value of a Cradle share prior to the implementation of the Scheme on a control basis	10.3	0.269	0.295	0.319
Value of the Scheme Consideration	9.2	0.330	0.330	0.330

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary



Source: BDO analysis

The above pricing indicates that, in the absence of an alternative offer, the Scheme is fair for Shareholders.



2.5 Reasonableness

We have considered the analysis in section 12 of this report, in terms of both

- advantages and disadvantages of the Scheme; and
- other considerations, including the position of Shareholders if the Scheme is not implemented and the consequences of not approving the Scheme.

In our opinion, the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved. Accordingly, in the absence of any other relevant information and/or an alternative proposal, we believe that the Scheme is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.3.1	The Scheme is fair	12.4.1	Shareholders no longer have an exposure to the Panda Hill Project
12.3.2	Shareholders obtain certainty of value under the Scheme		
12.3.3	Avoidance of a number of risks related to the Panda Hill Project		
12.3.4	Interest of Cradle in the Panda Hill Project may be diluted if the Scheme is not approved		
12.3.5	Shareholders can realise their investment without incurring stamp duty or brokerage costs		

Other key matters we have considered include:

Section	Description
12.1	Alternative Proposal
12.2	Consequences of not approving the Scheme



3. Scope of the Report

3.1 Purpose of the Report

The Scheme is to be implemented pursuant to section 411 of the Corporations Act. Part 3 of Schedule 8 to the Corporations Act Regulations 2001 (Cth) (**'Regulations'**) prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act (**'Section 411'**).

An independent expert's report must be obtained by a scheme company if:

- there is one or more common directors; or
- the other party to the scheme holds 30% or more of the voting shares in the scheme company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interests of the members of the company the subject of the scheme and setting out his or her reasons for that opinion.

As at the date of this Report, Tremont holds 32,224,828 (19.56%) of the voting shares in Cradle and there are no common directors. Accordingly, an independent expert's report is not specifically required pursuant to Section 411 in relation to the Scheme.

Notwithstanding the fact that there is no legal requirement to engage an independent expert to report on the Scheme, the directors of Cradle have requested that BDO prepare this report as if it were an independent expert's report pursuant to Section 411, and to provide an opinion as to whether the directors of Cradle are justified in recommending the Scheme in the absence of an alternative proposal.

Furthermore, the requirement for an independent expert's report is a precondition in the SIA, which states that for the Scheme to proceed, the independent expert's report must conclude that the Scheme is in the best interest of Shareholders.

3.2 Regulatory guidance

Neither the Act nor the Regulations defines the term 'in the best interests of'. In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a change of 'control' transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover bid, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover bid is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the terms should be interpreted in a range of circumstances.

RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect the transaction.



Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, 'in the best interests' must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a 'fair and reasonable' assessment in the case of a takeover. If the expert would conclude that a proposal was 'fair and reasonable'; if it was in the form of a takeover bid, the expert will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of 'in the best interests' does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the transaction. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in three parts:

- a comparison between the value of a Cradle share including a premium for control and the value of the Scheme Consideration per Cradle share (fairness - see section 11 'Is the Scheme Fair?');
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the Scheme, after reference to the value derived above (reasonableness - see section 12 'Is the Scheme Reasonable?'); and
- a consideration of whether the Scheme is in the best interests of Shareholders.

RG 111 states that if a transaction is fair and reasonable then the expert can conclude that the transaction is in the best interests of shareholders; if a transaction is not fair but reasonable an expert can still conclude that the transaction is in the best interests of shareholders; if a transaction is neither fair nor reasonable then the expert would conclude that the transaction is not in the best interests of shareholders.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

This Report has been prepared in accordance with the Accounting Professional & Ethical Standards Board professional standard APES 215 'Forensic Accounting Services'.



4. Outline of the Scheme

On 10 March 2017, Cradle announced that it had entered into a SIA with Tremont, pursuant to which Tremont will, if implemented, acquire all of the ordinary outstanding shares of Cradle, which it does not already own, by way of the Scheme.

Under the Scheme, Cradle shareholders will receive cash consideration of \$0.33 per share.

Prior to the Court making an order pursuant to Section 411 of the Act approving the Scheme, all outstanding options are to be vested and an option cancellation deed entered between the relevant option holders and Cradle. Similarly, all outstanding performance rights are to be vested and the relevant resultant Cradle shares are to be issued or agreed to be issued.

Furthermore, Cradle has agreed to issue to Thurwan Limited 1,000,000 options in consideration for consulting services provided (**'Thurwan Options'**). Prior to the Court approving the Scheme, Cradle must pay Thurwan Limited the net cash value of 1,000,000 unissued options, which in accordance with the SIA, is equal to the Scheme Consideration less \$0.25 per option.

The Scheme and the various obligations of both Cradle and Tremont, are conditional upon, but not limited to, the following:

- regulatory approvals of ASIC and the Australian Securities Exchange (**'ASX'**);
- approval of the Scheme by the requisite majority of Shareholders, in accordance with the Corporations Act, at the Scheme meeting;
- Cradle's outstanding options, performance rights and the options to be issued to Thurwan Limited being treated in accordance with the SIA;
- Court approval of the Scheme in accordance with Section 411(4)(b) of the Act; and
- the independent expert's report concluding that the Scheme is in the best interests of Shareholders.

Further disclosure of the conditions precedent to the Scheme is included in the Scheme booklet.

5. Profile of Cradle

5.1 Overview

Cradle is an ASX listed company focussed on the exploration and development of its 50% joint venture with Tremont, the Panda Hill Niobium Project (**'Panda Hill Project'** or **'the Project'**), which is located in Tanzania. The Company was incorporated in 2011, and has its head office located in Perth, Western Australia. Cradle has two wholly owned subsidiaries, Panda Hill Mining Pty Ltd (**'PHM'**), which was incorporated in Australia, and Songwe Hill Limited, which was incorporated in Tanzania. Cradle also holds 50% of Panda Hill Tanzania Limited (**'PHT'**), which was incorporated in Mauritius and holds the Project.

Cradle's most recent capital raising was in June 2016, whereby the Company completed a capital raising of \$2.16 million through the issue of 8,000,000 ordinary shares at 27 cents each, and \$0.6 million through the issue of 2,000,000 shares at 30 cents each.



The Company's current board members and senior management are shown below:

- Mr Ian Middlemas - Non-Executive Chairman;
- Mr James Kelly - Executive Director;
- Mr Craig Burton - Non-Executive Director;
- Mr Robert Behets - Non-Executive Director; and
- Mr Gregory Swan - Company Secretary.

5.2 Panda Hill Project

The primary focus of Cradle is the development of the Panda Hill Project, which is located in the Mbeya District in south-western Tanzania, approximately 680 kilometres west of the capital Dar es Salaam. The Mbeya District is a logistics and services hub, and has access to major roads, an airport and rail infrastructure. The Project is located on three mining licences, and covers a total area of approximately 22.1 square kilometres.

In 2013 Cradle acquired all the share capital of PHM, which held a 49% shareholding in RECB Limited ('RECB'), a special purpose vehicle that owned 100% of the Panda Hill Project. PHM held an option to acquire a further 1% shareholding in RECB (which was exercised and acquired in 2014) in addition to an option to acquire the remaining 50% of RECB (or to acquire 100% of the Project's assets directly) under an earn-in/option agreement.

In 2014 the Company announced that it had entered into an agreement with Tremont, under which, Tremont had the right to contribute 20 million United States Dollars ('US\$') to acquire a 50% interest in PHM, by sole funding of the development expenditure in four stages. Tremont acquired its interest by subscribing for shares in a newly incorporated company, PHT, into which all of Cradle's interest in the Project was transferred.

In 2015, PHT, the joint venture entity owned by Cradle and Tremont, exercised its option to acquire the remaining 50% of the Project from RECB. Completion under the amended purchase agreement took place on 9 November 2015 following approval by the Tanzanian Government of the transfer of the mining licences.

Panda Hill Project Definitive Feasibility Study

On 20 April 2016, Cradle released the results of its Definitive Feasibility Study ('Cradle DFS'). The study focused on producing an average of 5,400 tonnes per annum of niobium as ferroniobium over the life of mine, with a 1.3 million tonnes per annum ('mtpa') concentrator initially operating for four years and then expanding to 2.6 mtpa in year five. The study focused on developing an open cut mine and treating selected material through a milling and two stage flotation process.



5.3 Historical Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Reviewed as at 31-Dec-16 \$	Audited as at 30-Jun-16 \$	Audited as at 30-Jun-15 \$
CURRENT ASSETS			
Cash and cash equivalents	2,494,270	5,571,352	2,351,093
Trade and other receivables	50,588	33,078	1,087,486
TOTAL CURRENT ASSETS	2,544,858	5,604,430	3,438,579
NON-CURRENT ASSETS			
Exploration and evaluation	-	-	1,898,656
Interest in joint venture	22,170,280	18,183,827	24,227,531
Other receivables	26,133	26,133	53,868
TOTAL NON-CURRENT ASSETS	22,196,413	18,209,960	26,180,055
TOTAL ASSETS	24,741,271	23,814,390	29,618,634
CURRENT LIABILITIES			
Trade and other payables	100,119	118,002	351,843
Accrued expenses	1,125,597	79,827	95,022
Contingent consideration payable	-	-	2,864,063
Provisions and other liabilities	11,742	47,301	111,994
TOTAL CURRENT LIABILITIES	1,237,458	245,130	3,422,922
TOTAL LIABILITIES	1,237,458	245,130	3,422,922
NET ASSETS	23,503,813	23,569,260	26,195,712
EQUITY			
Issued share capital	27,988,391	27,988,391	19,005,683
Issued share options	287,491	287,491	287,491
Share based payment reserve	571,359	489,319	606,510
Consolidation reserve	10,921,281	10,921,281	8,682,016
Foreign currency translation reserve	2,107,972	1,513,472	1,417,000
Accumulated losses	(18,372,681)	(17,630,694)	(8,428,145)
Non-controlling interest	-	-	4,625,157
TOTAL EQUITY	23,503,813	23,569,260	26,195,712

Source: Cradle's audited financial statements for the years ended 30 June 2015, 30 June 2016 and reviewed financial statements for the half year ended 31 December 2016

Commentary on Historical Statement of Financial Position

We note that Company's auditor issued an Emphasis of Matter in the audited financial reports for the years ended 30 June 2015 and 30 June 2016, and the reviewed financial report for the half year ended 31 December 2016. The auditor outlined the existence of material uncertainty in relation to the Company's ability to continue as a going concern given the level of additional funding required to develop the Project.



We note the following in relation to Cradle's Statement of Financial Position:

- Cash and cash equivalents increased from \$2.35 million at 30 June 2015 to \$5.57 million at 30 June 2016. The increase of \$3.22 million was primarily a result of \$2.76 million in proceeds from the issue of shares and options, \$2.17 million in cash calls to the joint venture partner, and a \$1.15 million tax rebate for research and development, which were partially offset by \$1.98 million in exploration and evaluation, and payments to suppliers of \$0.99 million.
- Cash and cash equivalents declined from \$5.57 million at 30 June 2016 to \$2.49 million at 31 December 2016. The decrease of \$3.08 million was primarily due to \$2.32 million in contributions to the joint venture and payments to suppliers of \$0.73 million.
- Trade and other receivables decreased from \$1.09 million at 30 June 2015 to \$0.03 million at 30 June 2016. The decrease was the result of accrued income, which related to research and development claims, declining from \$0.62 million at 30 June 2015 to nil at 30 June 2016, and other receivables declining from \$0.47 million to \$0.03 million over the same period.
- Exploration and evaluation declined from \$1.90 million at 30 June 2015 to nil at 30 June 2016, due to the deconsolidation of PHM following loss of control of the subsidiary.
- Accrued expenses increased from \$0.08 million at 30 June 2016 to \$1.13 million at 31 December 2016 due to Cradle accruing 50% of the PHT Front-end Engineering and Design ('FEED') cost, being \$1.06 million.
- Contingent consideration payable of \$2.86 million at 30 June 2015 related to the acquisition of RECB.
- Issued share capital increased from \$19.01 million at 30 June 2015 to \$27.99 million at 30 June 2016. The increase was attributable to the issue of shares and share options throughout the financial year.
- Non-controlling interest of \$4.63 million at 30 June 2015 related to the Company's equity interest in PHM. Cradle lost control of PHM as of 1 October 2015 and its interest in PHM was therefore recognised as an interest in joint venture.



5.4 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half-year ended 31-Dec-16 \$	Audited for the year ended 30-Jun-16 \$	Audited for the year ended 30-Jun-15 \$
Revenue			
Other Income	14,275	9,570	11,076
Expenses			
Administration	(158,277)	(450,031)	(514,858)
Professional fees	(286,708)	(285,513)	(435,496)
Director fees	(170,259)	(329,281)	(169,999)
Exploration and evaluation expenditure	-	(308)	(6,389)
Employee benefits expense	(76,357)	(181,078)	(130,289)
Share based payment expense	(82,040)	(113,809)	(492,393)
Net foreign exchange gains	50,287	337,912	703,372
Exploration and evaluation expenditure written off	-	-	(224,100)
Impairment on joint venture interest	-	(3,922,657)	-
Loss on dilution of interest in PHT	-	(2,410,303)	(2,109,036)
Write down of intercompany loans on loss of control subsidiary	-	(1,907,839)	-
Share of interest in joint venture losses	(32,908)	(25,648)	(169,344)
Loss on disposal of subsidiary	-	(441)	-
Loss on re-measurement of financial liability	-	(1,917,188)	(426,563)
Loss before income tax expense	(741,987)	(11,196,614)	(3,964,019)
Income tax benefit	-	-	-
Loss after income tax expense	(741,987)	(11,196,614)	(3,964,019)
Exchange differences on the translation of foreign operations	594,500	96,472	1,417,000
Other comprehensive income for the period, net of tax	594,500	96,472	1,417,000
Total comprehensive loss for the year	(147,487)	(11,100,142)	(2,547,019)

Source: Cradle's audited financial statements for the years ended 30 June 2015, 30 June 2016 and reviewed financial statements for the half year ended 31 December 2016

Commentary on Profit or Loss and Other Comprehensive Income

We note the following in relation to Cradle's Statement of Profit or Loss and Other Comprehensive Income:

- Exploration and evaluation write off of \$0.22 million for the year ended 30 June 2015, related to the Company's Wyloo tenement, which was relinquished and its carrying value was written off.
- Impairment of joint venture interest of \$3.92 million for the year ended 30 June 2016, was the result of Cradle's de-recognition of its interest in RECB. The impairment loss recorded reflects the differences in the estimated fair value of the groups interest and pre-existing interest in the licenses transferred, and the carrying value of the investment in RECB at the date of disposal
- Loss on dilution of interest in PHT of \$2.41 million for the year ended 30 June 2016 related to Tremont's payment of the final tranche under the earn-in option agreement, which resulted in Tremont's ownership in PHT increasing to 50% and reduced Cradle's ownership to 50%.



- Loss on re-measurement of financial liability of \$1.92 million for the year ended 30 June 2016, related to the contingent consideration liability, which arose from the acquisition of RECB.

5.5 Capital Structure

The share structure of Cradle as at 7 April 2017 is outlined below:

	Number
Total ordinary shares on issue	164,727,617
Top 20 shareholders	133,732,287
Top 20 shareholders - % of shares on issue	81.18%

Source: Cradle's share registry information

The range of shares held in Cradle as at 7 April 2017 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	25	2,504	0.00%
1,001 - 5,000	143	449,470	0.27%
5,001 - 10,000	157	1,327,465	0.81%
10,001 - 100,000	338	12,068,931	7.33%
100,001 - and over	84	150,879,247	91.59%
Total	747	164,727,617	100.00%

Source: Cradle's share registry information

The ordinary shares held by the most significant shareholders as at 7 April 2017 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Tremont Investments Limited	32,224,828	19.56%
Aviemore Capital Pty Ltd	28,800,000	17.48%
Edwards Family Holdings Ltd	17,641,000	10.71%
Arredo Pty Ltd	15,400,000	9.35%
Mr Brett Mitchell and Mrs Michelle Mitchell	11,520,000	6.99%
Subtotal	105,585,828	64.10%
Others	59,141,789	35.90%
Total ordinary shares on Issue	164,727,617	100.00%

Source: Cradle's share registry information and substantial shareholder notices

Details of unlisted options and rights of Cradle as at the date of this report are outlined below:

Current Options on Issue	Number
Options exercisable at \$0.25 on or before 31 October 2018	3,250,000
Options exercisable at \$0.25 on or before 30 April 2018	1,000,000
Options exercisable at \$0.30 on or before 30 June 2018	2,000,000
Performance rights expiring 30 September 2017	787,500

Source: Cradle's share registry information



6. Profile of Tremont

6.1 Overview

Tremont was incorporated in Mauritius on 28 March 2014 as a special purpose vehicle for the specific purpose of holding securities in Cradle and PHT. Tremont is wholly owned by Tremont Master Holdings ('**Tremont Holdings**') an entity incorporated in Mauritius. Tremont Holdings is an investment vehicle focussed on investing in undercapitalised mining projects that, with the application of capital and managerial efficiency, can be brought to cash flow and profitability.

The majority of shares in Tremont Holdings are indirectly held by Denham Commodity Partners Fund V LP, Denham Commodity Partners Fund VI LP and Denham Commodity Partners Fund VI-A LP ('**Denham Funds**').

Denham Funds is advised by Denham Capital Management LP ('**Denham Capital**'). Denham Capital is an energy and resources focused global private equity firm with more than US\$8.4 billion of invested and committed funds in the oil and gas, power and mining industries. With offices in Boston, Houston, London and Perth, funds advised by Denham Capital make direct investments in the energy and resources sector, including mining, power generation and oil and gas businesses. Such investments are made across the globe and at all stages of the corporate lifecycle.

Further information about Denham Capital is available on its website www.denhamcapital.com.

Tremont has not lodged any financial statements with ASIC and is not listed on any recognised stock exchange and therefore is not subject to periodic and continuous disclosure requirements of the Corporations Act or the ASX Listing Rules.

As at the date of this Report, Tremont has a relevant holding of 32,224,828 shares (19.56%) in Cradle.

7. Economic analysis

7.1 Global

Overall, the global economy is continuing to grow at a moderate level, entering 2017 with more momentum than originally anticipated. This overall improvement in the global economy has also contributed to higher commodity prices. Growth in global industrial production and trade has picked up recently, and labour market conditions in many countries have tightened.

In China, the 2017 growth target for the economy of around 6.5% is slightly lower than the pace of growth recorded in 2016. This is reflective of the continuing implementation of a proactive fiscal policy and maintenance of prudent monetary policy, with the tolerance for slightly slower economic growth giving the country more room to push through reforms and deal with levels of built-up debt.

Above-trend growth is expected in a number of advanced economies, however uncertainty regarding the global economic outlook and policy settings for major jurisdictions continues. Recently, global monetary policy has been accommodative however there no longer exists an expectation of additional monetary easing in major economies.



7.2 Australia

Commodity prices

Commodity prices have increased in recent months, following a steep decline over the past few years. The increase in commodity prices is partly attributable to factors such as increased Chinese demand for bulk commodities. Chinese authorities have also restricted domestic production to reduce overcapacity, which has further contributed to the appreciation of prices. The recent improvement in global demand suggests that higher commodity prices may be more persistent than previously anticipated.

The increase in commodity prices has seen a consequent increase in Australia's terms of trade. The increase bucks a declining trend in Australia's terms of trade, which has steadily declined over the past four years. The increase in the terms of trade may boost nominal income however is expected to have less flow-on to real activity than it did during the terms of trade boom a number of years ago.

Domestic growth

In Australia, available information suggests that the economy is growing moderately. The Australian economy has previously experienced a large decline in mining investment. However, this is being offset by growth in other areas such as residential construction, government expenditure and exports.

Globally, headline inflation rates have shifted upwards however this is partly reflective of higher commodity prices. Core inflation remains low. Headline inflation is anticipated to increase over the course of 2017 to above 2% however this rise is expected to be gradual with the growth in labour costs remaining subdued.

Credit growth

Credit growth has picked up over the last three months, partly due to a number of large privatisations being financed by business credit. Furthermore, loan approvals data suggests that lending to investors has risen over the past few months, which is consistent with the increase in investor housing loan approvals. An increase in supervisory measures has also contributed to the strengthening of lending standards.

Overall conditions in the established housing market have strengthened recently, although there is substantial variation across the country. In some markets, conditions are strong and prices are rising rapidly, whilst in other markets prices are declining. In the eastern capital cities, additional supply of apartments is scheduled to come onto the market over the next few years. Furthermore, rental growth is the slowest it has been in two decades.

Financial conditions remain accommodative globally, with funding costs for creditworthy borrowers markedly low. Financial institutions remain in an advantageous position to lend.

Currency movements

An overall depreciating Australian dollar since 2013 has assisted the ongoing adjustment of the economy towards non-resource sectors following the end of the mining boom. However, over the last few months, the Australian dollar has gradually appreciated due to Australia's rise in the terms of trade.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 4 April 2017



7.3 Tanzania

Tanzania's economy is highly dependent on agriculture, which accounts for over one quarter of gross domestic product ('GDP'). Furthermore, agriculture accounts for 85% of exports and employs approximately 80% of the country's workforce.

GDP growth in the Tanzanian economy averaged 6% to 7% annually from 2009 to 2015, which has been supported by growing private consumption and exports. Transport, communication, manufacturing and financial services industries have also supported consistent growth over the last few years. The inflation rate in Tanzania was 5.2% as of January 2017, which is just outside the Bank of Tanzania's target rate of 5%.

The currency in Tanzania is the Tanzanian Shilling. The currency faced a significant depreciation against most leading currencies during the first half of 2015, as a result of a strong US dollar and seasonally low export earnings. The Tanzanian Shilling did recover in the latter half of 2015 and has remained relatively stable. Tighter monetary conditions by the Bank of Tanzania should support stability of the Tanzanian Shilling into the near future.

Tanzania's economy received a boost in early March 2017, whereby the Bank of Tanzania cut interest rates from 16% to 12% in efforts to counteract the sharp slowdown in private sector credit growth which was observed in 2016. However, despite sluggish private lending over 2016, the Tanzanian economy is likely to have exhibited healthy growth on the back of strong infrastructure investment and subdued global oil prices.

Source: Bank of Tanzania, World Bank, Euromonitor and The World Factbook

8. Industry analysis

8.1 Niobium

Niobium was first discovered in 1801 and is a grey, soft, ductile, transitional metal largely found in pyrochlore however can also be found with tantalum in columbite ore. Niobium is commonly used in the form of ferroniobium, which is used as an alloy to produce high strength, low alloy steel. Niobium can increase the mechanical strength, corrosive resistance and high temperature strength of steel. It is for this reason that niobium steels are often used in cars, pipelines, buildings and bridges. Niobium can also be used to create superalloys, which are used in the production of jet engines and gas turbines.

The market for niobium is relatively small. Currently, there are three producers in the world, the largest being Companhia Brasileira de Metalurgia e Mineração ('CBMM'). CBMM produces around 84% of the world's niobium, while the two smaller players, Anglo American PLC and Magris Resources Inc. produce approximately 8% each. CBMM and Anglo American PLC both have operations in Brazil, while Magris Resources Inc. operates in Canada.

Production and Reserves

As depicted in the table below, Brazil is the world's leading niobium producer and also has access to the largest amount of known niobium reserves. According to the United States Geological Survey ('USGS'), the US has approximately 150,000 tonnes of niobium in identified resources however most of which were considered sub economic at 2016 niobium prices.



Country	Mine production		Reserves 2015
	2015	2016	
United States	-	-	-
Brazil	58,000	58,000	4,100,000
Canada	5,570	5,800	200,000
Other countries	570	200	-
World total (rounded)	64,300	64,000	>4,300,000

Source: USGS

Pricing

Most ferroniobium is sold under long-term contracts between producers and consumers and as such, contract terms such as pricing are privately negotiated. Furthermore, less than 10% of total production is sold via the spot market with the remaining 90% supplied by the three major producers direct to customers through various channels.

Ferroniobium prices are partly driven by demand for the metal, however the underlying price is largely determined by CBMM due to its dominant position in the market (circa 85% share). According to independent market research, CBMM doubled the price of ferroniobium from approximately US\$13.8 per kilogram in 2006 to US\$33.7 per kilogram in 2008. This significant movement in the ferroniobium price represented a permanent adjustment, in response to the apparent previous undervaluing of niobium. From 2008 to 2013, the price of ferroniobium continued to strengthen.

Outlook

Over the medium to long-term, US President Donald Trump's US\$1.0 trillion infrastructure plan to boost the American economy may bode well for mineral producers as demand for minerals such as arsenic, natural graphite, manganese, niobium and tantalum may increase as part of the plan.

According to the USGS, estimated global reserves and resources of niobium are sufficient enough to meet global demand for the foreseeable future. However, possible disruptions such as war, civil unrest, political changes, natural disasters, environmental issues and market manipulation may potentially generate supply problems for the metal. This is particularly a risk for Brazil, which is the world's largest producer of niobium.

Source: USGS and Consensus Economics

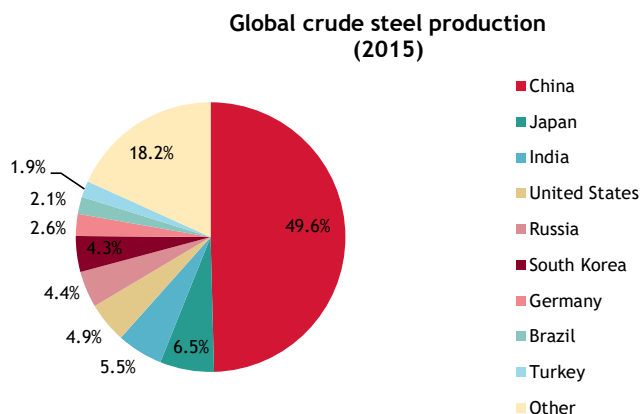
8.2 Steel

Ferroniobium produced at the Panda Hill Project will primarily be used as a steel additive. Steel is an alloy that primarily consists of iron and carbon. The key raw materials commonly used in steel making are iron ore, coal, limestone and recycled steel. Steel can be produced using two different methods, the first is known as an integrated route. This method uses a blast furnace and basic oxygen furnace. The second route is known as the electric arc furnace route, which uses recycled steels, direct reduced iron and electricity. Steel is used in building and infrastructure, the automotive industry, mechanical equipment, electrical equipment and domestic appliances. Most steel products are heavily traded commodities.

Production and Usage

Over the past decade, the level of global crude steel production has exhibited overall growth albeit periods of shifting import and export levels and weakness in global demand. The growth of the steel industry can be evidenced by increasing global production, growing from 1.1 billion metric tonnes in 2005

to 1.6 billion metric tonnes by 2015. In 2009 following the global financial crisis, production dipped, however rebounded to previous levels by 2010.



Source: World Steel Association

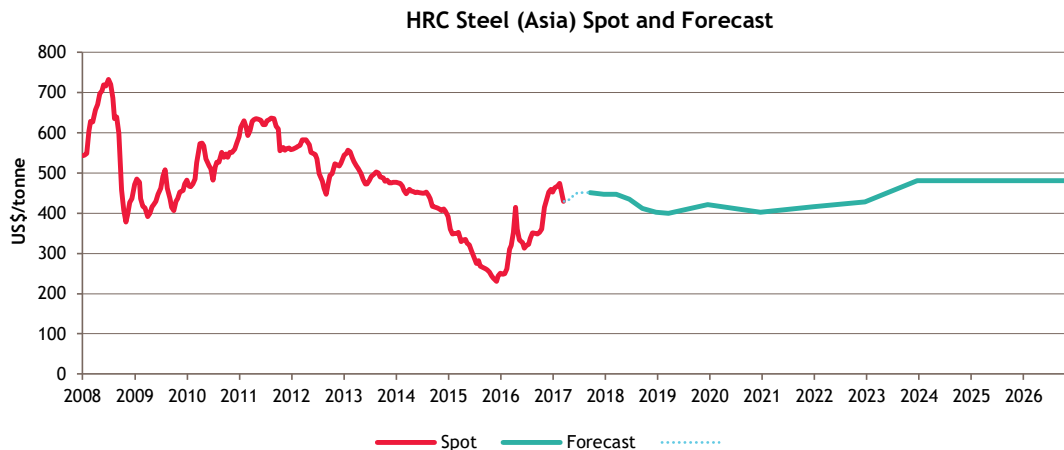
According to the World Steel Association, global crude steel production reached 1,621 million tonnes in 2015, a decrease of 2.9% compared to that of 2014. China was the largest producer of crude steel in 2015, producing approximately 804 million tonnes in 2015 which represented approximately 49.6% of the world's steel production over the period.

Global demand for steel is primarily driven by Asia and Oceania, which accounted for 66% of the apparent global steel use in 2015. Use of steel is evident in numerous end use markets, with available data suggesting that approximately 50% of steel production is used for building and infrastructure, 16% is used in mechanical equipment, 13% in the automotive industry and 11% in metal products.

Pricing

Steel prices are generally set in contracts between major producers and clients, however the London Metal Exchange provides a number of steel billet contracts for delivery to locations across Europe, Asia and North America. Although many varieties of steel exist globally, Hot Rolled Coil ('HRC') steel is a commonly referenced price albeit regional complexities have prevented the emergence of a clear benchmarking price for steel.

The figure below illustrates the fluctuations in the steel prices based on the Iron and Steel Benchmark prices for mainland China HRC steel, and Consensus forecasts for steel prices through to 2026.



Source: Bloomberg and Consensus Economics

The figure above illustrates the volatile trend of HRC steel over the period from 2008 to 2017, ranging from a high of US\$733 per tonne in July 2008 to a low of US\$231 per tonne in December 2015. The decline over the period from 2013 to 2015 was predominantly caused by persistent concerns over steel overcapacity, due to an overall slowdown in the global economy. As a result of this overcapacity, vast oversupply from large steel producers such as China and India flooded the steel market and were primary contributors to the plunge in the steel price to a low of US\$231 per tonne in December 2015. A large percentage of the excess steel entering the market was of subpar quality, supplied by low-quality steel producers in China.

More recently, steel prices have begun to strengthen on the back of seasonal demand and cut backs to supply. Furthermore, China has announced various reforms to cut its steel production capacity by 100 to 150 million tonnes by 2020, in efforts to assist in the restructuring of its economy. To do this, China's Lin Nianxiu, deputy director of the Development and Reform Commission announced that the country would phase out the production of low-quality steel in China by 1 July 2017. This is likely to place upwards pressure on the steel price over the medium to long term.

Outlook

As the emerging global business model of designing and manufacturing products to be repaired, remanufactured, reused and recycled becomes more prevalent, the use of steel is likely to become of key importance to the sustainability of markets in the future.

Furthermore, US President Donald Trump's US\$1.0 trillion infrastructure plan to boost the American economy may also have positive effects on steel prices. However, this is likely to be confined to a domestic pricing level as the infrastructure plan proposes to utilise steel produced in the US, rather than sourcing it externally.

According to Consensus Economics, HRC steel prices are forecast to stabilise over the medium term, followed by a gradual increase with a long term nominal price forecast of approximately US\$480 per tonne.

Source: USGS, World Steel Association, Organisation for Economic Co-operation and Development, and the International Trade Administration



9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment (such as resource multiples)

A summary of each of these methodologies is outlined in Appendix Two.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' valuation ('Sum-of-Parts').

The approach using the Sum-of-Parts involves separately valuing each asset and liability of a company. The value of each asset may be determined using different methods as described above. The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of each individual asset and liability.

9.1 Valuation of Cradle

In our assessment of the value of a Cradle share we have chosen to employ the following methodologies:

- Sum-of-Parts, as our primary method, which estimates the market value of a company by separately valuing each asset and liability of the company and then aggregating their fair market values;
- QMP, as our secondary method, which represents the value that a shareholder can receive for a share if sold on the market.

9.1.1. Sum-of-Parts

We have employed the Sum-of-Parts methodology in assessing the fair market value of Cradle by aggregating the estimated fair market value of its underlying assets and liabilities, having consideration for the following:

- value of Cradle's 50% interest in the Panda Hill Project (applying the DCF methodology);
- value of Cradle's interest in the residual resources of the Panda Hill Project not included in the DCF (having reliance on the valuation carried out by an independent technical expert);
- amount of cash received from a notional capital raising (which is required to partially fund the Panda Hill Project);
- value of the other assets and liabilities of Cradle (applying the cost approach); and
- present value of Cradle's forecast future corporate costs.



9.1.2. Quoted Market Price of Cradle

We have assessed the quoted market price of a Cradle share based on the pricing prior to the announcement of the Scheme. This is because the value of a Cradle share after the announcement may include the effects of any change in value as a result of the Scheme.

9.1.3. Rationale for methodologies adopted

We have chosen the Sum-of-Parts and QMP methodologies for the following reasons:

- we have adopted the DCF methodology as our primary valuation method for Cradle's interest in the Panda Hill Project because a DFS has been completed for the Project, which proves the existence of reserves and provides sufficiently reasonable basis to apply the DCF methodology;
- the residual resources of the Panda Hill Project not included in the DCF are valued as in-ground resources by an independent technical expert as we do not have reasonable grounds to include them in the DCF valuation. Further details on the valuation approach undertaken by the independent technical expert is contained in its report in Appendix Four;
- the ability to obtain funding for the Panda Hill Project is assumed through a notional capital raising assumed to be undertaken by Cradle;
- other component parts of Cradle are valued using the cost approach as they reflect other assets and liabilities not included in the DCF methodology, which are not income generating themselves;
- the QMP methodology is a relevant valuation method to consider because Cradle shares are listed on the ASX and this reflects the value that a Shareholder will receive for a share sold on market. This means that there is a regulated and observable market where Cradle shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be liquid and active, and the market should be fully informed of the Company's activities;
- the FME methodology is not an appropriate valuation method as Cradle's Project is not currently generating any income, nor are there any historical profits that could be used to represent future earnings; and
- due to the tightly held and private nature of the niobium market, there is insufficient relevant, and readily available market data, with which to derive a value of Cradle using market based assessment.

9.1.4. Technical expert

In performing our valuation of Cradle's interest in the Panda Hill Project using the DCF methodology, we have relied on the technical assessment and valuation report prepared by The MSA Group Pty Ltd ('MSA') dated 11 April 2017 ('**Independent Technical Report**'), based on MSA's review of the technical project assumptions contained in the cash flow model of the Project.

Additionally, we have relied on MSA's valuation of the residual resources of the Panda Hill Project not included on our DCF valuation ('**Panda Hill Project's Residual Resources**').

MSA's Independent Technical Report has been prepared in accordance with the 'Australian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015' ('**Valmin Code 2015**').

We are satisfied with the valuation methodologies adopted by MSA, which we believe are in accordance with the industry practices and compliant with the requirements of the Valmin Code 2015. A copy of MSA's Independent Technical Report is attached in Appendix Four.



9.2 Valuation of Scheme Consideration

Under the Scheme, Shareholders will receive \$0.33 per share in cash for each share held in Cradle.

10. Valuation of Cradle

10.1 Sum-of-Parts

We have employed the Sum-of-Parts methodology in estimating the fair market value of a Cradle share by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- value of Cradle's 50% interest in the Panda Hill Project;
- value of Cradle's 50% interest in the Panda Hill Project's Residual Resources not included in the DCF valuation;
- amount of cash received from the notional capital raising;
- value of the other assets and liabilities of Cradle; and
- present value of Cradle's forecast future corporate costs.

The value of a Cradle's assets on a going concern basis are summarised in the table below:

Valuation of Cradle under the Sum-of-Parts methodology	Ref	Low value \$	Preferred value \$	High value \$
DCF value of the Panda Hill Project to equity holders (50%)	10.1.1	100,000,000	110,650,000	120,000,000
Add: Value of the Panda Hill Project's Residual Resources (50%)	10.1.2	3,000,000	5,000,000	7,500,000
Add: Cash from notional capital raising	10.1.3	91,704,391	91,704,391	91,704,391
Add: Other assets and liabilities	10.1.4	477,533	477,533	477,533
Less: Cradle's corporate costs	10.1.5	(16,919,133)	(12,689,350)	(8,459,566)
Value of Cradle under Sum-of-Parts		178,262,791	195,142,574	211,222,358
Number of Cradle shares on issue following the notional capital raising	10.1.3	662,309,772	662,309,772	662,309,772
Value per share on a controlling basis (\$)		0.269	0.295	0.319

Source: BDO analysis

The table above indicates that the value of a Cradle share if the Scheme is not implemented, using the Sum-of-Parts methodology, is between \$0.269 and \$0.319, with a preferred value of \$0.295. The value of a Cradle share derived under the Sum-of-Parts methodology is reflective of a controlling interest.

10.1.1. Valuation of the Panda Hill Project

We selected the DCF approach in valuing Panda Hill. The DCF approach estimates the fair market value by discounting the future cash flows arising from the Project to their net present value. Performing a DCF valuation requires the determination of the following:

- the expected future cash flows that Panda Hill is expected to generate; and
- an appropriate discount rate to apply to the cash flows of Panda Hill to convert them to present value equivalent.



10.1.1.1. Future Cash Flows

A detailed cash flow model for Panda Hill was prepared by Cradle with the assistance of advisors ('the Model'). The Model estimates the future cash flows expected from niobium production at the Panda Hill Project based on determined JORC compliant reserves and resources. The Model depicts forecasts of real, post-tax cash flows over the life of mine on a quarterly basis.

BDO has made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model ('the Adjusted Model'). In particular, we have adjusted the Model to reflect any changes to technical assumptions as a result of MSA's review, in addition to any changes to the economic and other input assumptions, which we consider appropriate as a result of our research. We have also adjusted the Model to reflect cash flows in nominal terms. The Model was prepared based on estimates of production profile, operating costs and sustaining capital expenditure.

The main assumptions underlying the Model include:

- mining and production volumes;
- commodity prices;
- operating costs;
- development capital;
- sustaining capital expenditure;
- funding;
- royalty payments;
- taxation; and
- discount rate.

We undertook the following analysis on the Model:

- analysed the Model to confirm its integrity and mathematical accuracy;
- appointed MSA as technical expert to review, and where required, provide changes to the technical assumptions underlying the Model;
- conducted independent research on certain economic and other inputs such as commodity prices, inflation and discount rate applicable to the future cash flows of the Project;
- adjusted the Model to reflect any changes to the technical assumptions as a result of MSA's review, in addition to any changes to the economic and other input assumptions such as exchange rates, which we consider appropriate as a result of our research;
- adjusted the Model to commence at 1 July 2017 allowing time for capital raising required to fund the Panda Hill Project, (previously commenced at 1 October 2016) and ensured that the adopted assumptions were applied accordingly; and
- performed a sensitivity analysis on the value of the Panda Hill Project as a result of flexing selected assumptions and inputs.

We have not undertaken a review of the cash flow forecasts in accordance with Australian Auditing Standard AUS 804 'The Audit of Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted Model has been based have not been prepared on a reasonable basis.



Appointment of a technical expert

MSA was engaged to prepare a report providing a technical assessment of the assumptions underlying the Model. MSA's assessment involved the review and provision of input on the reasonableness of the assumptions adopted in the Model, including but not limited to:

- mining physicals (including life of mine, volume mined, recovery and grade);
- processing assumptions (including products and recovery, scheduling and plant utilisation);
- operating costs (comprising direct operating expenditure and certain fixed costs);
- capital expenditure (development and sustaining capital required, and closure costs); and
- other relevant assumptions.

Based on MSA's independent Technical Report, the Panda Hill Project is expected to have a mine life of 15 years (reduced from the original 30 years assumed in the Model) producing niobium from a total economic mining inventory of approximately 33.5 million tonnes of ore.

A copy of MSA's Independent Technical Report is included in Appendix Four.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Adjusted Model, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Economic assumptions

Foreign currency exchange rate

The cash flows contained in the Model are denominated in US\$. We have converted these cash flows to A\$ and calculated the NPV in A\$ for our valuation purposes.

The conversion from US\$ to A\$ was undertaken using the following foreign exchange rate assumptions:

Exchange rate	2017	2018	2019	2020	2021+
A\$:US\$	0.74	0.76	0.77	0.78	0.81

Source: Bloomberg

Inflation

We note that all cash flows contained in the Model (which underpin the DFS) are calculated on a real basis. Niobium prices obtained from our research sources are quoted in nominal terms. Therefore, we applied an inflation rate to convert all uncontracted costs into nominal terms in the Adjusted Model.

In our assessment of the inflation rate, we have considered forecasts prepared by economic analysts and other publicly available information including broker consensus forecasts, to arrive at our inflation rate assumptions. From our analysis, we estimated and applied an annual inflation rate of 2.00% over the life of the Panda Hill Project.

Revenue assumptions

The Panda Hill Project receives revenue from the sale of niobium only.



Niobium

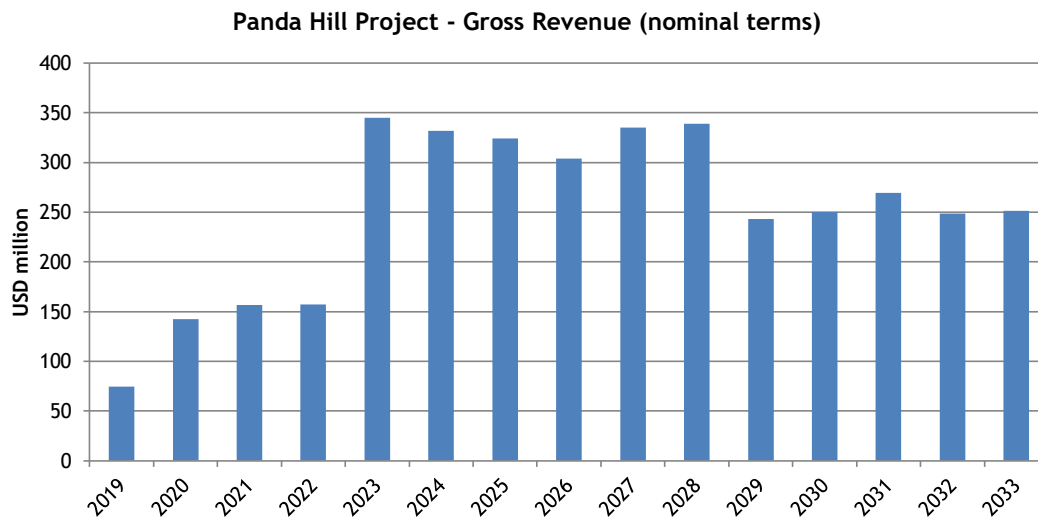
The sale of niobium from the Panda Hill Project is assumed to be split 30:40:30 between United States, European and Asian pricing. This split is based on preliminary offtake and sales discussions the Company has with prospective customers. We note that the discussions are subject to further negotiation, however we are of the view that they provide reasonable grounds for concluding that a market for the production exists. We have relied on independent market research for niobium price forecasts. Based on our analysis, we adopted the following future niobium prices (in nominal terms):

Year	Niobium Prices		
	US Pricing (US\$)	EU Pricing (US\$)	ASIA Pricing (US\$)
2016	36.69	36.07	39.34
2017	37.78	37.20	40.23
2018	38.39	37.87	40.60
2019	39.25	38.78	41.23
2020	40.14	39.73	41.88
2021	41.08	40.74	42.56
2022	42.07	41.72	43.59
2023	43.09	42.72	44.64
2024	44.12	43.74	45.71
2025	45.17	44.79	46.80
2026	46.25	45.86	47.92
2027	47.36	46.96	49.07
2028	48.50	48.09	50.25
2029	49.64	49.22	51.43
2030+	50.81	50.38	52.65

Source: Independent market research

Revenue

The graph below shows the forecast revenues from the sale of niobium to be received annually over the life of mine for the Panda Hill Project.

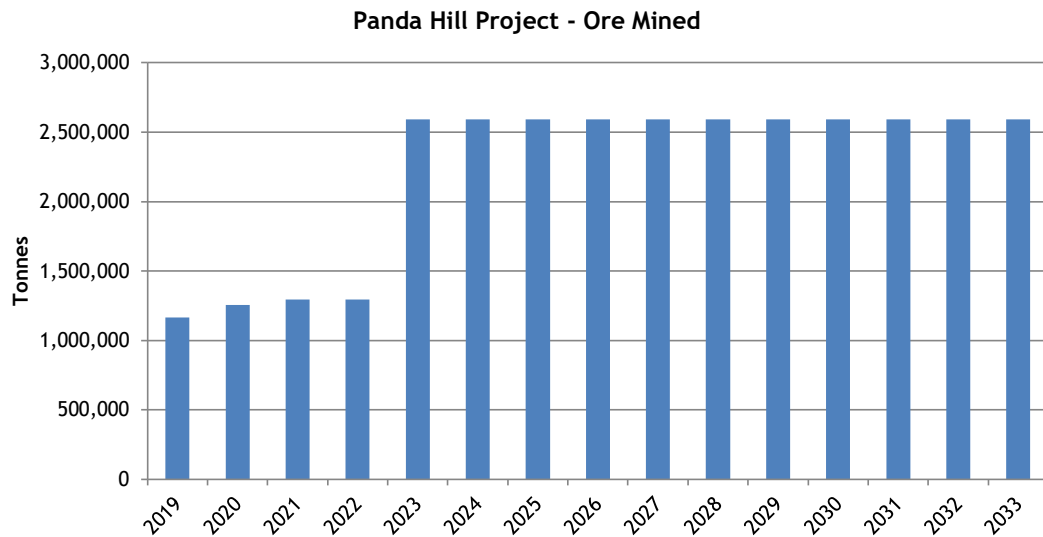


Source: Adjusted Model and BDO analysis



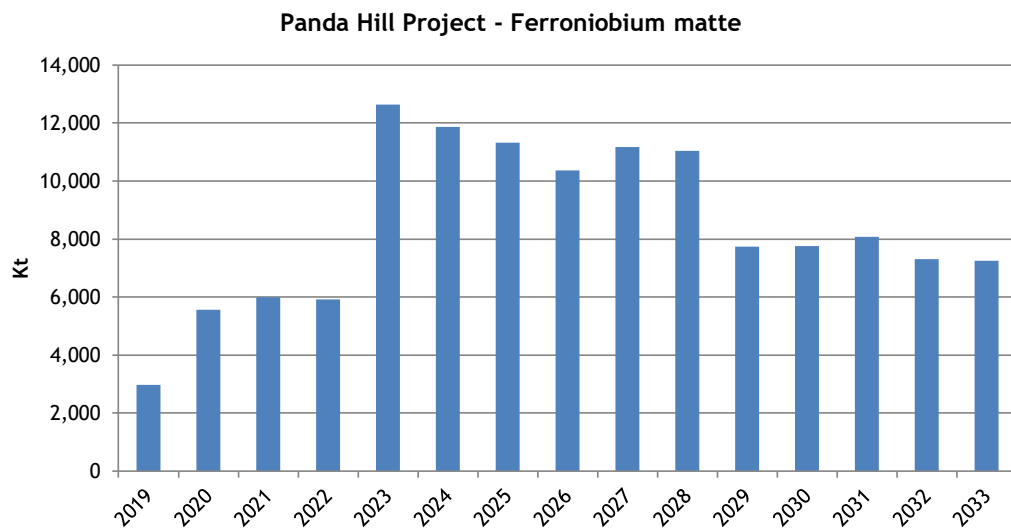
Mining physicals

The graph below outlines the forecast ore to be mined annually over the Panda Hill Project's life of mine, as per the Adjusted Model.



Source: Adjusted Model, MSA Technical Report and BDO analysis

The graph below shows the forecast ferroniobium matte produced annually over the life of mine for the Panda Hill Project.

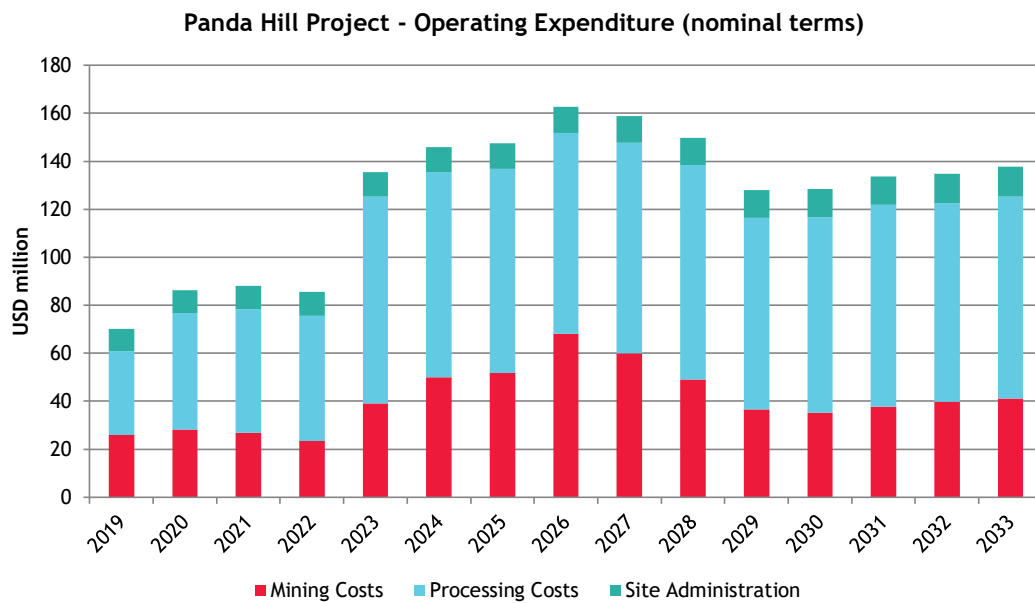


Source: Adjusted Model, MSA Technical Report and BDO analysis



Operating expenditure

Operating costs included in the Adjusted Model comprise mining costs (fixed and variable), processing costs (fixed and variable) and site administration costs (fixed and variable). The graph below outlines the forecast operating costs per annum for the Panda Hill Project in nominal terms. MSA have confirmed the operating costs are based on reasonable grounds in their opinion.



Source: Adjusted Model, MSA Technical Report and BDO analysis

Capital expenditure

Upfront capital expenditure

The Panda Hill Project requires upfront capital expenditure of approximately US\$213.2 million in nominal terms (adjusted for corporate overheads, which we have accounted for separately), which is based upon the view expressed to us by MSA.

The upfront capital expenditure, in both real and nominal terms, comprises the following:

Upfront capital expenditure	Real terms US\$m	Nominal terms US\$m
Mining	4.3	4.4
Plant and infrastructure	99.0	100.8
Tailings and water storage	42.4	43.3
Indirect	9.5	9.7
Engineering and management	27.0	27.6
Contingency	18.6	19.0
Pre-production	8.2	8.4
Total	209.0	213.2

Source: Adjusted Model, MSA Technical Report and BDO analysis



The Adjusted Model also accounts for negative cash flows of US\$14.4 million in nominal terms, incurred during the ramp up in operations before any positive free cash flows are realised. This results in a total upfront project investment for the Panda Hill Project of approximately US\$227.6 million in nominal terms.

Sustaining capital expenditure

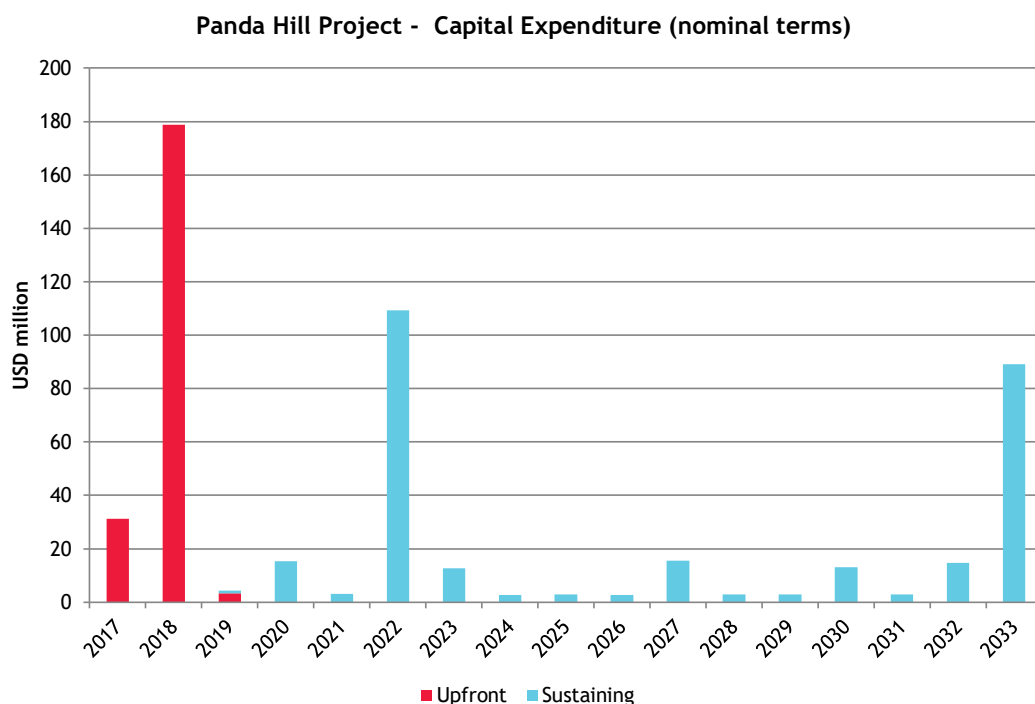
The Panda Hill Project requires sustaining capital expenditure, post initial construction, of approximately US\$290.3 million in nominal terms, which is based upon the views expressed to us by MSA.

The sustaining capital expenditure, in both real and nominal terms, comprises the following:

Sustaining capital expenditure	Real terms US\$m	Nominal terms US\$m
Mining Sustaining Capital	2.3	2.5
Plant Expansion	97.7	108.1
TSF Wall Lifts	50.2	60.9
Plant Sustaining Capital	28.7	35.3
Closure Costs	60.4	83.4
Total	239.2	290.3

Source: Adjusted Model, MSA Technical Report and BDO analysis

Total capital expenditure forecast over the life of the Panda Hill Project is approximately US\$503.5 million in nominal terms, as detailed in the graph below:



Source: Adjusted Model, MSA Technical Report and BDO analysis



Funding

We have assumed approximately a 39% debt and 61% equity structure to represent the funding for the Project. This is based on indicative funding arrangements received by the joint venture. We note that these are still subject to further negotiation however we are of the view that they provide reasonable grounds for a funding scenario for the purposes of our fairness assessment.

Under the indicative funding arrangement, the joint venture will have access to a debt facility up to US\$108 million, including interest.

Royalties

Cradle will be liable to pay a royalty to RECB upon the commencement of operations at the Panda Hill Project and under the Tanzanian Mining Act 2010. The royalty rates used are based on the contracted and statutory rates. The net royalty calculated, based on the Adjusted Model, totals US\$130.1 million in nominal terms, over the life of mine of the Panda Hill Project.

Taxation

Corporate tax

Tax has been applied to the Adjusted Model in accordance with the relevant legislation, which is that applicable to Tanzania. The current corporate tax rate for exporting mining companies in Tanzania is 30%.

Withholding tax

Tanzania imposes a 10% withholding tax, which reduces the net income repatriated back to Australian shareholders and hence reduces value to Shareholders. We have included this withholding tax assumption in the Adjusted Model. We note that no withholding tax was accounted for in the Model underpinning the DFS provided by Cradle, as the Model was prepared on a project basis.

10.1.1.2. Discount Rate

The Model prepared by Cradle assumes a 100% equity funded structure and discounts the cash flows at 10% (base case) on an after tax ungeared basis. The resultant NPV reflects a value at the Project level, which is commonly used for a DFS, but does not necessarily reflect the return to equity holders.

The Adjusted Model assumes that the Project is funded through approximately a 39% debt and 61% equity structure. We have assumed a notional capital raising for the 61% equity funding. We have considered after-debt cash flows and, therefore, the cash flows we are discounting are the cash flows to equity holders. We have selected a nominal after tax discount rate of 12%, which represents our assessment of the appropriate cost of equity to discount the forecast cash flows to their present value.

In selecting this range of discount rates we considered the following:

- the rates of return for comparable ASX listed mining companies;
- the debt to equity ratio of Cradle prior to the Scheme; and
- the risk profile of Cradle compared to other listed companies with mining operations.

A detailed consideration of how we arrived at the adopted discount range is shown in Appendix Three.



10.1.1.3. Sensitivity Analysis

The estimated equity value of the Panda Hill Project is derived under the DCF approach. Our valuation is highly sensitive to changes in the key assumptions underlying the Adjusted Model. We have therefore included an analysis to consider the value of the Panda Hill Project under various pricing scenarios and in applying:

- a change of +/- 20% to the niobium prices;
- a change of +/- 20% to the A\$/US\$ exchange rate;
- a change of +/- 20% to the recovered niobium;
- a change of +/- 20% to mine production expenses;
- a change of +/- 20% to capital expenditure; and
- a discount rate in the range of 10% to 14%.

The following sensitivities have been prepared to assist Shareholders in considering the potential affects to the value of the Panda Hill Project if our base case assumptions change.

Percentage change	Sensitivity Analysis				
	NPV (A\$m)	NPV (A\$m)	NPV (A\$m)	NPV (A\$m)	NPV (A\$m)
	Niobium price US\$/kg	Exchange rate (A\$/US\$)	Niobium recovered	Mine Production Expenses	Capex
-20%	10.2	184.4	12.6	334.8	283.5
-15%	64.0	192.5	65.7	306.9	268.0
-10%	116.9	201.2	118.0	278.5	252.5
-5%	169.2	210.8	169.8	249.9	236.9
0%	221.3	221.3	221.3	221.3	221.3
5%	273.2	233.0	272.7	192.7	205.2
10%	325.0	245.9	323.9	163.9	189.1
15%	376.0	260.4	374.3	135.1	173.0
20%	426.9	276.7	424.7	106.1	156.9

Source: BDO analysis

Discount rate sensitivity analysis					
Discount rate (%)	10%	11%	12%	13%	14%
NPV (A\$m)	279.3	248.9	221.3	196.3	173.7

Source: BDO analysis

10.1.1.4. Conclusion on value of the Panda Hill Project

On the basis of the assumptions set out in section 10.1.1.1, the discount rate set out in section 10.1.1.2 and sensitivity analysis set out in section 10.1.1.3, we conclude that the value of the Panda Hill Project is between A\$200.00 million and A\$240.00 million, with a preferred value of A\$221.30 million.



The value of Cradle's 50% interest in the Panda Hill Project is summarised in the table below:

DCF value of the Panda Hill Project	Low value A\$	Preferred value A\$	High value A\$
DCF value of the Panda Hill Project to equity holders (100% interest)	200,000,000	221,300,000	240,000,000
Value of Cradle's interest in the Panda Hill Project (50%)	100,000,000	110,650,000	120,000,000

Source: MSA's Independent Technical Report and BDO analysis

The table above indicates that the value of Cradle's 50% interest in the Panda Hill Project is between A\$100.00 million and A\$120.00 million, with a preferred value of A\$110.65 million.

10.1.2. Valuation of Cradle's interest in the Panda Hill Projects Residual Resources

We instructed MSA to value all of the Panda Hill Project's Residual Resources under the Valmin Code 2015 that are not included in the Adjusted Model, which represents the exploration potential for the Panda Hill Project. In valuing the Panda Hill Project's Residual Resources, MSA adopted the market approach and income approach. We are satisfied with the valuation methodologies adopted by MSA, which we believe are in accordance with the industry practices and compliant with the requirements of the Valmin Code 2015. Further details of MSA's valuation of the Panda Hill Project's Residual Resources are found in the Independent Technical Report attached in Appendix Four.

MSA concluded that the value of the Panda Hill Project's Residual Resources is between A\$6.00 million and A\$15.00 million, with a preferred value of A\$10.00 million.

The value of the Cradle's 50% interest in the Panda Hill Project's Residual Resources, not included in the DCF valuation, is shown below:

Valuation of the Panda Hill Project's Residual Resources	Low value A\$	Preferred value A\$	High value A\$
Valuation of the Panda Hill Project's Residual Resources	6,000,000	10,000,000	15,000,000
Value of Cradle's interest in the Panda Hill Project's Residual Resources (50%)	3,000,000	5,000,000	7,500,000

Source: MSA's Independent Technical Report and BDO analysis

The table above indicates that the value of Cradle's 50% interest in the Panda Hill Project's Residual Resources is between A\$3.00 million and A\$7.50 million, with a preferred value of A\$5.0 million.

10.1.3. Notional capital raising

We are required by RG111.15 to assess the funding requirements for a company that is not in financial distress when considering its value, especially when using the DCF methodology. Therefore, we have included a notional capital raising in lieu of the Scheme, as if the Scheme is not implemented, and the Company will be required to fund the development of its 50% share in the Panda Hill Project.

We have assumed approximately a 39% debt and 61% equity structure to represent the funding for the Project. This is based on indicative funding discussions by the joint venture. We note that these are still subject to further negotiation however we are of the view that they provide reasonable grounds for a funding scenario (in addition to a 100% equity funded position) for the purposes of our fairness assessment.



The notional capital raising amount is based on the total upfront project investment for the Panda Hill Project of approximately US\$227.6 million, which comprises the upfront capital expenditure required for the Panda Hill Project of US\$213.2 million (adjusted for corporate costs) and US\$14.4 million in negative cash flows incurred during the ramp up in operations before sufficient positive free cash flows are realised. As Cradle has a 50% interest in the Project, the Company would be responsible for funding US\$113.8 million (approximately A\$150.2 million representing the A\$ equivalent at the prevailing future exchange rates) on a pro rata basis. Assuming an equity raising of approximately 61%, the required equity funds to be raised is A\$96.5 million, which includes a notional 5.0% placement fee to account for a potential underwriter's or broker's fee. Therefore, the net cash that would be received from the notional capital raising is A\$91.7 million, which represents approximately 61% of Cradle's pro rata share of the upfront project investment required for the Panda Hill Project.

In order to determine the likely price at which Cradle would have to place its shares to a third party or current shareholder under a rights issue to raise the capital required, we considered the volume weighted average price ('VWAP') of Cradle's shares and the discount at which shares have been issued by ASX listed companies when compared to the respective companies' 30 day VWAP prior to the announcement of the placement.

We considered the discount at which shares have been issued since January 2015 by ASX listed mining companies to raise capital. From our analysis, we observed that the average discount was 14%. However, given that the size of notional capital raising required to fund the Panda Hill Project would be almost 300% of Cradle's current market capitalisation, we consider that a higher discount is required to provide a sufficient incentive for investors to participate in any raising that Cradle would perform.

We note that placement discounts by ASX listed mining companies since January 2015 have ranged significantly. Therefore, we assessed the discounts adopted in the top ten placements, sorted by percentage of market capitalisation raised (high to low), which in our view, best matches the capital raising requirement of Cradle. From our analysis, we observed that the average discount was 20%. With regard for this analysis, we consider a discount of 20% is required to provide a sufficient incentive for investors to participate in a capital raising performed by Cradle.

In section 10.2 of our Report we consider the QMP of Cradle's shares. From this analysis, we assessed that the value for a Cradle share on a minority basis prior to the announcement of the Scheme, based on market pricing, was \$0.242 (midpoint value). Applying a discount of 20% to the assessed value of a Cradle share, prior to the announcement of the Scheme, results in an assumed notional capital raising price of \$0.194 per share.

To raise an equivalent A\$96.5 million required to fund Cradle's share of the development of the Panda Hill Project, approximately 497,582,155 new Cradle shares will need to be issued resulting in a total of 662,309,772 Cradle shares on issue.

10.1.4. Valuation of other assets and liabilities of Cradle

Other assets and liabilities of Cradle represent the assets and liabilities that have not been specifically adjusted. From our review of these assets and liabilities outlined in the table below, we do not believe that there is a material difference between their book value and their fair market value, unless an adjustment has been noted. The table below represents a summary of the assets and liabilities identified:



Consolidated Statement of Financial Position	Note	Reviewed as at 31-Dec-16 \$	Adjusted value \$
CURRENT ASSETS			
Cash and cash equivalents	a	2,494,270	1,638,270
Trade and other receivables		50,588	50,588
TOTAL CURRENT ASSETS		2,544,858	1,688,858
NON-CURRENT ASSETS			
Interest in joint venture	b	22,170,280	-
Other receivables		26,133	26,133
TOTAL NON-CURRENT ASSETS		22,196,413	26,133
TOTAL ASSETS		24,741,271	1,714,991
CURRENT LIABILITIES			
Trade and other payables		100,119	100,119
Accrued expenses		1,125,597	1,125,597
Provisions and other liabilities		11,742	11,742
TOTAL CURRENT LIABILITIES		1,237,458	1,237,458
TOTAL LIABILITIES		1,237,458	1,237,458
NET ASSETS		23,503,813	477,533

Source: Cradle's reviewed financial statements for the half year ended 31 December 2016 and BDO analysis

We have been advised that there has not been a significant change in the net assets of Cradle since 31 December 2016 and that the above assets and liabilities represent their fair market values, other than from the adjustments detailed below. Additionally, nothing has come to our attention as a result of our procedures that would suggest the need for any adjustments.

Note a) Cash and cash equivalents

We have adjusted the cash and cash equivalents to account for movements during the quarter ended 31 March 2017 and the cash payment to be made in lieu of issuing the Thurwan Options. In accordance with the SIA, the value of the Thurwan Options is equal to the Scheme Consideration less \$0.25 per option. The adjusted cash and cash equivalents is summarised in the table below:

Cash and cash equivalents	\$
Cash and cash equivalents at 31-Dec-16	2,494,270
Add: Monies held for onsite cash spend for the quarter ended 31-Mar-17	6,000
Less: Net cash used in operating activities for the quarter ended 31-Mar-17	(722,000)
Less: Effect of movement in exchange rates on cash held for the quarter ended 31-Mar-17	(60,000)
Less: Payment to settle Thurwan Limited Options	(80,000)
Adjusted cash and cash equivalents	1,638,270

Source: Cradle's reviewed financial statements for the half year ended 31 December 2016 and March 2017 Quarterly Activity Report

Note b) Interest in joint venture

We have adjusted the interest in joint venture of \$22.17 million at 31 December 2016 to nil, as Cradle's interest in the Project has been valued separately in our DCF valuation of the Panda Hill Project in section 10.1.1.



10.1.5. Cradle's corporate costs

We note that the Adjusted Model includes site specific general administration costs. In addition to these, the Company will also incur corporate costs over the life of mine of the Project.

We analysed forecast corporate costs of similar companies with comparable projects. With regard for this analysis, we consider a reasonable estimate of Cradle's corporate costs to be in the range from A\$1.00 million to A\$2.00 million per annum.

We calculated the annual corporate costs over the life of mine of the Project, inflating these costs at 2% per annum. The net present value of Cradle's corporate costs, discounted at the Company's cost of equity, is between A\$8.46 million and A\$16.92 million, with a midpoint value of A\$12.69 million. A summary of the net present value of Cradle's corporate costs is presented in the table below:

Cradle's Corporate Costs	Low value A\$	Midpoint value A\$	High value A\$
Net present value of Cradle's corporate costs	8,459,566	12,689,350	16,919,133

Source: BDO Analysis

10.2 Quoted Market Prices for Cradle Securities

To provide a comparison to the valuation of Cradle in section 10.1 we have also assessed the quoted market price for a Cradle share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of a control transaction, the expert should calculate the value of the company's shares assuming 100% ownership of the target including a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

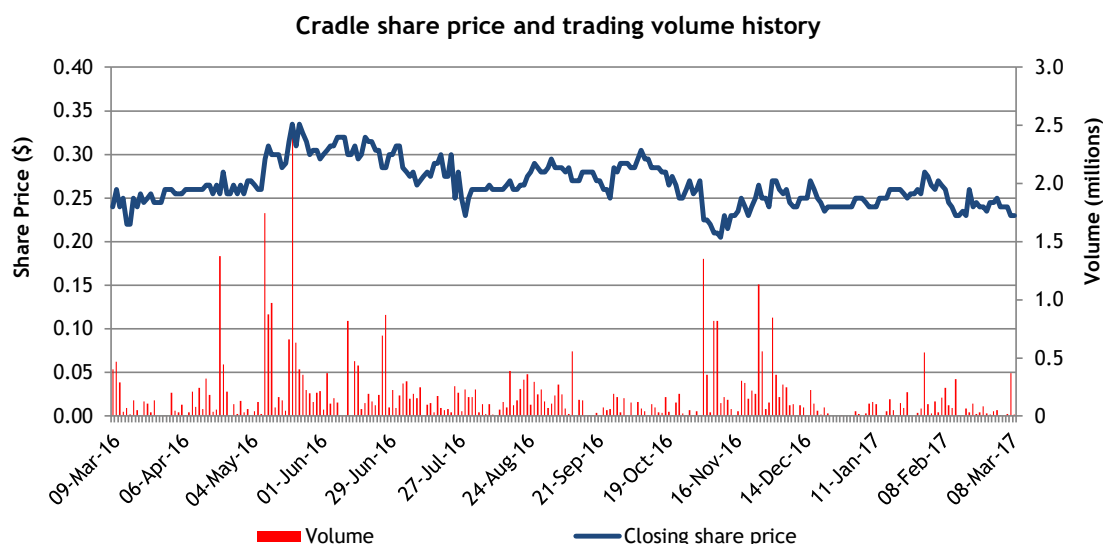
Therefore, our calculation of the quoted market price of a Cradle share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Cradle share is based on the pricing prior to the announcement of the Scheme. This is because the value of a Cradle share after the announcement may include the effects of any change in value as a result of the announcement of the Scheme. However, we have considered the value of a Cradle share following the announcement when we have considered reasonableness in section 12.



Information on the Scheme was announced to the market on 10 March 2017. Cradle's shares were in a trading halt on 9 March 2017, therefore the following chart provides a summary of the share price movement over the 12 months to 8 March 2017, which was the last full trading day prior to the announcement of the Scheme.



Source: Bloomberg

The daily price of Cradle shares from 8 March 2016 to 8 March 2017 has ranged from a low of \$0.190 on 8 November 2016 to a high of \$0.345 on 19 May 2016. The Company's share price exhibited an upward trend from March 2016 through to May 2016, increasing from \$0.240 on 8 March 2016 to \$0.335 on 23 May 2016. Over the next six months, Cradle's share price trended downwards declining from \$0.335 on 23 May 2016 to \$0.205 on 9 November 2016. The Company's share price increased during the second half of November 2016 before plateauing to fluctuate between \$0.230 and \$0.280 for the rest of the 12-month period. The highest single day of trading was on 19 May 2016 where 2,502,768 shares were traded, representing approximately 5.65% of total volume traded for the 12-month period.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)			Closing Share Price Three Days After Announcement \$ (movement)		
31/01/2017	December 2016 Quarterly Reports	0.280	▲	9.8%	0.260	▼	7.1%
30/11/2016	Results of Annual General Meeting	0.270	▲	12.5%	0.255	▼	5.6%
01/11/2016	Annual Report 2016	0.270	▲	3.8%	0.220	▼	18.5%
31/10/2016	September 2016 Quarterly Activity Report and Appendix 5B	0.260	▲	2.0%	0.225	▼	13.5%
31/10/2016	Notice of Annual General Meeting 2016	0.260	▲	2.0%	0.225	▼	13.5%



Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
29/09/2016	Financial Report for the Year Ended 30 June 2016	0.290	▲	3.6%	0.285	▼	1.7%
29/07/2016	June 2016 Quarterly Activity Report and Appendix 5B	0.250	▲	8.7%	0.260	▲	4.0%
16/06/2016	Completion of Capital Raising	0.300	▲	1.7%	0.315	▲	5.0%
14/06/2016	Ore Reserves for Panda Hill Declared	0.310	▲	3.3%	0.320	▲	3.2%
10/06/2016	Capital Raising funds Cradle to expected project financing	0.300	▼	6.3%	0.295	▼	1.7%
09/05/2016	Cradle Board Changes	0.295	▲	13.5%	0.300	▲	1.7%
02/05/2016	March 2016 Quarterly Activity Report and Appendix 5B	0.270	▲	5.9%	0.260	▼	3.7%
20/04/2016	Conversion of Performance Shares and Rights and Appendix 3B	0.255	▼	3.8%	0.255	►	0.0%
20/04/2016	Cradle Definitive Feasibility Study Investor Presentation	0.255	▼	3.8%	0.255	►	0.0%
20/04/2016	Definitive Feasibility Study on Panda Hill	0.255	▼	3.8%	0.255	►	0.0%
14/04/2016	Final Tests confirm quality of Panda Hill Niobium Product	0.265	▲	1.9%	0.265	►	0.0%
15/03/2016	Half Yearly Financial Report to 31 December 2015	0.220	►	0.0%	0.255	▲	15.9%
09/03/2016	Concentrate Leaching Results meet expectations	0.260	▲	8.3%	0.220	▼	15.4%

Source: Bloomberg

On 9 March 2016, Cradle announced the completion of its leaching test work program at the Panda Hill Project. The market initially responded positively, with the share price increasing 8.3% to \$0.260, however Cradle's share price decreased by 15.4% over the three days subsequent to close at \$0.220.

On 20 April 2016, Cradle released the results of its DFS for the Panda Hill Project. The share price decreased by 3.8% on the date of the announcement to close at \$0.255.

On 2 May 2016, Cradle released its March 2016 Quarterly Activities Report and Appendix 5B. The market responded positively, with the share price increasing by 5.9% to \$0.270 on the day of the announcement, before declining by 3.7% over the three days subsequent to close at \$0.260.

On 9 May 2016, Cradle announced several board changes with Ian Middlemas and Robert Behets being appointed to the board as Non-Executive Directors. The market responded positively, with the share price increasing 13.5% to \$0.295 on the date of the announcement, and a further 1.7% over the three days subsequent to the announcement to close at \$0.300.

On 10 June 2016, Cradle announced that it had completed a capital raising via the placement of 8 million ordinary shares at \$0.270 each. The share price declined by 6.3% to \$0.300 on the day of the announcement, and a further 1.7% over the three days subsequent to close at \$0.295.

On 14 June 2016, Cradle released its first ore reserve estimate for the Panda Hill Project. The market responded positively, with the share price increasing by 3.3% to \$0.310 on the day of the announcement, and a further 3.2% over the three days subsequent to close at \$0.320.

On 16 June 2016, Cradle announced that it had completed its capital raising which was announced to the market on 10 June 2016. Additionally, the Company announced it had issued a further 2,000,000 shares at



a price of \$0.300 each to a strategic investor. The share price increased by 1.7% to \$0.300 on the date of the announcement and a further 5.0% over the three days subsequent to close at \$0.315.

On 29 July 2016, Cradle released its June 2016 Quarterly Activities Report and Appendix 5B, which highlighted that front-end engineering and design activities had commenced at the Panda Hill Project and negotiation of off-take agreements was in progress. The market responded positively, with the share price increasing by 8.7% to \$0.250 on the day of the announcement, and a further 4.0% over the three days subsequent to close at \$0.260.

On 31 October 2016, Cradle released its September 2016 Quarterly Activities Report and Appendix 5B. The market initially responded positively, with the share price increasing by 2.0% to \$0.260 on the date of the announcement. However, the share price decreased by 13.5% over the three days subsequent to close at \$0.225.

On 1 November 2016, Cradle released its Annual Report for 2016. The market initially responded positively with the share price increasing by 3.8% to \$0.270, before decreasing by 18.5% over the three days subsequent to close at \$0.220.

On 30 November 2016, Cradle released the results of the Annual General Meeting. The market initially responded positively with the share price increasing by 12.5% to \$0.270, before decreasing by 5.6% over the three days subsequent to close at \$0.255.

On 31 January 2017, released its December 2016 Quarterly Activities Report and Appendix 5B, which highlighted its execution schedule for the Panda Hill Project had been reduced by three months and that senior project debt financing discussions were continuing to progress. The market responded positively, with the share price increasing by 9.8% to \$0.28 on the day of the announcement, before declining by 7.1% over the three days subsequent to close at \$0.260.

To provide further analysis of the market prices for a Cradle share, we have also considered the volume weighted average price for 10, 30, 60 and 90 day periods to 8 March 2017.

Share Price per unit	8-Mar-17	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.230				
Volume weighted average price		\$0.240	\$0.254	\$0.254	\$0.246

Source: Bloomberg and BDO analysis

The above weighted average prices are prior to the date of the announcement of the Scheme, to avoid the influence of any increase in price of Cradle shares that has occurred since the Scheme was announced.

An analysis of the volume of trading in Cradle shares for the 12 months to 8 March 2017 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a percentage of issued capital
1 Day	\$0.230	\$0.230	11,284	0.01%
10 Days	\$0.230	\$0.250	622,690	0.38%
30 Days	\$0.225	\$0.280	2,688,765	1.63%
60 Days	\$0.225	\$0.280	4,240,292	2.57%
90 Days	\$0.190	\$0.295	12,040,639	7.31%
180 Days	\$0.190	\$0.320	23,608,175	14.33%
1 Year	\$0.190	\$0.345	44,304,444	26.90%

Source: Bloomberg and BDO analysis



The table above indicates that Cradle's shares display a low level of liquidity, with 26.90% of the Company's current issued capital being traded in a 12-month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Cradle, we do not consider there to be a liquid and active market for the Company's shares as a result of only 26.90% of the Company's current issued capital being traded over a 12-month period prior the announcement of the Scheme.

Our assessment is that a range of values for Cradle shares based on market pricing, after disregarding post announcement pricing, is between \$0.230 and \$0.254, with a midpoint of \$0.242.

Control Premium

We have reviewed the control premiums paid by acquirers of all general mining companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2017	1	63.13	27.46
2016	27	565.37	46.48
2015	37	721.21	41.72
2014	42	475.59	34.56
2013	38	196.99	51.55
2012	49	358.29	46.38
2011	61	575.91	53.88
2010	64	785.58	42.12
2009	53	364.98	48.83
Mean		456.34	43.66
Median		475.59	46.38

Source: Bloomberg



The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed, we have also calculated the mean and median of the entire data set comprising control transactions for general mining companies from 2009 onwards, as set out below:

Entire Data Set Metrics	Average Deal Value (A\$m)	Average Control Premium (%)
Mean	516.68	45.91
Median	85.68	35.92

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

The tables above indicate that the long term average of announced control premiums paid by acquirers of general mining companies on the ASX is approximately 45%. However, in assessing the sample of the transactions that were included in the table, we noted transactions within the list that appear to be extreme outliers. These outliers included 28 transactions in which the announced control premium was in excess of 100%.

In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the review period was 35.92%.

In the case of Cradle, we have taken the following into consideration:

- the current market capitalisation of Cradle is considerably smaller than a number of the sample companies determined above. We note that larger transactions tend to have higher control premiums;
- as a mineral exploration company, Cradle does not currently have any revenue generating operations; and
- the independent auditor's report outlined an emphasis of matter in Cradle's Annual Report for 2016, which detailed the existence of a material uncertainty that may cast significant doubt about Cradle's ability to continue as a going concern.

In determining a premium for control to be paid by Tremont, we have taken into account the above analysis including the nature of the Scheme. We consider an appropriate control premium to apply to our valuation is between 25% and 35%.



Quoted market price including control premium

Applying a control premium to Cradle's quoted market share price results in the following quoted market price value including a premium for control:

	Low value \$	Midpoint value \$	High value \$
Quoted market price value	0.230	0.242	0.254
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.288	0.315	0.343

Source: BDO analysis

Therefore, our valuation of a Cradle share, based on the quoted market price method and including a premium for control, is between \$0.288 and \$0.343, with a midpoint value of \$0.315.

10.3 Assessment of the value of Cradle

The results of the valuations performed are summarised in the table below:

Value of Cradle	Low value \$	Preferred value \$	High value \$
Sum-of-Parts (section 10.1)	0.269	0.295	0.319
Quoted Market Price (section 10.2)	0.288	0.315	0.343

Source: BDO analysis

The valuation ranges for a Cradle share on a controlling basis derived from both our Sum-of-Parts and QMP methodologies are overlapping, with the QMP being at the higher end. The difference between the values obtained under the QMP methodology and the Sum-of-Parts methodology may be explained by the following:

- the Sum-of-Parts value of Cradle is lower than the QMP, which is not uncommon for exploration companies which often trade at a premium to their intrinsic value. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue-sky' prospects for the company, which are factored into the share price in advance of any such value being realised. We also note that shareholders may take a different view to that of the technical specialist in relation to the mine life which was adjusted to 15 years as opposed to the 30-year life of mine in the DFS. Under the VALMIN Code 2015 the use of a high level of inferred resources in an income based valuation requires reasonable grounds to be established for an expected conversion of resources to reserves or an alternate valuation approach to be used. MSA determined that in their view it was appropriate to consider an alternate valuation approach under the VALMIN Code 2015 to value the inferred resources.
- our Sum-of-Parts valuation includes an independent valuation of the Panda Hill Project's Residual Resources performed by MSA. MSA has relied on a combination of valuation methodologies, which reflect the market value of the Panda Hill Project including the Panda Hill Project's Residual Resources.
- under RG111.69 (d), the QMP methodology is considered appropriate when a liquid and active market exists for the securities. From our analysis of the QMP of Cradle in section 10.2, we note that only 26.90% of the Company's weighted average issued capital had been traded in the 12 months up to the date of the announcement of the Scheme, which represents a low level of liquidity over the 12-month period. Hence, the QMP methodology may not best reflect the value of Cradle's shares.



Based on the results above we consider the value of a Cradle share to be between \$0.269 and \$0.319, with a preferred value of \$0.295.

11. Is the Scheme fair?

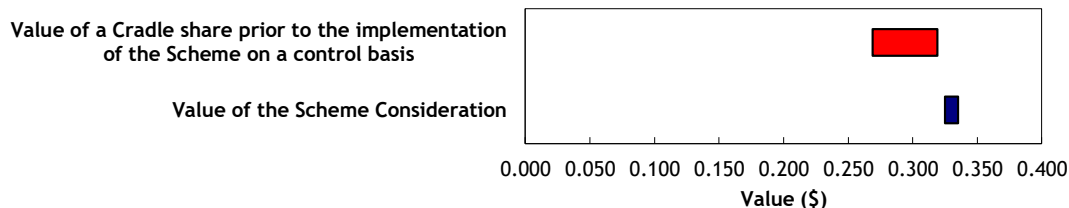
The value of a Cradle share and the Scheme Consideration is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of a Cradle share prior to the implementation of the Scheme on a control basis	10.3	0.269	0.295	0.319
Value of the Scheme Consideration	9.2	0.330	0.330	0.330

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary



Source: BDO analysis

The above pricing indicates that, in the absence of an alternative offer, the Scheme is fair for Shareholders.

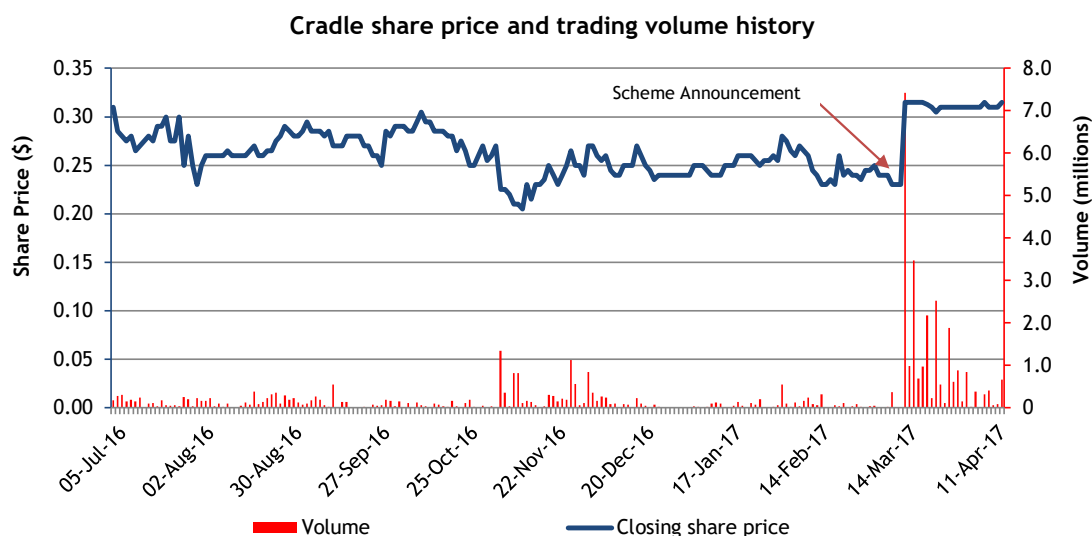
12. Is the Scheme reasonable?

12.1 Alternative proposal

We are unaware of any alternative proposal that might offer the Shareholders of Cradle a premium over the value ascribed to the Scheme.

12.2 Consequences of not approving the Scheme

We have analysed movements in Cradle's share price since the Scheme was announced. A graph of Cradle's share price since the Scheme was announced is set out below:



Source: Bloomberg

On 10 March 2017, the day that the Scheme was announced, Cradle's share price increased by 8.5 cents (37%) to close at \$0.315. The VWAP of Cradle over the 23 days following the announcement was \$0.313, which is significantly higher than the 30 day VWAP of \$0.254 observed prior to the announcement of the Scheme.

Given the above analysis, if the Scheme is not implemented, then it is likely that Cradle's share price will decline to levels exhibited prior to the announcement of the Scheme.

12.3 Advantages of approving the Scheme

We have considered the following advantages when assessing whether the Scheme is reasonable.

12.3.1. The Scheme is fair

Our analysis in section 12 concludes that the Scheme is fair to Shareholders. RG 111.12 states that an offer is reasonable if it is fair.

12.3.2. Shareholders obtain certainty of value under the Scheme

The Scheme involves the acquisition of all the outstanding shares in Cradle for a cash price of \$0.33 per share. Shareholders will obtain cash for the exit on their investment, which offers certainty of value.

12.3.3. Avoidance of a number of risks related to the Panda Hill Project

The Panda Hill Project is subject to a number of risks (as detailed in section 8 of the Scheme Booklet). The niobium market is tightly held and largely private. Accordingly, approving the Scheme mitigates the potential future downside associated with these risks, which would have an impact on the value realised by operating the asset.



We note that in other industries with a similar structure, such as that of Vanadium, new producers have faced difficulties when larger suppliers have the capacity to increase supply which impacts on pricing.

12.3.4. Interest of Cradle in the Panda Hill Project may be diluted if the Scheme is not approved

We note that under the investment and shareholder agreement for PHM ('PHM Agreement'), each party, being Cradle and Tremont, is entitled to contribute to the funding of the Project's development pro rata to its respective interest in the Project and such contribution to funding will be by equity investment at a price of US\$1.00 per share. Furthermore, should either party elect not to contribute funding, the other party has the right to fund all or a portion of the shortfall at a price of US\$1.00 per share.

We have considered the scenario in which Cradle would be unable to secure equity funding for its pro rata interest (50%) of the development of the Panda Hill Project. Under the notional capital raising in section 10.1.3 we have assumed that approximately 39% of the required capital will be accounted for by debt funding. Therefore, the remaining 61% of Cradle's pro rata interest in the equity funds required to fund the Project is A\$91.7 million or US\$69.8 million. We have assumed that Tremont will fund the entire shortfall. The resultant dilution of Cradle's interest in the Project under this scenario is summarised in the table below:

Dilution of Cradle's interest in the Panda Hill Project assuming Tremont fund entire equity short fall	Number of shares	Percentage of total shares
PHT shareholdings prior to Tremont funding equity shortfall		
Cradle	23,210,000	50.00%
Tremont	23,210,000	50.00%
Total	46,420,000	100.00%
PHT shareholdings following Tremont funding equity shortfall		
Cradle	23,210,000	12.48%
Tremont	162,810,000	87.52%
Total	186,020,000	100.00%

Source: PMT Investment & Shareholder's Agreement and BDO analysis

Under this scenario, Cradle's interest in the Panda Hill Project would be diluted to 12.48%. The level of dilution that is ultimately realised is dependent on the ability of the parties to negotiate debt and equity facilities. It is commonly observed that equity raising for a project can be more difficult when there are multiple parties involved. Cradle has held discussions with a number of parties and due to the nature of the niobium market it has proved difficult to secure. There is a risk that Tremont may be successful in negotiating their equity requirements and enforce their rights under the PHM Agreement.

12.3.5. Shareholders can realise their investment without incurring stamp duty or brokerage costs

The Scheme provides Shareholders with the opportunity to realise their investment in Cradle without incurring stamp duty or brokerage costs.

12.4 Disadvantages of approving the Scheme

If the Scheme is implemented, in our opinion, the potential disadvantages to Shareholders include the following:



12.4.1. Shareholders no longer have an exposure to the Panda Hill Project

As the offer is a cash offer, Shareholders will no longer have an exposure to the Panda Hill Project. Shareholders may wish to be exposed to the future operations if their views of economic factors differ to those utilised in the Adjusted Model. Shareholders may take the view that inferred resources are ultimately converted to reserves and the life of mine of 15 years in the Adjusted Model can be extended to 30 years as in the DFS.

12.5 Reasonableness conclusion

In our opinion, the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved. Accordingly, in the absence of any other relevant information, we believe that the Scheme is reasonable for Shareholders.

13. Conclusion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that the Scheme is fair and reasonable, and in the best interests of Shareholders.

14. Sources of information

This report has been based on the following information:

- Scheme Implementation Agreement dated 9 March 2017;
- Audited financial statements of Cradle for the years ended 30 June 2015 and 30 June 2016;
- Reviewed financial statements of Cradle for the half year ended 31 December 2016;
- Cradle's March 2017 quarterly activity report;
- Independent Technical Report of the Panda Hill Project's mineral assets dated 11 April 2017 performed by MSA;
- Investment and Shareholder's Agreement for PHT;
- Indicative offtake discussions with prospective clients;
- Indicative debt funding discussions;
- The DFS on the Panda Hill Project;
- Independent Market Research;
- Share registry information;
- Information in the public domain; and
- Discussions with directors and management of Cradle.



15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$45,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Cradle in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Company, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Cradle, Tremont and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Cradle, Tremont and their respective associates.

A draft of this report was provided to Cradle and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.



Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

17. Disclaimers and consents

This report has been prepared at the request of Cradle for inclusion in the scheme booklet, which will be sent to all Shareholders. Cradle engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed acquisition of all the ordinary outstanding shares of Cradle by Tremont, through the Scheme.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above scheme booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the scheme booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The directors of the Company are responsible for conducting appropriate due diligence in relation to Tremont. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Cradle and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Cradle, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Cradle.

The valuer engaged for the mineral asset valuation, MSA, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the



use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written in a cursive style.

Sherif Andrawes
Director

A handwritten signature in blue ink, appearing to read 'Adam Myers', written in a cursive style.

Adam Myers
Director



Appendix 1 - Glossary of Terms

Reference	Definition
A\$	Australian Dollars
the Act	The Corporations Act 2001 Cth
the Adjusted Model	The Model adjusted for by BDO where it was considered appropriate
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
CAPM	Capital Assets Pricing Model
CBMM	Companhia Brasileira de Metalurgia e Mineração
the Company	Cradle Resources Limited
Corporations Act	The Corporations Act 2001 Cth
Cradle	Cradle Resources Limited
Cradle DFS	Cradles Definitive Feasibility Study
DCF	Discounted Future Cash Flows
Denham Capital	Denham Capital Management LP
Denham Funds	Denham Commodity Partners Fund V LP, Denham Commodity Partners Fund VI LP and Denham Commodity Partners Fund VI-A LP
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FEED	Front-end Engineering and Design
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service



Reference	Definition
FSG	Financial Services Guide
GDP	Gross domestic product
HRC	Hot Rolled Coil
Independent Technical Report	Technical assessment and valuation report prepared by MSA dated 11 April 2017
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
the Model	Detailed cash flow model for the Panda Hill Project prepared by the management of Cradle with the assistance of advisors
MSA	The MSA Group Pty Ltd
mtpa	Million tonnes per annum
NAV	Net Asset Value
Panda Hill Project	The Panda Hill Niobium Project
PHM	Panda Hill Mining Pty Ltd
PHM Agreement	The investment and shareholder agreement for PHM
PHT	Panda Hill Tanzania Limited
the Project	The Panda Hill Niobium Project
QMP	Quoted market price
RBA	Reserve Bank of Australia
RECB	RECB Limited
Regulations	Corporations Act Regulations 2001 (Cth)
our Report	This Independent Expert's Report prepared by BDO
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)



Reference	Definition
the Scheme	The proposed acquisition of all the ordinary outstanding shares of Cradle by Tremont, through a scheme of arrangement under the Australian Corporations Act
Scheme Consideration	Cash consideration of \$0.33 per Cradle share
Section 411	Section 411 of the Corporations Act
Shareholders	Shareholders of Cradle not associated with Tremont
SIA	Scheme Implementation Agreement
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Thurwan Options	1,000,000 options to be issued to Thurwan Limited in consideration for consulting services provided
Tremont	Tremont Investments Limited
Tremont Holdings	Tremont Master Holdings
US\$	United States Dollars
USGS	United States Geological Survey
Valmin Code 2015	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital



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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Appendix 3 - Discount Rate Assessment

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' weighted average cost of capital ('WACC') the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + B \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
B	= equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. We have used the current yield to maturity on the 10-year Australian Government Bond which was 2.70% per annum as at 31 March 2017.

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the current market risk premium is 7.15% as at 31 March 2017. This has been sourced from Bloomberg. The market risk premium is derived on the basis of capital weighted average return of all members of the S&P ASX 300 Index minus the risk free rate is dependent on the ten year government bond rates. For the purpose of our report we have adopted a market risk premium of between 6.00% and 8.00%.



Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business' will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by "ungearing" the equity beta (β_a) by applying the following formula:

$$\beta_a = \beta / (1 + (D/E \times (1-t)))$$

In order to assess the appropriate equity beta for Cradle, we have had regard to the equity betas of listed companies involved in similar activities in similar industry sectors. We note that there are very few companies engaged primarily in niobium mining operations, and that the commodity is dominated by a handful of unlisted companies. Consequently, we have examined the equity betas of listed companies with operations involving commodities similar in nature to niobium. The geared betas below have been calculated against the S&P ASX 200 Index using weekly data over a two-year period.

Exploration companies

Company	Market Capitalisation 06-Apr-17 (\$m)	Geared Beta (β)	Gross Debt/Equity (%)	Ung geared Beta (β_a)
Ardiden Limited	14.74	1.22	0%	1.22
Coppermoly Limited	22.97	1.30	11%	1.21
Eumeralla Resources Limited	7.93	1.01	0%	1.01
Kingston Resources Limited	13.32	1.90	0%	1.90
Liontown Resources Limited	16.84	1.48	0%	1.48
	Mean	1.38	0.02	1.37
	Median	1.30	0.00	1.22

Source: Bloomberg and BDO analysis



Operating companies

Company	Market Capitalisation 06-Apr-17 (\$m)	Geared Beta (B)	Gross Debt/Equity (%)	Ungeared Beta (Ba)
Jubilee Platinum Plc	56.20	0.90	0%	0.90
North American Palladium Limited	322.60	0.94	26%	0.79
Orocobre Limited	612.61	0.71	2%	0.70
Western Areas Limited	634.40	1.68	0%	1.68
Wolf Minerals Limited	73.83	1.00	58%	0.71
	Mean	1.04	0.17	0.96
	Median	0.94	0.02	0.79

Source: Bloomberg and BDO analysis

Selected Beta (B)

In selecting an appropriate beta for Cradle, we considered the similarities between the comparable companies selected above. The comparable similarities and differences noted are:

- the comparable companies all have operations or are exploring for resources similar in nature to niobium;
- the comparable companies' mining and exploration assets have varying risk profiles depending on the assets maturity, stage of production and location; and
- the comparable companies' operations tend to be located in more stable (less risky) countries, compared to Cradle's Panda Hill Project which is located in Tanzania.

Furthermore, despite the comparable companies being involved in commodities of a similar nature to niobium, we note that the processing of niobium is particularly bespoke, and that the market is dominated by a few large companies.

Having regard to the above, we consider that the operating companies identified, are most comparable to Cradle as we have assumed that the Panda Hill Project will be in operation. Therefore, we consider an appropriate ungeared beta to apply to Cradle is between 0.80 and 0.95. We consider it reasonable that a forward looking ungeared beta for Cradle will reflect that of its peers.

We have regressed this beta to reflect the assumed 39% debt and 61% equity funding structure of Cradle, which is based on indicative funding discussions by the joint venture. Consequently, we consider an appropriate geared beta for Cradle to be between 1.20 and 1.40.

Cost of Equity

We have assessed the cost of equity to be:

Input	Value Adopted	
	Low	High
Risk free rate of return	2.70%	2.70%
Equity market risk premium	6.00%	8.00%
Beta (geared)	1.20	1.40
Cost of Equity	9.90%	13.90%

Source: BDO analysis

We have considered after-debt cash flows in the Adjusted Model, and therefore, the cash flows we are discounting are the cash flows to equity holders. As such, we have selected a nominal after tax discount rate of 12% which represents our assessment of the appropriate cost of equity to discount the forecast cash flows to their present value.

Comparable Listed Companies

Descriptions of comparable listed companies are summarised as follows:

Company	Description
Ardiden Limited	Ardiden Limited identifies, acquires, explores, develops, and evaluates mineral resources in Australia and Canada. The company owns 100% interests in the Root Lake lithium project that comprises 1,013 hectares of mining claims, as well as Root Bay lithium project, which comprises three claim areas totalling 720 hectares; and holds an option to own 100% interests in the Seymour Lake lithium project, which comprises 7,019 hectares of mining claims located in the north of Thunder Bay in Ontario. It also owns 100% interests in the Manitouwadge Jumbo Flake graphite project that covers an area of 5,300 hectares located to the north-east of Manitouwadge town in Ontario. The company was formerly known as Stratos Resources Limited and changed its name to Ardiden Limited in December 2014. Ardiden Limited is based in Subiaco, Australia.
Coppermoly Limited	Coppermoly Limited engages in the exploration and evaluation of porphyry copper-molybdenum-gold projects in Papua New Guinea. Its principal projects include the Mt Nakru that covers an area of 47 square kilometers; and Simuku, which covers an area of 122.7 square kilometers located in New Britain Island, Papua New Guinea. It also explores for silver, zinc, telluride, and polymetallic mineralization deposits in its projects. Coppermoly Limited was incorporated in 2007 and is headquartered in Bundall, Australia.
Eumeralla Resources Limited	Eumeralla Resources Limited engages in the acquisition and exploration of mining projects in Mongolia, Myanmar, and Singapore. The company primarily explores for tungsten and tin deposits. It holds interest in the Chuluun Khoroot Tungsten Mine project that covers approximately 2,786 hectares located in north-eastern Mongolia; and holds licenses in Southern World Mining project located in Kayah State, Myanmar. The company was incorporated in 2011 and is based in Perth, Australia.
Jubilee Platinum Plc	Jubilee Platinum Plc primarily engages in the exploration and exploitation of natural resources in South Africa, Australia, Madagascar, Mauritius, and the United Kingdom. The company explores for platinum group elements, gold, and nickel ores. Its flagship project is the Tjate platinum project covering an area of 5,140 hectares in South Africa. The company is also involved in the evaluation of the reclamation and processing of sulphide nickel tailings. Jubilee Platinum Plc was incorporated in 2002 and is based in London, the United Kingdom.
Kingston Resources Limited	Kingston Resources Limited engages in the exploration of mineral properties in Western Australia and the Northern Territory. The company primarily explores for lithium, tin, tantalum, and copper deposits. Its principal projects include the Mt Cattlin, Greenbushes, Bynoe/Wingate, and North Arunta projects. The company was formerly known as NuWorld Solutions Limited and changed its name to Kingston Resources Limited in October 2012. Kingston Resources Limited is based in Sydney, Australia.
Liontown Resources Limited	Liontown Resources Limited engages in the exploration of mineral properties in Australia and Tanzania. The company explores for lithium, gold, and nickel ores. It holds 100% interests in the Bynoe lithium-tantalum project that covers an area of 88 square kilometers located in Darwin, Northern Territory; and the Mohanga lithium-tantalum project that covers an area of approximately 177 square kilometers located in central Tanzania. It also owns interest in the Jubilee Reef gold project, which covers an area of



approximately 66 square kilometers located in the Lake Victoria Goldfield of northern Tanzania, as well as has an option to earn approximately 70% equity interest in 41 square kilometers, Lake Percy tenement located in Perth, Western Australia. Lontown Resources Limited was incorporated in 2006 and is based in West Perth, Australia.

Orocobre Limited	Orocobre Limited explores for and develops lithium, potash, and salar mineral properties primarily in Argentina. Its flagship project is the Salar de Olaroz lithium project that covers 63,000 hectares of tenements located in north-west province of Jujuy. The company also produces boron minerals and refined chemicals. Orocobre Limited is headquartered in Milton, Australia.
Western Areas Limited	Western Areas Ltd mines, processes, and sells nickel sulphide concentrates. The company develops high grade nickel mines; and explores for nickel sulphides, other base metals, and platinum group metals in Australia, Canada, and Finland. Its flagship property is the Forrestania nickel project located in Australia. Western Areas Ltd was founded in 1999 and is headquartered in West Perth, Australia.
Wolf Minerals Limited	Wolf Minerals Limited, a specialty metals company, primarily operates in the tungsten and tin industry of mining and materials sector in the United Kingdom. Its principal project is the Drakelands Mine located near the village of Hemerdon in the United Kingdom. The company was incorporated in 2006 and is based in Subiaco, Australia.

Source: Capital IQ



Appendix 4 - Independent Technical Report

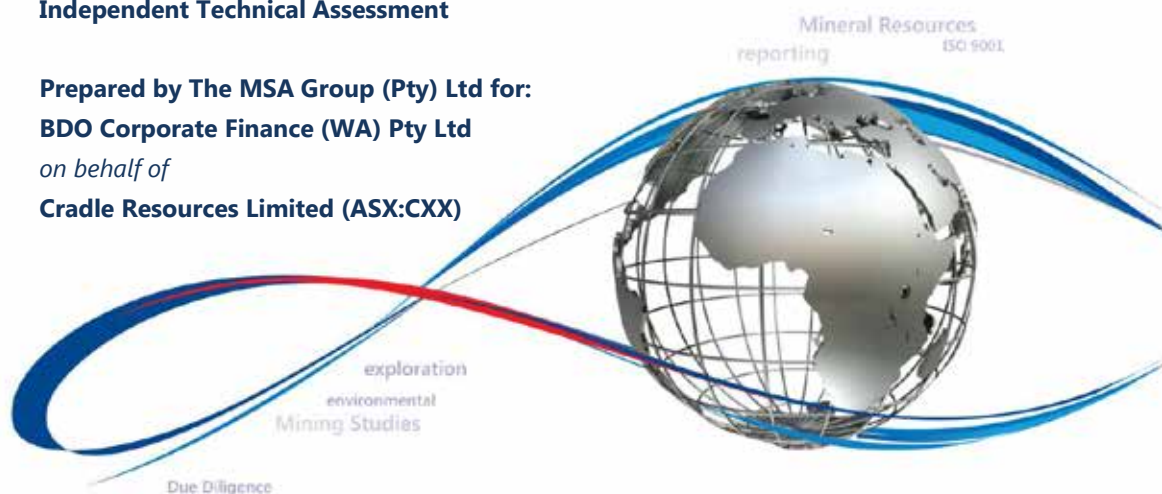


Specialist Consultants to the Mining Industry

Panda Hill Niobium Project Tanzania

Independent Technical Assessment

Prepared by The MSA Group (Pty) Ltd for:
BDO Corporate Finance (WA) Pty Ltd
on behalf of
Cradle Resources Limited (ASX:CXX)



Prepared By:

Jeremy Witley	Pr.Sci.Nat, FGSSA
Jon Hudson	Pr.Eng. (Mining), FSAIMM
John Derbyshire	Pr.Eng., FSAIMM
Robin Bolton	Pr.Sci.Nat
André van der Merwe	Pr.Sci.Nat, MAusIMM, FGSSA

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MSA Project No.: J3638

The MSA Group (Pty) Ltd | Registration No: 2000/002800/07
Tel: +27 (0)11 880 4209 | Fax: +27 (0)11 880 2184 | email: info@msagroupservices.com
Herley House, Greenacres Office Park, Cnr Victory and Rustenburg Roads, Victory Park, 2195
PO Box 81356, Parkhurst, 2120, South Africa
Directors: BJ Burnand, KD Scott, NN Buthelezi, SZ Majola

www.msagroupservices.com

IMPORTANT NOTICE

This report was prepared by The MSA Group (Pty) Ltd (MSA), South Africa, as an Independent Technical Assessment, in compliance with the requirements for the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code 2015) for use by BDO Corporate Finance (WA) Pty Ltd (BDO) on behalf of Cradle Resources Limited (Cradle). The quality of information, conclusions and estimates contained herein is consistent with the level of effort involved in MSA's services, based on: i) information available at the time of preparation, ii) data supplied by outside sources, and iii) the assumptions, conditions, and qualifications set forth in this report. This report is intended for use by BDO on behalf of Cradle subject to the terms and conditions of the Letter of Commission from BDP and the contract between Cradle and MSA. Except for the purposes legislated under Australian provincial securities law, any other uses of this report by any third party is at that party's sole risk.



EXECUTIVE SUMMARY

BDO Corporate Finance (WA) Pty Ltd (BDO) instructed The MSA Group (Pty) Ltd (MSA) who were engaged by Cradle Resources Limited to undertake an Independent Technical Assessment of the Panda Hill Niobium Project (the Project) located in Tanzania, currently held by Cradle Resources Limited (Cradle), in full compliance with the Australasian Code for Public Reporting of the Technical Assessments and Valuations of Mineral Assets (the VALMIN Code 2015 Edition) (the VALMIN Code). Included are an update of the inputs to the financial evaluation of the Ore Reserves of the Project and a mineral asset valuation of the Inferred Mineral Resources not included in the Life of Mine on which the financial evaluation is based. MSA's Independent Technical Assessment report is addressed jointly to Cradle and BDO. MSA understand that its report is to be included in an Independent Experts Report (IER), to be compiled by BDO, in evaluation of the bid by Tremont Investments Limited (Tremont) to purchase all extant shares of Cradle. The purpose of the Independent Technical Assessment is to support the financial model to be constructed by BDO which will form the basis of their valuation of the asset. The financial model is based on a combination of the DFS base case and the Front-End Engineering and Design (FEED), as compiled by MDM Engineering (Pty) Ltd (MDM). MSA's role is to assess the DFS and FEED Technical Reports for technical soundness and make recommendations regarding inputs to the financial model. The IER will be completed and signed off by BDO through their Perth Office. The IER will provide an opinion to Cradle shareholders and as such it will be a public document.

The asset which is the subject of the Independent Technical Assessment is the Panda Hill Niobium Project, Tanzania.

Site visits and/or inspections have been undertaken by MSA from 27 June 2016 to 01 July 2016 and 16 August 2016 to 18 August 2016. It is MSA's understanding that there have been no material changes to the Project since that time.

The Project is located in the Mbeya Region in southern Tanzania, close to the borders with Zambia and Malawi and approximately 680 km (straight line distance) west of the capital city of Dar es Salaam. The Project is located approximately 25 km west south-west of the city of Mbeya, which is the capital of Mbeya Region. From Mbeya, the Project area can be accessed by travelling 26 km west along the highway to the Songwe Industrial Area junction, and then a further 5 km to 7 km in a southerly direction along an unpaved ground road.

The Project is located on three Mining Licences (ML237/2006, ML238/2006 and ML239/2006), covering a total area of approximately 22.1 km² which were granted to Panda Hill Mines Ltd on 16 November 2006, with the title of the licences transferred to RECB Ltd (RECB) on 18 December 2012. The leases were approved for an additional 10-year extension (to November 2026) on 20 August 2015, and will be subject to renewal after that date.

Panda Hill Mining Pty Ltd (PHM), a wholly owned subsidiary of Verona Capital (Pty) Ltd acquired an option to acquire the properties in May 2012 and subsequently purchased a 49 % shareholding in RECB with a further option to purchase 1 % of RECB and an additional right to acquire the remaining 50 % of RECB over a four-year period. Cradle announced the acquisition of all of the share capital of PHM on April 3, 2013 (Cradle, 2013). Cradle exercised the option to purchase the further 1 % in 2014. The option to acquire the remaining 50 % of RECB was exercised in November 2015 (MDM Engineering – 1387F1-1-SRE-D13-001,



2016). On 10th November 2015 it was announced that the Mining Licences had been transferred by RECB to PHT (Cradle Resources Limited, ASX Release, 2015b).

In June 2014, PHM reached an agreement with Tremont to fund the Project to DFS and beyond. Under the agreement, a new company, Panda Hill Tanzania Ltd (PHT), in which both Cradle Resources and Tremont are shareholders, was incorporated in the Republic of Mauritius. All of the rights and obligations of PHM under the Option Agreement, together with all assets, data and information in the possession or control of PHM in relation to the Project, were assigned to PHT (Cradle Resources Limited, ASX Release, 2015b). Tremont has acquired a 50 % stake in PHT, the operating company, through the payment of USD 20 million, which was used to finance the Pre-Feasibility Study (PFS) and DFS activities (MDM Engineering – 1387F1-1-SRE-D13-001, 2016).

The Project is located close to surrounding infrastructure including the Tanzania-Zambia Railway Authority (TAZARA) Railway line (2 km) which passes through the northernmost Mining Licence ML237/2006, the Dar es Salaam-Tunduma Highway (between 5 and 7 km to the north of Panda Hill), the Songwe Airport (8 km to the north north-east of Panda Hill) and major power infrastructure located in Mbeya (26 km east north-east of the Mining Licences) (MDM Engineering, 2016).

A Scoping Study was completed in 2014, a PFS in 2015, a DFS in 2016 and a FEED Study which was completed to "DRAFT" status in December 2016. The FEED report is based on information in the DFS report but with more detailed engineering and design work associated with the Project. Significant changes were also made to the mine plan and schedule, as well as some elements of the processing plant. A major change was to reduce the construction period from 21 months to 18 months.

The review of the geology and Mineral Resources of the Project by MSA in May 2016 did not identify any fatal flaws or identify any items that required immediate rectification. MSA revisited the review in March 2017 in light of further information gathered during the Panda Hill studies, including the FEED Study completed at the end of 2016. There is no newer information available that directly relates to the Geology and Mineral Resources for the Project.

The April 2015 Mineral Resource as stated by Coffey Mining Pty Ltd, using a cut-off grade of 0.30 % Nb₂O₅, amounts to:

- Measured Mineral Resource: 15.9 Mt at an average grade of 0.63 % Nb₂O₅;
- Indicated Mineral Resource: 52.9 Mt at an average grade of 0.50 % Nb₂O₅; and
- Inferred Mineral Resource: 109.4 Mt at an average grade of 0.48 % Nb₂O₅.

MSA consider that the Mineral Resource estimate was completed in a reasonable manner and has been reported in accordance with JORC (2012) guidelines. A number of areas were identified that could be considered as improvement areas, however they will not materially affect the integrity of the Mineral Resource estimate or the ability of the Mineral Resource to deliver to Project expectations for either the FEED or the DFS options.

Whether ore is sent for processing, stored in a low grade or intermediate stockpile, or classed as waste is dependent on oxidation state, rock type, and Nb₂O₅, SiO₂ and CaO grade. Grade control using a number of parameters can be challenging and there will be a period of ramping-up of grade control effectiveness that may impact on the quality of plant feed. Fortunately the mineralisation lends itself to XRF assays with fast turnaround times.



Areas of low and extreme high grades can occur over short distances horizontally as the main trend of the mineralisation is steep (~60° SW) and high grade bands of mineralisation occur. This can lead to a high degree of variability in the plant feed. Cradle has planned a blending strategy that has been simulated to smooth out the variability enough to allow for plant recoveries within acceptable tolerance limits.

Significant near mine exploration potential exists within the currently identified Panda Hill carbonatite area. The deposit is open in all directions, the edge of the carbonatite being outside of the currently defined Mineral Resource area. The extent of the high grade “Angel Zone” has not been fully delineated.

The 30-year LOM model envisages mining of approximately 35.62 million tonnes of Measured and Indicated Mineral Resources, with the remaining 37.18 million tonnes being sourced from Inferred Mineral Resources. Inferred Mineral Resources by their very nature are not suitable for detailed mine planning and should be treated with caution. Financial valuations compliant with VALMIN can include Inferred Resources after the application of an appropriate discount factor.

The Independent Technical Assessment of the geology and Mineral Resources by MSA largely indicates potential upside to the Project.

The review of the mining and Ore Reserves of the Project by MSA did not identify any fatal flaws and/or material flaws that require immediate rectification. MSA reduced the first and second year mining production to be in line with the 18-month plant feed ramp-up, based on a McNulty type 2 operation. This allows mining to build up sufficient material on the RoM pad and low grade/ Interim stockpiles to assist in providing a consistent feed to the plant. The mining operating cost rates and mining capital expenditure in the financial model has been adjusted and aligned with the logic and results in the FEED study. The modifications to the financial model inputs are based on the MSA view for using more accurate data and information from the recently completed FEED study which uses smaller mining equipment aligned with improved grade control.

During Years 1 to 10 of the LoM, only Ore Reserves, based on Measured and Indicated Mineral Resources, are considered for inclusion as revenue generating plant feed in the financial evaluation. From Year 11 onwards, the production schedule in the financial model provided utilises mainly Inferred Mineral Resources as revenue generating plant feed. This diverges from the guidelines set out in the VALMIN Code 2015 regarding valuation of Inferred Mineral Resources. The risks involved with the scheduling of Inferred Mineral Resources include a potential change to the pit design and pushback strategy, reduction in the LoM tonnes when converting Inferred Mineral Resources to Reserves, and grade and inability to sustain the production rate at the set plant parameters. MSA elected to include only 5 years of mainly Inferred Mineral Resources in the latter stages of the LoM on which the financial evaluation is based.

Cradle, on behalf of its subsidiary PHT, has conducted extensive characterisation, mineralogical, beneficiation, hydrometallurgical and smelting studies on various increasingly weathered ore lithology samples bearing niobium. MSA provide comment on the principal results from the test work undertaken by SGS Lakefield and Australian Nuclear Science and Technology Organisation (ANSTO) on the above samples, the interpretation of the results in defining a suitable process flowsheet for the DFS and the DFS design prepared by MDM Engineering on the basis of the flowsheet.

The FEED study removed the expansion to 2.6 Mtpa that would have occurred in Year 5, as proposed in the DFS. This has resulted in the reduction in size of the crusher, a capacity phasing and overall reduction in the footprint and wall lifting requirements for the tailings storage facility (TSF), and possibly a reduction in the



capacity of the furnace. With the input from process relevant expert consultants, the FEED study has also addressed many of the higher risk areas and closed the gaps noted in the original DFS. Several previously highlighted opportunities for efficiency and design improvement have been incorporated during the FEED Process.

The following conclusions apply:

- the mineralogical, metallurgical, material characterisation and design testwork has been undertaken by established and reputable laboratories and design houses with relevant previous experience;
- for pilot plant testwork, three types of material were selected as being representative of material to be processed through the proposed operation, namely fresh carbonates (FC), moderately oxidised carbonates (MOC), and oxidised carbonates (OC). Drillhole core samples drawn for testwork at bench level adequately displayed the likely range of flotation variability responses to the standardised flotation test utilised;
- modelling of the recovery results was undertaken, indicating a good correlation between niobium recovery and the ratio of niobium to iron in the head sample. The concentrate grade achieved showed a lesser correlation. Modelled results indicate a range of expected Nb flotation recoveries from 65 % for the FC, to around 53 % for the OC material types;
- pilot plant testwork refined the flowsheet by adding a carbonate rejection float stage. Recoveries achieved for the FC material during the pilot plant reasonably mirrored the bench work. Acid and caustic leaches of the niobium concentrate have adequately demonstrated the ability to control particularly P and Si in the feed to the furnace, with limited Nb losses;
- smelter testwork has demonstrated that a marketable grade FeNb is achievable from concentrates produced from the design flowsheet. Recovery across the smelter has been assumed based on other FeNb operations' plant experience;
- the unit processes incorporated in the process flow sheet are reasonably conventional but represent a relatively complex process in total; and
- the design flowsheet has adequately incorporated the testwork features and efficiencies as well as improvements suggested by expert consultants for various unit processes. Suitable assumptions have been made where data is not available. The plant design is still likely to be conservative based on the incorporated safety factors.

Some concerns were expressed around the effects of blending the various ore types on plant operability and recoveries. Following a stockpile simulation, the flowsheet has been revised during the FEED phase to incorporate stockpile blending both prior to and after the crusher. To some extent this addresses previous concerns around the effects that blending the various ore types may have on plant operability. PHT has also mitigated the effects of blending by de-rating the expected recovery for the financial evaluation.

Equipment selected is conventional to the minerals processing industry, if not used by other niobium producers. With consultant input, the DC arc furnace proposed in the DFS has been replaced in the FEED study with a tilting graphite brushed electrode AC furnace similar to that used by Companhia Brasileira de Metalurgia e Mineração (CBMM).

The FEED study has reduced the size of the initial tailings dam in light of the decision not to pursue an increased throughput after the 5th year of operation, with the tailings dam capital expenditure reduced in line with this. This reduced capacity facility will not be able to cope with the production rate expansion in



the DFS, and on which the financial evaluation in this report is based. Hence MSA reverted to the more expensive DFS design and costing for the purpose of this technical assessment.

Although not particularly high, the radioactivity levels in the concentrate, leach residue and slag streams may not be automatically excluded from the requirements of local legislation. Radioactivity levels in the FeNb product are relatively low, but the presence of Pb210 as indicated by the initial ANSTO samples, may impose more stringent shipping conditions on the final product.

The process plant FEED capital expenditure increase over the DFS study is largely due to costs associated with a revised layout of the plant, improved corrosion protection, the implementation of expert consultant improvements to the flotation and leach circuits and the increased cost of the improved technology furnace. To some extent this has been offset by reductions in the tailings dam and crusher costs.

Overall FEED operating costs per tonne remain similar to that estimated in the DFS. Plant operations are expected to be undertaken by a contract operator at a slightly higher rate per tonne than estimated in the DFS; this has largely been offset by savings on reagents.

No fatal flaw or major redesign requirement was detected during the course of this Technical Assessment.

The environmental and social review of the FEED Study and DFS Study did not identify any fatal flaws. All the necessary environmental authorisations are in place for the current phase of the Project. Further permits are required at future stages of the Project. However, this aspect is unlikely to have a material effect on the technical evaluation of the operation. The Cradle financial model accounts for USD 60.4 million for closure over the life-of-mine and for five years post closure. MSA consider this number to be reasonable given the final footprint at the end of life-of-mine, inclusive of the anticipated ramp-up to a 2.6 Mtpa production rate in Year 5. For the sake of computational efficiency, the costs are distributed in total over the last two years of production in the cash flow analysis.

MSA have undertaken a review and update of the inputs to the financial evaluation of the Ore Reserves of the Project, based on a discounted cash flow model as provided by Cradle and BDO (CXX_CF Model_31March16 (Adjusted Model) MSA Inputs.xlsm) on 7 April 2017. MSA adjusted the Capex, Opex and Sustaining Capital to reflect a revised mine plan (mining of Ore Reserves for first 10 years plus mining of Inferred Mineral Resources over five years).

MSA combined the best applicable results from both the DFS and the FEED results to derive an optimised estimate of the capital expenditure:

- Initial Capital: USD 209.0 million, including the prison relocation but excluding pre-production financing costs; and
- Sustaining Capital: USD 239.2 million (including closure costs, excluding contingency).

MSA decided to incorporate the FEED mining operating costs into the financial model for the following reasons:

- the drill and blast rates appear more accurate and are based on reputable mining contractors operating in Tanzania;
- the smaller mining equipment proposed for the FEED design is deemed appropriate for the long-term production schedule, with improved grade control; and



- the application of the FEED mining operating cost rates will not compromise the production schedule in the financial model.

Processing and tailings storage Opex are based mainly on the FEED costs and come to USD 35.96 per tonne of mill feed.

Some 38.9 Mt of Inferred Mineral Resources, at an average grade of 0.49 % Nb₂O₅, are not included in the financial evaluation. This portion of the mineral asset that makes up the Panda Hill project were valued using Comparable Transactions (Market Approach). Detailed analysis of five reasonably comparable sales allowed a preferred value of AUD 10 million to be estimated for the Inferred Mineral Resources. This preferred value fits into a range varying from AUD 6 million to AUD 15 million.



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Appendix 1	:	Abbreviations and Acronyms



1 INTRODUCTION

1.1 Context, Scope and Terms of Reference

Cradle Resources Limited (ASX:CXX) is an international niobium development company that is listed on the Australian Securities Exchange (ASX).

BDO Corporate Finance (WA) Pty Ltd (BDO) instructed The MSA Group (Pty) Ltd (MSA) who were engaged by Cradle Resources Limited to undertake an Independent Technical Assessment of the Panda Hill Niobium Project (the Project) located in Tanzania, currently held by Cradle Resources Limited (Cradle), in full compliance with the Australasian Code for Public Reporting of the Technical Assessments and Valuations of Mineral Assets (the VALMIN Code 2015 Edition) (the VALMIN Code). Included are an update of the inputs to the financial evaluation of the Ore Reserves and a mineral asset valuation of the Inferred Mineral Resources not included in the Life of Mine.

MSA's Independent Technical Assessment report is addressed jointly to Cradle and BDO. MSA understand that its report is to be included in an Independent Expert Report (IER), to be compiled by BDO, in evaluation of the bid by Tremont Investments Limited (Tremont) to purchase all extant shares of Cradle. The purpose of the Independent Technical Assessment is to support the financial model to be constructed by BDO which will form the basis of their valuation of the asset. The financial model will be based on the Definitive Feasibility Study (DFS) base case and the subsequent Front-End Engineering and Design (FEED), as compiled by MDM Engineering (Pty) Ltd (MDM). MSA's role is to assess the DFS and FEED reports for technical soundness and make recommendations regarding inputs to the financial evaluation model. The IER will be completed and signed off by BDO through their Perth Office. The IER will provide an opinion to Cradle shareholders and as such it will be a public document.

The Panda Hill Niobium Project comprises three Mining Licences (ML237/2006, ML238/2006 and ML239/2006) covering a total area of approximately 22.1 km². The Mining Licences (ML) are held by Panda Hill Tanzania Ltd (PHT), in which both Cradle and Tremont are shareholders and was incorporated in the Republic of Mauritius. Tremont has acquired a 50 % stake in PHT, the operating company, through the payment of USD 20 million, which was used to finance the Pre-Feasibility Study (PFS) and DFS activities (MDM Engineering – 1387F1-1-SRE-D13-001, 2016).

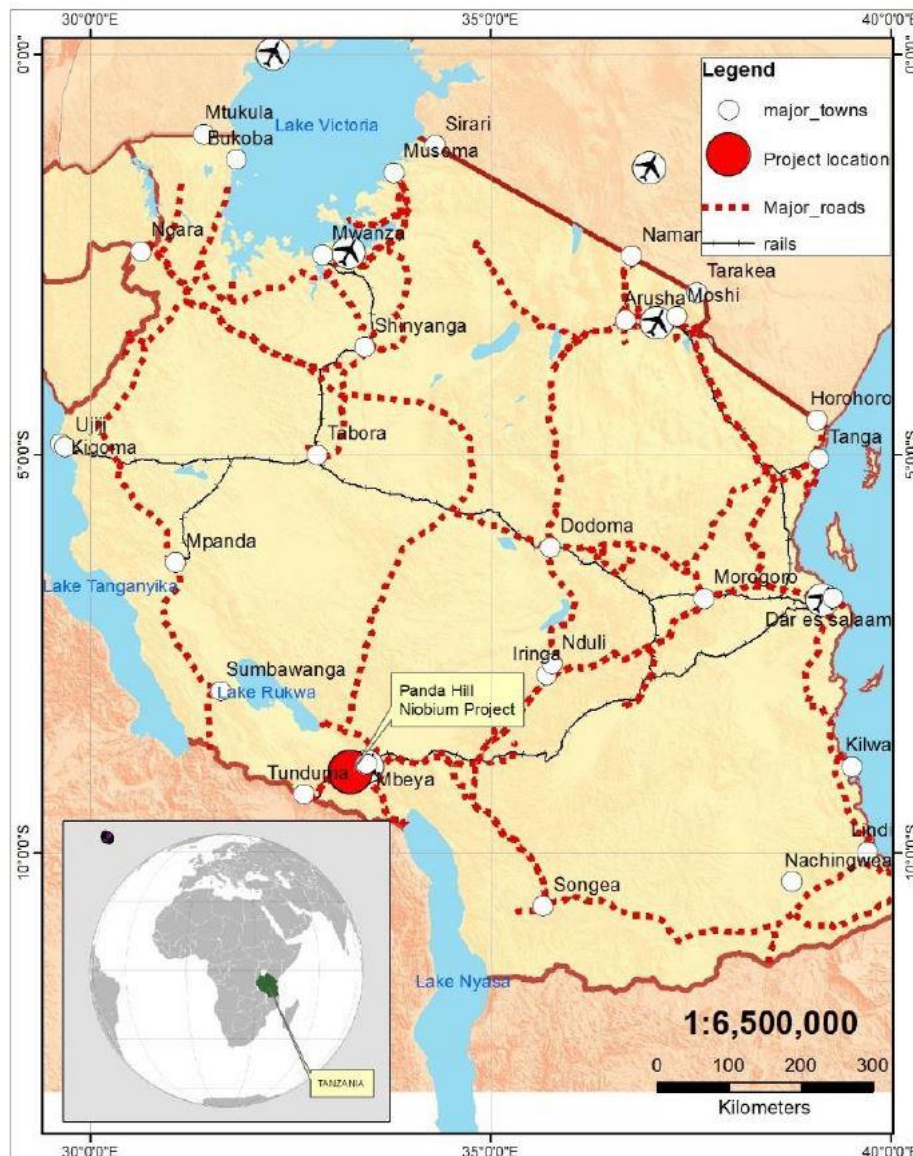
The Project is located in the Mbeya Region in southern Tanzania, close to the borders with Zambia and Malawi and approximately 680 km west of the capital city of Dar es Salaam (Figure 1-1).

The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 11 April 2017 and could alter over time, depending on exploration results, mineral prices and other relevant market factors.

MSA have provided and not withdrawn written consent for the inclusion of the Report in the IER, and to the inclusion of statements made by MSA and to the reference to its name in other sections of the IER, in the form and context in which the Report and those statements appear.



Figure 1-1
Location of the Panda Hill Niobium Project within Tanzania



Source: MTL Consulting Company Ltd, 2016

MSA accept responsibility for the Report for the purposes of an Independent Technical Assessment. Having taken reasonable care to ensure that such is the case, MSA and the authors confirm that, to the best of their knowledge, the information contained in the Report is in accordance with the facts, contains no omission likely to affect its import, and no change has occurred since 11 April 2017 which would require any amendment to the Report.



A final draft of the Report was provided to BDO and Cradle, along with a written request to identify any material errors or omissions prior to lodgement. Where appropriate, and in accordance with Australian Securities and Investments Commission (ASIC) Regulatory Guide 111, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the property concerned.

1.2 Compliance with the VALMIN Code 2015

The Report has been prepared in accordance with: the VALMIN Code 2015; The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition (JORC 2012); and the rules and guidelines issued by such bodies as ASIC and ASX that pertain to IERs.

The authors have taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of expert reports (2011), and ASIC Regulatory Guide 112 – Independence of experts (2011).

1.3 Principal Sources of Information

The Report is based on information available up to and including 11 April 2017. The information was provided to MSA by PHT and Cradle and/or has been sourced from the public domain, and includes both published and unpublished technical reports prepared by consultants, and other data relevant to the Project. A full list of documentation consulted is provided in Section 14.4.

The authors have endeavoured by making all reasonable enquiries to confirm the authenticity and completeness of the technical data upon which this report is based.

Site visits undertaken to the site previously by representatives of MSA are tabulated below (Table 1-1). MSA are satisfied that sufficient current information was available for the Project to allow an informed appraisal to be made without carrying out a further site inspection.

Table 1-1 MSA Site visits			
Discipline	MSA Representative	Date From	Date to
Environmental	Mr Robin Bolton	27 June 2016	30 June 2016
Social and Labour	Mr Marco Da Cunha	27 June 2016	30 June 2016
Mining Engineer	Mr Richard Gawthorpe	29 June 2016	01 July 2016
Mineral Resources	Mr Jeremy Witley	29 June 2016	01 July 2016
Project Manager	Mr André van der Merwe	16 August 2016	18 August 2016
Environmental	Mr Robin Bolton	16 August 2016	18 August 2016
Social and Labour	Mr Marco Da Cunha	16 August 2016	18 August 2016



1.4 Authors of the Report – Qualifications, Experience and Competence

The Report has been prepared by The MSA Group, a provider of exploration, geology, mineral resource and reserve estimation, mining and environmental consulting services to the mining industry for over 30 years.

MSA provide specialist services on numerous international and national projects on virtually all commodities, has worked on 5 continents and in over 40 countries, and reports on all major mining stock exchanges. MSA's client base includes Major and Mid-tier Mining Companies, Private Equity Funds, Sovereign Wealth, State Owned Enterprises, Traders, Junior Explorers and Miners. The Group's services encompass Exploration and Geology, Mineral Resource Estimation, Mining Studies and Environmental Consulting, from targeting and initial assessment to turn-key exploration project management, Mineral Resource and Reserve Estimation, public reporting, valuations, Scoping/Preliminary Economic Assessment studies, Pre-Feasibility and Feasibility studies.

Technical aspects of this report concerning all geological and Mineral Resource estimation matters have been prepared by MSA Principal Mineral Resource Consultant Jeremy Witley (Pr.Sci.Nat., FGSSA), a geologist with more than 28 years' experience in Mineral Resource estimation, exploration and mine geology. He has held a number of positions with consultancies and with mid- and large-tier mining companies during his career. Jeremy has a strong background in orebody modelling, geostatistics, grade control and public reporting. He is considered to be a Competent Person for Mineral Resources in several commodities, particularly base and precious metals. Mr Witley has the relevant qualifications, experience, competence and independence to be considered a "Competent Person" as defined in the JORC Code 2012.

Technical aspects of this report concerning all mining matters have been prepared by MSA Principal Mining Consultant Jon Hudson (FSAIMM, Pr.Eng (Mining)), a professional mining engineer with almost 30 years' experience in operations, project and technical experience in a variety of commodities. Mr Hudson has the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the VALMIN Code 2015 and a "Competent Person" as defined in the JORC Code 2012.

Technical aspects of this report all concerning processing, metallurgical and tailings storage matters have been prepared by MSA Associate John Derbyshire (FSAIMM, Pr.Eng) who has over 32 years of plant operational and project experience in a variety of commodities. Over the last four years he has consulted for a number of ongoing projects in the Rare Earth sectors. Mr Derbyshire has the relevant qualifications, experience, competence and independence to be considered a "Competent Person" as defined in the JORC Code 2012.

Technical aspects of this report concerning all environmental matters have been prepared by MSA Principal Environmental Consultant Robin Bolton (Pr.Sci.Nat.), an environmental scientist with more than 15 years' experience in environmental consulting covering a range of commodities. At MSA, Robin is responsible for all environmental related aspects including ESIA's, Risk Assessments, EMPs, Environmental Auditing including Due Diligences, Concept studies, technical reviews, Environmental, Health and Safety Management System implementation and optimisation, Environmental Screening, Scoping and Feasibility studies. Robin is both an IEMA



registered auditor and an ISO14001 auditor. Robin has experience in the Equator Principles, IFC and World Banks Standards. Mr Bolton has the relevant qualifications, experience, competence and independence to be considered "Expert" under the definitions provided in the VALMIN Code 2015 and a "Competent Person" as defined in the JORC Code 2012.

Technical aspects of this report concerning all property, infrastructure, market assessment, financial evaluation and mineral asset valuation have been prepared by MSA Head of Mining Studies, André van der Merwe (Pr.Sci.Nat., M.AusIMM, FGSSA), who is a geologist and engineer with 28 years' experience in exploration, mining, project development (feasibility studies), due diligence reviews and valuations of mineral assets. He has been Technical Advisor to several successful listings on FTSE, AIM, TSX, ASX and JSE, as well as private fundraisings. He has provided Independent Technical Assessment Reports for several ASX listed companies. Mr van der Merwe has the relevant qualifications, experience, competence and independence to be considered a "Practitioner" and a "Specialist" under the definitions provided in the VALMIN Code 2015 and is the "Representative Specialist" for the purpose of this Technical Assessment Report. Primary oversight and peer review of the report was also undertaken by Mr van der Merwe.

1.5 Prior Association and Independence

The authors of this report have previously undertaken a technical due diligence on the Panda Hill Niobium Project. Neither MSA nor the authors of this report, have or have had previously, any material interest in Cradle or the Property in which Cradle has an interest. MSA's relationship with Cradle is solely one of professional association between client and independent consultant.

MSA is an independent consultancy. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. The fee for the preparation of this report is approximately AUD 58,500.

No member or employee of MSA is, or is intended to be, a director, officer or other direct employee of Cradle or Tremont. There is no formal agreement between MSA and Cradle as to MSA conducting further work for Cradle.

1.6 Declarations and Limitations

This Report has been prepared by MSA at the request of, and for the sole benefit of Cradle. Its purpose is to provide an Independent Technical Assessment of Cradle's Panda Hill Niobium Project in Tanzania. The Report is to be included in its entirety or in summary form within an IER to be prepared by BDO. It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

This report specifically excludes any aspects relating to legal issues, commercial and financing matters, land titles and agreements, excepting such factors as may directly influence the technical assessment of the Project.

MSA have consented to the inclusion of the Report within the IER in the form and context in which it is to appear. Neither the whole, nor any part of the Report, nor any reference to it, may



be included in or with, or attached to, any other documents, circulars, resolutions, letters or statements without the prior consent of MSA as to the form and context in which it is to appear.

This Report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 11 April 2017 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

All parties have consented to the inclusion of their work for the purposes of this announcement.

The interpretations and conclusions reached in the Report are based on current geological understanding and the best evidence available to the authors at the time of writing.



2 PROPERTY DESCRIPTION

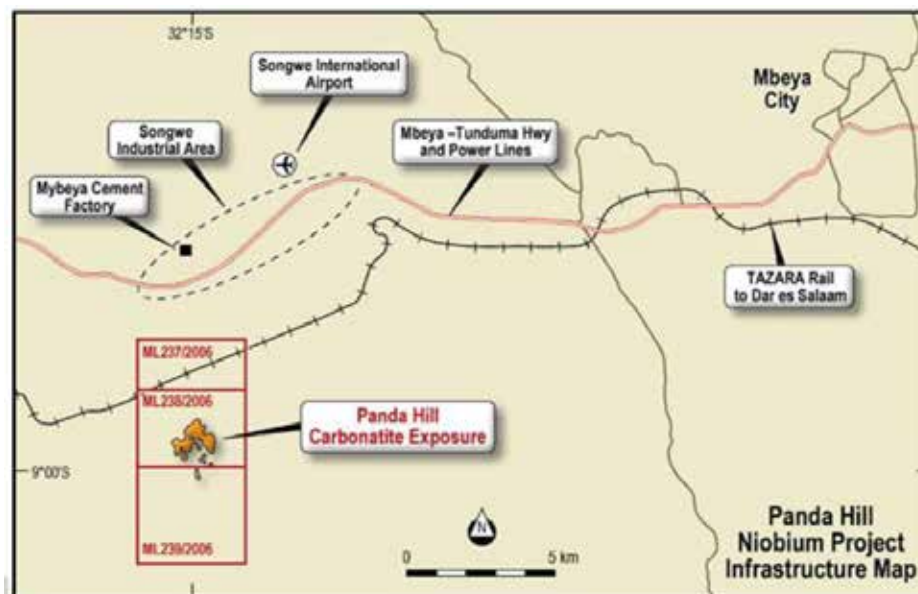
2.1 Location

The Project is located in the Mbeya Region in southern Tanzania, close to the borders with Zambia and Malawi and approximately 680 km (straight line distance) west of the capital city of Dar es Salaam (Figure 1-1).

The Project is located approximately 25 km west south-west of the city of Mbeya, which is the capital of Mbeya Region. The Project is located close to surrounding infrastructure including the Tanzania-Zambia Railway Authority (TAZARA) Railway line (2 km) which passes through the northernmost Mining Licence ML237/2006, the Dar es Salaam-Tunduma Highway (between 5 and 7 km to the north of Panda Hill), the Songwe Airport (8 km to the north north-east of Panda Hill) and major power infrastructure located in Mbeya (26 km east north-east of the Mining Licences) (MDM Engineering – 1387F1-1-SRE-D13-001, 2016) (Figure 2-1).

From Mbeya City, the Project area can be accessed by travelling 26 km west along the highway to the Songwe Industrial Area junction, and then a further 5 km to 7 km in a southerly direction along an unpaved ground road.

Figure 2-1
Location and infrastructure map of the Panda Hill Niobium Project



Source: MDM Engineering – 1387F1-1-SRE-D13-001, 2016



2.2 Tenure and Ownership

2.2.1 Licences and Agreements

The Panda Hill Niobium Project comprises three Mining Licences (ML237/2006, ML238/2006 and ML239/2006) covering a total area of approximately 22.1 km². The licences were granted to Panda Hill Mines Ltd on 16 November 2006, with the title of the licences transferred to RECB Ltd (RECB) on 18 December 2012. The leases were approved for an additional 10-year extension (to November 2026) on 20 August 2015, and will be subject to renewal after that date.

Panda Hill Mining Pty Ltd (PHM), a wholly owned subsidiary of Verona Capital (Pty) Ltd acquired an option to acquire the properties in May 2012. In March 2013, PHM purchased a 49 % shareholding in RECB, with a further option to purchase 1 % of RECB and an additional right to acquire the remaining 50 % of RECB over a four-year period. Cradle announced the acquisition of all of the share capital of PHM on April 3, 2013 (Cradle, 2013). Subsequent to this, Cradle exercised the option to purchase the further 1 % in 2014 and exercised the option to acquire the remaining 50 % of RECB in November 2015 (MDM Engineering – 1387F1-1-SRE-D13-001, 2016). On 10th November 2015 it was announced that the Mining Licences had been transferred by RECB to PHT (Cradle Resources Limited, ASX Release, 2015b).

In June 2014, PHM reached an agreement with Tremont to fund the Project to DFS and beyond. Under the agreement, a new company, Panda Hill Tanzania Ltd (PHT) was incorporated in the Republic of Mauritius, in which both Cradle and Tremont are shareholders. All of the rights and obligations of PHM under the Option Agreement, together with all assets, data and information in the possession or control of PHM in relation to the Project, were assigned to PHT. Tremont has acquired a 50 % stake in PHT, the operating company, through the payment of USD 20 million, which was used to finance the PFS and DFS activities (MDM Engineering – 1387F1-1-SRE-D13-001, 2016).

The tenement co-ordinates and details are listed in Table 2-1 (note: tenement coordinates are given as latitude and longitude points using the ARC 1960 geode).

Table 2-1 Tenement coordinates					
Tenement	Area (km²)	Latitude	Longitude	Status	Expiry
ML237/2006	~4.94	08°58'00"S 08°58'00"S 08°58'47"S 08°58'47"S	033°13'38"S 033°15'30"S 033°15'30"S 033°13'38"S	Granted	15 November 2026
ML238/2006	~7.67	08°58'47"S 08°58'47"S 09°00'00"S 09°00'00"S	033°13'38"S 033°15'30"S 033°15'30"S 033°13'38"S	Granted	15 November 2026
ML239/2006	~9.45	09°00'00"S 09°00'00"S 09°01'30"S 09°01'30"S	033°13'38"S 033°15'30"S 033°15'30"S 033°13'38"S	Granted	15 November 2026



The three mining licences allow PHT to search for, mine, dig, mill, process, transport, use and/or market niobium, or other minerals found in association with that mineral.

The tenement information was provided by PHT. MSA completed checks of the tenements on the United Republic of Tanzania, Ministry of Energy & Minerals, Tanzania Mining Cadastre Portal. The tenement status as checked by MSA matched the information provided by PHT (copies of licence renewals for all three licences).

Cradle, through Werksmans Attorneys of South Africa have had a legal due diligence undertaken by ENSafrica, dated 23 March 2017 (ref ENS/01/17/PANDA HILL/126/2017), which confirms that:

- the mining licences are validly held by Panda Hill Tanzania Limited;
- Panda Hill Tanzania Limited enjoy exclusive rights to develop a mine and undertake mining activities over the licenced area; and
- the mining licences have been validly granted and transferred to Panda Hill Tanzania Limited and are in good standing and have not been cancelled, suspended or expired.

MSA have had sight of this legal due diligence.

In addition, MSA were also provided with a report compiled as part of the DFS, dated 18 April 2016 by MDM Engineering which contained an overview of the current status of Cradle's tenements, supported by the DFS (MDM Engineering – 1387F1-1-SRE-D13-001, 2016).

The authors of this Independent Technical Assessment are not qualified to provide extensive commentary on the legal issues associated with Cradle's right to the mineral properties. MSA have reviewed the legal titles documentation (Mining Licences) and the ENSafrica Legal Due Diligence. Whilst this does not constitute a legal opinion, the authors have satisfied themselves that the information presented herein is materially correct. No warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects of this document.

2.2.2 Corporate

The current corporate structure is shown in Figure 2-2.

2.3 Project History

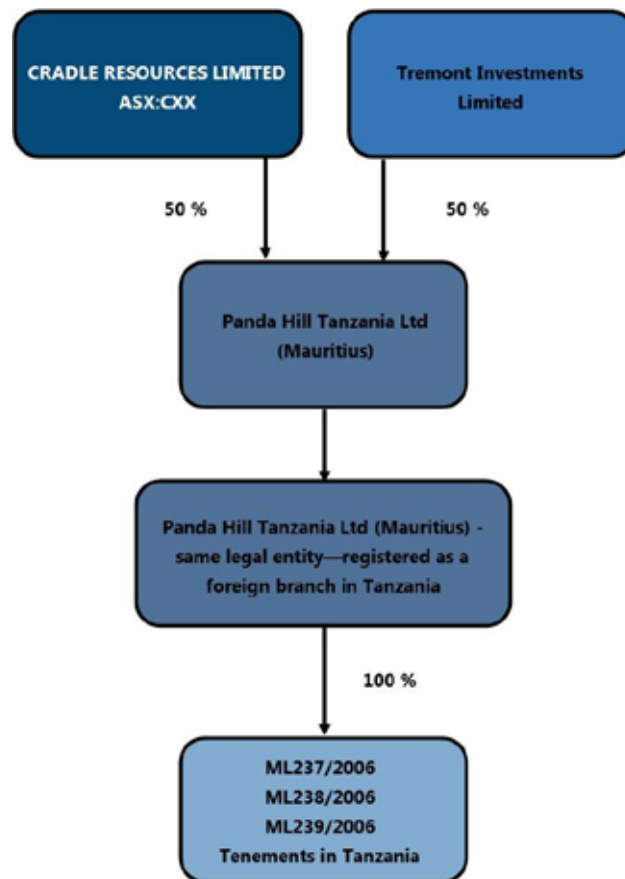
Several phases of exploration have been undertaken on the Panda Hill carbonatite intrusion, from the 1950s to the 1980s, with approximately 6,500 m drilled in 90 diamond drillholes.

Previous work on the Project is summarised in Table 2-2.

In 2013, Cradle commenced exploration work on the Project and by December 2014 had drilled 20,724 m in 137 holes (RC and DDH). Most drilling was undertaken on a 50 m by 50 m grid, with broader lines of up to 100 m by 100 m. In addition, Cradle undertook geological mapping campaigns over the carbonatite intrusion and a magnetic and radiometric survey over the broader region (MDM Engineering – 1387F1-1-SRE-D02-001, 2016).



Figure 2-2
Corporate Structure



Source: Modified from MDM Engineering – 1387F1-1-SRE-D13-001 (2016)

In 2013, Cradle undertook an initial Scoping Study to validate the mineralisation record in the historical drilling. 13 holes were drilled as part of this Study, and preliminary metallurgical testwork, pit optimisations, mining schedules and plant and infrastructure designs were undertaken in order to develop a capital expenditure (Capex) and operating cost (Opex) estimate. The Capex and Opex estimates were used for preliminary financial modelling, with the Project economics showing a net present value (NPV₁₀) greater than USD 480 million and an internal rate of return (IRR) of 50 %, with a payback period of less than three years (MDM Engineering – 1387F1-1-SRE-D02-001, 2016).

An agreement was reached at this time with Tremont to fund the Project through to the end of a DFS.



Table 2-2
Exploration prior to 2013

Company/Organisation	Date	Work Done
Geological Survey of Tanzania	1950s	Diamond drilling of 17 holes totalling 1,405 m and pitting
Joint venture: Billiton and Colonial Development Corporation – Mbeya Exploration Company (MBEXCO)	~1954 onwards	MBEXCO drilled 66 diamond holes totalling 3,780 m, undertook pitting, bulk sampled and processed mineralised material through a pilot plant
Canadian National Geological Exploration Ltd (CINGEX)	1972	Updated geological interpretation and evaluated the project for underground mining
Joint Venture: Yugoslav government organisation, RUDIS (Mining Industrial Association), with the State Mining Company (STAMICO) of Tanzania	1978-1980	Exploration for phosphate. 13 diamond holes drilled and various testwork undertaken
Euromet	2000-2002	Geochemical and metallurgical testwork based on bulk samples collected from previously mined adits
Panda Hills Mines Ltd	2005	Relogging and re-assaying of historic core samples
Verona Capital (Pty) Ltd	2012	Mineral Resource estimate (JORC Code, 2004 edition)

Source: Leggo and Holdsworth, 2013

A more detailed PFS was initiated in June 2014. The mining method considered was open-cut, with the process plant comprising crushing, milling, direct flotation, leaching and a pyrometallurgical converter. Project infrastructure included a tailings storage facility (TSF) and an on-site heavy fuel oil (HFO) power plant. Upfront capital expenditure was estimated at USD 158 million (plus USD 37 million for pre-production and working capital) and a Project NPV greater than USD 420 million and an IRR of 32 % based on a process plant treating 2 Mtpa and providing an average of 6,800 tonnes of ferroniobium (FeNb) per annum over a 30-year life-of-mine (LoM) (MDM Engineering – 1387F1-1-SRE-D02-001, 2016).

A review of the Project subsequent to the PFS was undertaken due to the discovery of the higher-grade “Angel Zone” within the deposit. A decision was made to proceed to the detailed DFS at an ore feed rate reduced from 2 Mtpa to 1.3 Mtpa, with an option to double production to 2.6 Mtpa in later years, if feasible. A review of the DFS and subsequent FEED forms part of this Technical Assessment.



3 GEOLOGY AND MINERALISATION

The review of the Panda Hill geology consisted of examining the information provided in the virtual data room, discussions with Neil Inwood (the Geology Manager at Cradle who managed the geology and mineral resource work) and a site visit. This report summarises the work completed by Cradle and its contractors, provides an opinion on the work completed and, if any issues were noted, their significance to the Definitive Feasibility Study (DFS) and subsequent FEED study.

No exploration activities were taking place at the time of this review as the Project has since progressed from exploration and study work towards mine design. Consequently, it was not possible to completely verify the exploration processes. In order to provide an opinion on the exploration completed, MSA have relied on: observations made in the field during the site visit, examination of databases, digital geological models and documentation supplied, and discussions with Neil Inwood.

3.1 Geology and Mineralisation

The Project occurs within the East African Rift Valley, an active continental rift zone. The niobium mineralisation at Panda Hill is hosted in a carbonatite plug of early Cretaceous age. Although occurrences of carbonatite are rare amongst igneous intrusions, they are more prevalent in tectonic rift settings like the East African Rift Valley. A carbonatite is generally defined as an igneous intrusion containing more than 50 % carbonate minerals by volume. Carbonatites may contain economic concentrations of mineralisation such as niobium, tantalum, phosphate, copper and rare earth elements.

Aspects of the geology pertinent to the Project are described in the following sections using information sourced from the aforementioned reports and MSA's observations on site.

3.1.1 Deposit geology

The carbonatite plug at Panda Hill forms a roughly circular outline on surface with a surface diameter of approximately 1.3 km. The pipe extends vertically to an undetermined depth. The carbonatite has intruded Precambrian gneissic country rocks that have been altered to fenite where in close contact with the carbonatite.

The internal geology of the carbonatite is locally complex with small scale geological variation over tens of centimetres to several tens of metres. The intrusion of the carbonatite as a series of sub-vertical dykes and bodies results in complex relationships between the fenite and the carbonatite.

Fenite has been mapped as forming a cap over the south of the carbonatite complex in the area that will be mined initially, and is in turn overlain by residual and transported soils and volcanic ash.

Faulting is not common and may be identified by the occurrence of travertine. Rare narrow (approximately 10 cm) fine-grained mafic dykes occur.



3.1.1.1 Lithology

The major rock types at Panda Hill are as follows:

- sovite is the most common rock. It is comprised mostly of crystalline calcite and is an off-white colour. Flow banding is exhibited as streaks and schlieren by the alignment of entrained minerals such as pyrochlore, amphibole and magnetite;
- magnesium carbonate contains both calcite and dolomite. The more dolomite-rich variety, rauhaugite has a distinct light brown colour;
- iron carbonate is composed of iron-rich carbonates (ankerite or siderite) and has a distinct brown colour;
- magnetite-rich carbonate occurs as bands of magnetite enrichment in the sovite. The bands are approximately 1 m wide and are aligned with the flow banding. Typically magnetite content is in excess of 50 % and the magnetite crystals are coarse (1 mm to 30 mm) and euhedral. The magnetite layers may represent cumulate layers formed in the magma chamber; and
- fenite forms where the gneissic country rocks come into contact with the carbonatite, either at the edge of the intrusion or as xenoliths of varying sizes. In parts of the intrusion, xenolith rafts or remnants of the country rock, several tens of metres in extent, occur. A fenite cap is interpreted to exist over the core of the deposit.

The carbonatite at Panda Hill is comprised predominantly of calcite (average between 60 % and 75 %), lesser amounts of dolomite, and between 5 % and 8 % apatite and accessory magnetite, phlogopite and quartz. The main ore mineral is pyrochlore which may occur in any of the carbonate lithotypes, although it is more concentrated in the schlieren in sovite.

Cradle considers that the intrusion may have been emplaced in three phases outwards from the centre of the plug. The first phase is a sovite core, while the intermediate and later phases are more magnesium and iron-rich.

3.1.2 Mineralisation

The niobium is contained within pyrochlore ($(\text{Na,Ca})_2\text{Nb}_2\text{O}_6(\text{OH,F})$) which alters to columbite ($(\text{Fe,Mn})\text{Nb}_2\text{O}_6$) when weathered. Pyrochlore forms coarse-grained (generally between 1 mm and 3 mm) euhedral crystals. There is a strong association of niobium mineralisation with magnetite occurrences, with the higher grades tending to be found within the sovite and the magnetite-rich carbonate within it. The mineralised carbonatite is characterised by streaks and schlieren which contain elevated concentrations of pyrochlore and apatite. Measurements of the schlieren in the southern portion of the Project (where most of the currently defined Mineral Resources occur) show that they dominantly strike northwest and dip steeply to the southwest.

Cradle has identified a high grade ($>0.70\% \text{ Nb}_2\text{O}_5$) core to the carbonatite, which was subject to infill drilling in 2014. This high-grade zone contains a high proportion of magnetite-rich carbonatite and is referred to by Cradle as the "Angel Zone".

Tantalum concentrations are unusually low at Panda Hill. At the $0.3\% \text{ Nb}_2\text{O}_5$ cut-off grade the niobium-tantalum ratio is estimated to be 123:1.



Rare earth elements (REE) are contained within bastnaesite, monazite and REE-carbonates. The REEs at Panda Hill are "light" REEs, typically in concentrations of less than 1 % and are not considered of economic interest.

Uranium and thorium occur in elevated concentrations. Of the 1,404 assays above detection limit, the average uranium grade is 18 ppm (maximum 562 ppm) and the average thorium grade is 144 ppm (maximum 998 ppm). There is no discernible relationship between the grade of niobium and uranium or thorium.

Niobium is the only saleable product that is currently being considered for the Panda Hill Project.

3.1.2.1 Weathering and oxidation

Weathering by dissolution of the carbonate minerals results in an increase in SiO_2 and a reduction in CaO concentration. Elevated Nb_2O_5 grades occur near surface due to residual upgrade of the less mobile minerals. Secondary phosphates, quartz, goethite, hematite, kaolinite, smectite and vermiculite occur in the weathered rock.

The weathering profile is irregular, forming a karstic profile near surface with weathering tending to exploit vertical fractures. This results in fresh and weathered material alongside each other near surface with no noticeable transitional zone. Oxidation related to fractures can occur down to several hundred metres below surface, although at depth the oxidation is localised around the fractures and is not extensive. Weathered, partially weathered and fresh domains were modelled based on the approximate proportion of weathered material whereby the weathered domain contains more than 80 % weathered material.

Pyrochlore is altered to columbite by weathering near surface that extends along vertical fractures to depths greater than 100 m in places. Magnetite is altered to martite when oxidised.

3.1.3 MSA's opinion on the Panda Hill geology and mineralisation

The geology of the deposit has been well described in the geology report as extracted from the Panda Hill Tanzania Definitive Feasibility Study (DFS).

Discussions with Neil Inwood revealed that the identification of the cap as fenite is tenuous as it is highly weathered and commonly contains high grade niobium mineralisation, which is unexpected. Correct identification of the rock types is important as the fenite is less amenable to processing than carbonatite. MSA suggest that more petrographic work is completed on the altered rocks that will allow for accurate rock type identification during the operational phase.

Significantly reduced metallurgical recovery has been linked to the oxidised material. Oxidised and fresh material occur in close proximity to each other, even near surface and therefore the proportion of fresh and oxide ore will vary considerably in the earlier years of mining.

3.1.4 Geological and exploration work completed on the Project

The geology and exploration work was carried out by the staff and contractors of Cradle, largely under the direction of the Manager of Geology, Mr Neil Inwood. Prior to Cradle's involvement in



the Project, the deposit had been explored for niobium since the 1950s. This exploration included the drilling of 96 diamond drillholes from the 1960s to the 1980s (see Section 2.3).

The most notable surface work prior to Cradle was carried out by RUDIS, a Yugoslavian State Enterprise, in a joint venture with State Mining Company (STAMICO) of Tanzania. This resulted in the compilation of an accurate geological map that has formed the basis for much of the later work by Cradle.

3.1.5 Surface geological work

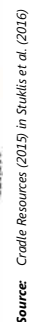
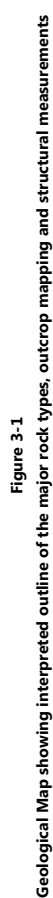
Outcrop scale geological mapping ("Fact Mapping") was carried out by Cradle, which together with the work by RUDIS, was used to compile a surface geological map for the Project (Figure 3-1). The Cradle mapping verified the RUDIS work, which Cradle considers to be of high quality. Occurrences of niobium in various rock types at surface were verified by Cradle using a portable hand-held Niton XRF. Structural readings were taken including the orientation of flow banding, which is considered to represent the trend of the high-grade zones. Particular attention was given to identifying magnetite-rich carbonatite outcrops, which are considered to be an indication of the occurrence of high grade Nb₂O₅ mineralisation, as well as locating the edge of the surface expression of the carbonatite.

Pits, trenches, two shafts and an adit were excavated prior to Cradles involvement in the Project. The shafts and adit have not been accessed due to safety considerations, however their locations are clearly visible in the field.

3.1.6 Topographical mapping

A satellite digital terrain model (DTM) survey with an expected accuracy of 50 cm was undertaken in September 2014 using Ortho-Ready Standard Level 2A Stereo WorldView-2 imagery based on an image flown on 18 May 2012. The WorldView-2 DTM was superseded by a LiDAR survey undertaken in May 2015 by Southern Mapping. This survey has an expected accuracy of better than 10 cm.

A site-specific grid system has been used for all technical work, referred to as "Mine WGS UTM36S". This is based upon the WGS UTM36S datum for easting and northing and utilises a local elevation datum, which according to Southern Mapping is 3.8 m lower than that established from the local beacon points. Cradle considered the local elevation datum necessary due to a history of survey pick-up over the Project.





3.1.7 Remote geological work

In addition to the ground-based geological work, a high-resolution helicopter-borne magnetic and radiometric survey was completed for the Project by New Resolution Geophysics (NRG) in August 2014. The survey covered 529 line kilometres and data was collected along survey lines orientated 45°/225° at a 50 m spacing. Tie line spacing was 500 m in direction 135°/315° and the average overall survey height was 26 m above ground.

The survey was interpreted by Benoit de Cabissole of BC Consulting. The interpretation indicates that the carbonatite may be larger than that shown by the geological mapping, extending to the north and west of the currently mapped intrusion (Figure 3-2).

3.1.8 Drilling

3.1.8.1 Recent drilling

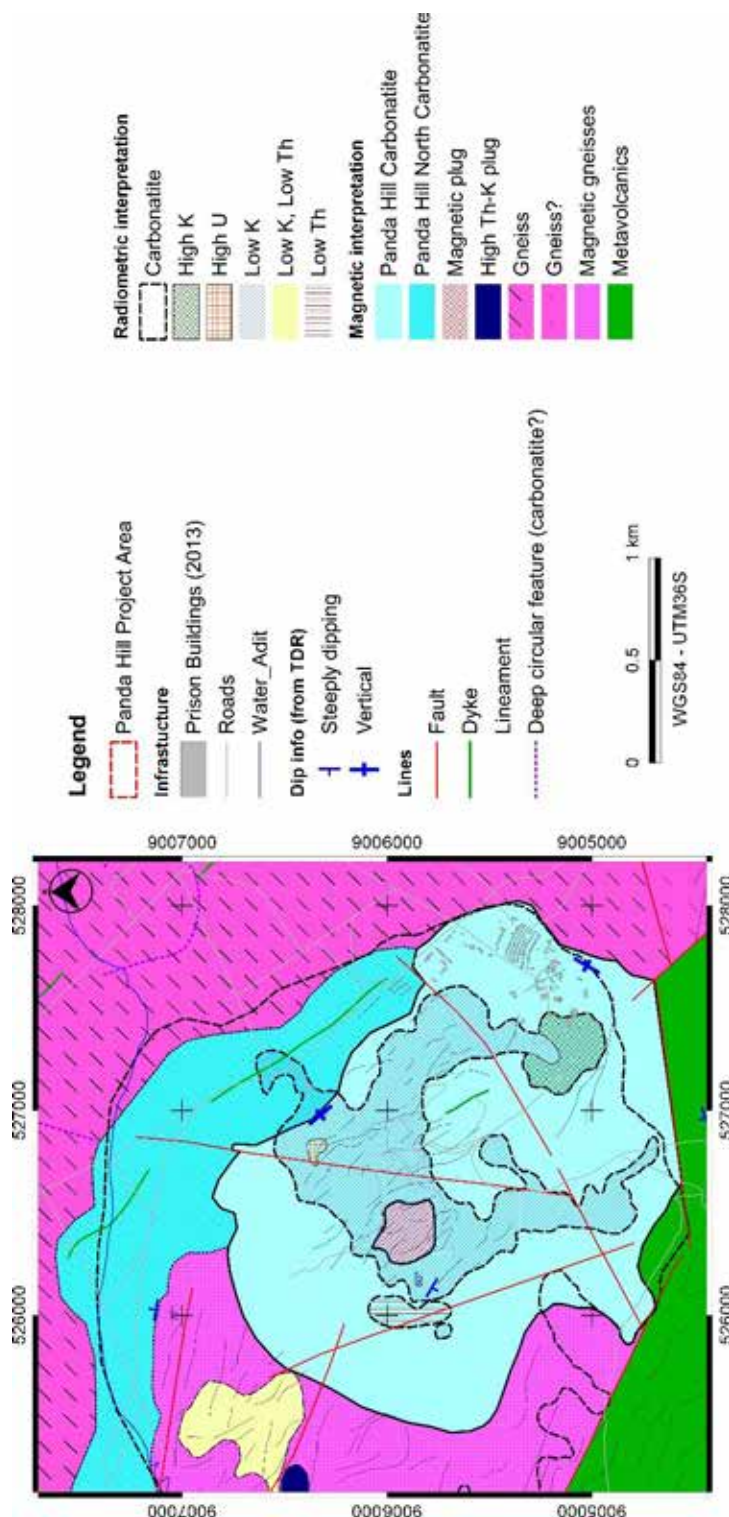
In 2013 and 2014, Cradle explored the deposit through 48 diamond drill (DD) holes for a total of 6,831.72 m and 98 reverse circulation (RC) holes for a total of 13,665 m. The DD cores are either NQ (47.6 mm diameter) or HQ (63.5 mm diameter). The deepest drillhole completed by Cradle is to 376.7 m down-hole. Eight of the RC holes were deepened by diamond drilling. The majority of the Cradle holes were inclined at 60° to the northeast in order to avoid drilling close to the steep south westerly dipping plane of mineralisation. Several holes in the east of the Cradle drilling area were drilled to the southwest as outcrop measurements of the schlieren indicate a north-easterly dip in that area. The diamond drillhole cores were oriented to provide for accurate structural measurements.

The drilling was along northeast to southwest section lines spaced 50 m apart. Along the lines the holes were drilled approximately 50 m apart providing a final drillhole grid of approximately 50 m by 50 m in the Cradle drilling area. In the core of the higher-grade "Angel Zone", infill drilling has been completed along the 50 m spaced section lines. The spacing along the lines in the infill areas is irregular, with spacing of the drill holes varying between approximately 15 m and 50 m apart. Several holes were drilled off-section to investigate specific issues and to confirm high grade intersections.

The drillhole cores and the residual RC material are stored at a facility in Songwe. Drillhole cores and residual RC samples are stored in a covered shed and in a shipping container. A record of each of the RC holes is kept as sieved rock chips, as well as samples of the un-sieved raw RC material, in chip trays.



Figure 3-2
Pseudo Geological Map showing interpreted outline of the major rock types, and mapped carbonatite boundary



Note: The mapped carbonatite boundary is shown as a black dashed perimeter
Source: BC Consulting (2014)



3.1.8.2 Historical drilling

The deposit has been explored for niobium since the 1950s. Exploration included a number of diamond drillhole programmes by various companies prior to Cradle (Table 3-1).

Table 3-1 Historical exploration carried out at Panda Hill		
Period	Company	Activity
1950s to early 1960s	Mbeya Exploration Company (MBEXCO)	66 DD holes for 3,780.61 m to a maximum depth of 125.27 m.
1950s to early 1960s	Geological Survey of Tanzania (GST)	17 DD holes for 1,406.28 m, also explored for phosphate, barium and water
1970s	Canadian National Geological Exploration Ltd (CINGEX)	Geological review and historical database compilation
1978-1980	Mining Industrial Association (RUDIS) in joint venture with State Mining Company (STAMICO)	Drilled 13 DD holes for 1306 m to a maximum depth of 146.2 m.

The historical data was compiled into a database by CINGEX and the compiled database was later validated by Neil Inwood of Cradle. Most of the historical drillholes were drilled vertically.

3.1.8.3 Drillhole surveys

No information is available on the surveying of the collar positions for the historical holes. Inspection of the survey database reveals that none of the historical holes were surveyed down-the-hole or that this information is not available.

According to the Coffey Mineral Resource Statement, the collars of the Cradle holes were accurately located in the field using a differential GPS and a local base station. The holes were reportedly surveyed with a reflex electronic multi-shot instrument with a compass survey used for the collar dip and azimuth.

MSA found a number of minor issues with the drillhole survey data. Minor inconsistencies were noted in the database. Although down-hole survey readings are generally at 50 m intervals, several holes have longer intervals between surveys, some with only one survey reading down-the-hole. Eleven of the Cradle RC holes of between 120 m and 200 m length were not surveyed down-the-hole. One short (65.7 m) DD hole (PGDH036) was not surveyed.

The diamond drillholes normally deviate by less than 2°, even over several hundred metres. The RC holes tend to deviate by more with the dip increasing by less than 5° per 100 m.

3.1.8.4 Drillhole logging

In most cases the logging of the historical holes includes major rock type, colour, grain size, mineralisation and oxidation. The logging lacks structural information and the cores were not orientated.



Lithological logging data for the Cradle holes includes rock type, colour, grain size, structure, oxidation, alteration, weathering, mineralisation and comments. The logging is comprehensive and to a high level of detail. The dip and dip direction of structural features was determined according to the orientation line on the core.

3.1.8.5 Drillhole sampling

There is no documented information on the historical drillhole sampling. According to Coffey the sampling honoured lithological contacts. The database shows that some generations of historical holes tended to be sampled at multiples of 0.305 m (one foot) intervals, most commonly at 3.05 m intervals (ten feet). Other generations of holes were sampled at multiples of one metre or more irregularly, which was likely in order to honour lithological contacts. The smallest sample interval in the database is 0.2 m and the longest is 100.37 m. MSA assume that the extreme sample lengths are composited lengths of several samples.

The Cradle DD cores were cut longitudinally in half for NQ and in quarter for HQ. The cores were continuously sampled from top to bottom. Sampling honoured geological contacts and did not mix weathering/oxidation types. Samples lengths were mostly between 0.3 m and 3 m with six samples being shorter or longer to a minimum of 0.15 m and a maximum of 6 m. According to Coffey, the longer sample intervals were applied to visually low grade homogenous material.

High Nb₂O₅ grades were returned from the longer samples as well as the shorter samples, there being no relationship between Nb₂O₅ grade and sample length despite Coffey's comments about longer sample lengths being restricted to barren uniform material. Should the longer samples have been taken in the visually barren material this indicates that samples that appear visually barren can contain high concentrations of Nb₂O₅, which is an important consideration in grade control as visual methods will be unreliable.

The RC samples were taken every metre and then blended and composited into 2 m sub-samples weighing approximately 2 kg using a riffle splitter. Sample lengths shorter than 2 m were taken at the base of the hole where the end of hole length was not a multiple of 2 m.

The RC and DD samples were labelled, bagged, sealed with cable ties and then combined into polyweave bags securely fastened together with dispatch sheets for consignment to the laboratory.

The samples were dispatched to the SGS sample preparation laboratory in Mwanza, where they were crushed and then pulverised to 85 % passing 75 µm, prior to freight to SGS in Johannesburg.

3.1.8.6 Density determination

The volume of a piece of core was determined by the calliper method and the average density of each oxidation domain was calculated and applied to the model to derive tonnes. A total of 3,743 density determinations were made, which included 36 by the more common method of weight in air versus weight in water (wet/dry method). The average density measurements



obtained seem reasonable for the rock types and style of mineralisation at Panda Hill (Table 3-2). There are three density measurements in the database of less than 1 g/cm³, which indicate large voids in these samples or possible errors.

Table 3-2 In situ bulk density values applied to the Panda Hill model		
	Mineralised	Waste
Oxide	2.04	2.27
Transitional	2.54	2.54
Fresh	2.65	2.68

The density varies considerably at Panda Hill (measurements being between 0.25 and 3.96 g/cm³), it being influenced by rock type and the magnetite content.

3.1.8.7 Core and RC sample recovery

There is no information on core recovery for the historical drillholes.

The RC samples were not weighed. According to Cradle the sample volumes recovered were similar between samples and it is assumed that RC sample recovery was not an issue.

Exactly 100 % core recovery was noted for every interval from PHDH037 to PHDH040 inclusive. MSA consider that this is an error in the database as it is not possible to have exactly 100 % recovery throughout with a deposit known to contain cavities and fractures. No core recovery measurements are shown in the database for PHDH012 to PHDH036. The average core recovery for the 11 holes that were measured is 92 %.

The Panda Hill deposit contains voids due to dissolution of carbonate. MSA estimated the void percentage based on core recovery data of the aforementioned 11 holes and compared its' estimates with those assigned by Cradle (Table 3-3).

Table 3-3 Core loss and void percentage analysis			
	Oxide Domain	Transitional Domain	Fresh Domain
Total Core Loss %	7.6	7.0	3.0
Total Void loss %*	3.0	5.0	2.4
Void Loss used by Cradle	6.0	3.0	3.0

Note: * assumes that 100 % loss is a void, rest is broken ground and drilling issues.

The differences noted between the MSA calculation and the voids assigned by Cradle are not significant.

3.1.8.8 Drillhole assays

The historical drillhole samples were assayed for Nb₂O₅. No information is provided on the assaying method.



All of the Cradle samples were assayed for Nb₂O₅, TiO₂, Al₂O₃, CaO, Cr₂O₃, Fe₂O₃, K₂O, MgO, MnO, Na₂O, P₂O₅, SiO₂, V₂O₅, ZrO₂ and Loss on Ignition (LOI). Selected samples from PHDDH001 to PHDDH030 were assayed for REEs, Cu, Ni, Mo, Pb, S, Sn, Ta, Th, U, and Zn.

Nb₂O₅ was determined by XRF borate fusion.

3.1.8.9 Drillhole database

In 2014, all drilling data (historical and Cradle) was migrated to a Maxwell Dashed relational database. The database was supplied for review in Microsoft Access format and was comprehensive.

Much of the historical drilling data is incomplete. In many instances only the drillhole collar positions are available, particularly for the MBEXCO holes which cover the current Mineral Resource area and a similar size area again outside it. For the historical drillholes that have Nb₂O₅ assays, lithological entries also exist, although the logging is not of as high a level of detail that would be expected in a more recent exploration programme.

In 2016, Panda Hill obtained access to hard copies of archived records (from the Naturalis Museum in Leiden, Netherlands) of historical drillhole logs of the 66 diamond drillholes completed by MBEXCO between 1954 and 1963. These included more detailed assay information than shown in the summary logs as well as assays for holes that were not previously available in and around the "Angel Zone".

3.1.8.10 Verification of sample grade

No verification sampling was carried out for the Due Diligence or Independent Technical Assessment.

Much of the well-mineralised core from the Cradle drilling has been taken for metallurgical test-work and no complete intersections of core for reference purposes remain. However, mineralisation in the remaining core was clearly evident and the presence of niobium was verified during the site visit using the NITON XRF. In addition, the NITON XRF was used on the raw RC material by MSA to get indicative niobium values. These values compared reasonably well with the laboratory assay values from the database.

No verification work was possible on the historical drillhole samples as the cores are not in Cradle's possession. A bias test was performed by MSA that compared the grades of the historical data with those of the Cradle data and the test verified that the historical data are from the same statistical population as the Cradle data. The average Nb₂O₅ grade of the Cradle data is 0.43 % and the average Nb₂O₅ grade is 0.45 % for the historical data, both with similar variance.

The DD data was compared to the RC data for the Cradle drilling in order to ensure that the data are similar enough to be used together and to verify the quality of the RC data. The QQ plot shows a slight tendency for the RC samples to be higher grade in the low-grade intervals and lower grade in the higher grade intervals. This is an expected pattern normally caused by



the larger volume of the RC sample averaging out extreme values that can be obtained in the smaller half-core samples. The average Nb₂O₅ grade of the RC data is 0.43 % and 0.42 % for the DD data, with the RC data exhibiting lower variance, as expected.

3.1.8.11 Quality control and assurance of the assays

No quality assurance and quality control (QAQC) data are available for the historical assays.

The samples collected by Cradle were subjected to the following QAQC processes:

- insertion of a variety of certified reference materials (CRMs) at a rate of one CRM for every twenty field samples;
- insertion of coarse blank material at a rate of one blank for every forty field samples;
- field duplicates for the RC samples a rate of one duplicate for every thirty original samples;
- coarse reject duplicated for DD core a rate of one duplicate for approximately every thirty original samples;
- laboratory pulp duplicates;
- the actual rate of pulp duplicates for the RC samples was 1 in 62 and 1 in 19 for the DD samples; and
- second laboratory (Intertek Genalysis Laboratories in Perth) confirmation ("umpire assays") were carried out on 373 original pulp samples together with a selection of CRMs for the second batch.

3.1.9 MSA's Opinion on the Geology Work Completed on the Project

No verification sampling was carried out for the Due Diligence or Independent Technical Assessment. During the site visit by Mr J Witley, a number of grab samples were collected that were checked for the presence of niobium using a Niton XRF. The samples all contained niobium and the high concentrations in the magnetite-rich carbonatite and schlieren were confirmed. Good correlation was noted between statistical populations of historical and recent Cradle drilling.

Evidence of the Cradle drilling was observed during the site visit and the locations of a number of drillhole collars were verified by handheld GPS readings. Although the drill sites have been rehabilitated and are now overgrown by recent vegetation, examination of recent Google Earth images clearly shows the location of the drilling sites.

MSA consider that the drilling exploration work carried out by Cradle was completed in a reasonable manner appropriate for the style of mineralisation at Panda Hill. The resultant data are valid and have passed the appropriate quality control tests. MSA consider that the data contained in the database for the Cradle drilling is of good quality and contains sufficient detail to conform to currently accepted best practice principles. This quality of data can support a high confidence Mineral Resource (Measured or Indicated).

- MSA examined the logging for the remaining core for two DD holes (much of the core having been sacrificed for metallurgical test-work). MSA consider the logging to be accurate and representative of the geology of the holes. The RC chips were geologically



logged, however given the nature of the RC chips, the logging does not include structural data and the geological information is generally less reliable than that of the diamond drilling.

- MSA consider that the logging data available is suitable for Mineral Resource estimation for the Panda Hill deposit. However, the occurrence of fenite is important for the Project as it will not be processed due to poor recovery. Logging of the RC chips is less accurate than diamond drilling and some incorrect categorisation of fenite as carbonatite and vice versa may occur.
- Despite some of the Cradle holes having insufficient or no survey points and there being issues with some of the surveys, it is MSA's opinion that the error in the surveys will not materially impact on the overall accuracy of the Mineral Resource model in the shallow areas. However local inaccuracies at depth will result. For un-surveyed holes, the position of samples can easily be more than 10 m away from the true position in X and Y at 100 m depth and more than 20 m at 200 m depth. The inaccuracy in the position of the samples at depth will not affect the outcome of the DFS or FEED study or the open-pit design, as the drillholes do not define the edge of the mineralisation and the design is not centred on extracting high grade zones at depth.
- Density was measured on a representative number of samples to obtain average values for each geological domain. Ideally density should be measured on every sample and interpolated into the block model. MSA assume that this was not found to be practical and a globally representative average value was used instead. There is no relationship between Nb₂O₅ grade and density. The relationship between any other grades determined and density is not strong enough to consider a regression to more accurately determine local density values and therefore application of average density by oxide state is the only viable method given the data available. The number of potential errors found in the measurements was small and their magnitude on the Mineral Resource estimate is insignificant. The average density measurements obtained seem reasonable for the rock types and style of mineralisation at Panda Hill.
- The QAQC tests presented in the documentation provided to MSA show that the quality of the sampling and assaying exceeds industry acceptable minimum standards. A number of minor irregularities occur that are normal for exploration programmes. MSA consider that the sample assay data are suitable to provide for high confidence Mineral Resource estimates.
- Uranium, thorium, tin and sulphur are deleterious elements that can be of concern when elevated in concentrate and/or residues. MSA suggest that the identified deleterious elements are assayed in all samples to allow for their incorporation into the block model in order to understand whether some areas are more at risk than others.

The historical data should be considered of low confidence. It is MSA's opinion that the historical data could support the reporting of an Exploration Target or, at best, an Inferred Mineral Resource when accompanied by some recent drilling data.

- The historical drillholes were primarily drilled vertically. MSA consider that vertical drilling is not appropriate for the steep nature of the mineralised trends at Panda Hill. Drilling



along the plane of mineralisation will result in high grade holes (where drilling along schlieren and magnetite-rich carbonatite bands) interspersed with low grade holes (where drilling along a poorly mineralised unit). These holes will not correctly represent the deposit and are not suitable to estimate a Mineral Resource at a high level of confidence (Measured or Indicated classification).

- For the historical data, there is a lack of original sample data in some cases, no complete audit trail for the drilling, and no assay quality control information.
- Sample lengths for some of the historical data appear excessive (several tens of metres in some cases). It is assumed that these are composited lengths from originally shorter actual sample lengths. Use of the assays associated with excessive sample lengths will result in a high level of error in the grade estimates.

MSA note that the historical holes have been removed from the area containing predominantly Cradle drilling (Measured and Indicated Mineral Resource area) for estimation purposes, and that areas of the Mineral Resource that are predominantly informed by historical data have been classified as Inferred Mineral Resources. MSA agree with this approach.

A factor of 6 % for oxide and 3 % for transitional and fresh rock was included in the bulk density calculation to account for voids. MSA validated the void estimation, based on Cradle's core recovery measurements and found Cradles estimates to be reasonable. MSA consider that the accuracy of the void loss estimate would be improved if core recovery was stated for all of the Cradle diamond drillholes.

3.2 Mineral Resource Estimation

The Mineral Resource estimate (Maidens, 2015) was completed in April 2015 by Ellen Maidens (Consultant - Resource Geology) and Ingvar Kirchner (Principal Consultant – Manager Resource Geology), both at Coffey Mining Pty Ltd (Burswood, Western Australia) at that time. References to "Coffey" in the sections below refer to the Mineral Resource estimate (2015) as described herein.

The estimation followed a standard process of:

- geological modelling;
- sample compositing;
- statistical analysis;
- variography;
- block modelling;
- grade estimation;
- validation;
- classification; and
- reporting.

Historical data within the Cradle drilling grid was discarded during estimation in favour of the recent data, although the historical data was retained outside of the Cradle drilling grid. This was to ensure that the higher confidence areas of the Mineral Resource were based largely on



reliable data that were obtained from drilling in the correct orientation to limit bias in the sampling. MSA agree with this approach.

3.2.1 Geological modelling

A 0.30 % Nb₂O₅ threshold was used to attempt to separate areas of significantly mineralised material from poorly mineralised. A geostatistical probability approach was used for the model.

The oxidation state was divided into three broad categories:

- Oxidised;
- Transitional; and
- Fresh.

The model was created by digitising of two sub-horizontal surfaces based on the depth of oxidation observed in the drillholes. This is shown as the OXSTATE field in the block model:

- the oxidised zone (OXSTATE = 1) contains material that is mostly (greater than approximately 80 %) oxidised;
- the transitional zone (OXSTATE = 0.5) is a mixture of oxidised and fresh rock; and
- the fresh zone (OXSTATE = 0) contains material that is mostly fresh.

3.2.2 Estimation of fenite

The presence of fenite-hosted mineralisation is an important consideration for the Project as the study does not envisage processing fenite. The proportion of fenite expected in each cell in the block model has been determined by indicator kriging. A field (MDMF) shows whether the block is expected to be 100 % fenite (MDMF=1), 100 % not fenite (MDMF=0), or somewhere between (e.g. MDMF=0.65 will be 65 % fenite). A block that has been estimated as having a proportion of >50 % fenite (MDMF>0.50) is deemed to be fenite and will not be treated in the plant. A strong anisotropy of 7.3:1 along the perceived plane of geological control was used by Coffey to guide the estimate of the fenite proportion.

3.2.3 Statistics

The data were composited to 2 m intervals. 98 % of the sample intervals in the data file are 2 m or less, the RC samples being exactly 2 m.

The Nb₂O₅ mineralisation does not show high overall variability, however it is observed that particularly high grades tend to occur as narrow zones within areas of generally lower grade. Particularly high grade values tend to be scattered within the "Angel Zone".

Examination of the distributions separated into oxide, transitional and fresh domains reveals distinct differences in their distributions, with the oxide domain being of considerably higher Nb₂O₅, Fe₂O₃, SiO₂, Ta and TiO₂ grade, and lower CaO grade than the fresh domain (Table 3-4). This is expected as weathering processes remove CaO thereby residually concentrating the more immobile elements. The transitional zone shows a distinct bimodal population for CaO and SiO₂ illustrating that the transitional zone contains material that is either oxide or fresh, rather than intermediate material of average CaO and SiO₂ grade.



Table 3-4
Mean 2 m composite values by oxidation domain within the 0.30 % Nb₂O₅ grade shell

	Nb ₂ O ₅ %	Fe ₂ O ₃ %	SiO ₂ %	Ta ppm	TiO ₂ %	CaO %
Oxide	0.63	17.0	35.1	23.9	1.47	12.8
Transitional	0.52	12.6	20.4	39.0	1.04	26.2
Fresh	0.44	8.5	10.9	42.1	0.68	34.2

3.2.4 Variography

Variography is a geostatistical technique that quantifies the spatial relationship (continuity) between sample locations for a specified variable. It establishes whether there is a relationship between one sample and another at a certain distance apart and aims to quantify the strength of that relationship. This is important as a reliable estimate can only be achieved using samples that have a relationship with one another.

Coffey used correlograms to model the spatial continuity of the Panda Hill data. For the multiple indicator kriging (MIK) estimate, indicator variograms are produced for each grade threshold. A reduction in continuity was modelled with increasing grade. This is expected and will result in higher grades having less influence on the estimate than lower grades.

MSA completed a check of the Nb₂O₅ variography using both traditional normal scores variograms and correlograms. The MSA correlograms produced similar results to those achieved by Coffey. The traditional normal scores variograms indicate less continuity than the correlograms.

3.2.5 Estimation

Nb₂O₅, SiO₂, CaO, TiO₂, Ta and Fe₂O₃ were estimated into a block model. The grades were estimated using ordinary kriging (OK) and MIK was used for Nb₂O₅. The Nb₂O₅ estimates by OK were used as a check on the more complex MIK method.

A localisation was later performed on the MIK estimate to produce a localised multiple indicator kriging (LMIK) estimate. This gives a visual representation of the selected mining unit block grades that may be expected once grade control data is available.

The oxide, transitional and fresh data were combined to estimate the grades, i.e. no domaining was carried out despite the significant differences in mean grades for each domain (Table 3-4).

The estimation search parameters for Panda Hill used the same orientation as defined by the variography, which is the same as the geological trend observed in the field and on core samples. This is a dip of 60° to the southwest and a strike of 315°, with the dip and strike direction given equal weighting for the search (110 m in both directions). The across-strike direction (at right angles to the plane of mineralisation (30° towards 225°) was given a low weighting (20 m) which results in anisotropy of 5.5 : 5.5 : 1. This means that a sample in the strongest direction of continuity has 5.5 times more influence in the estimate than the one in the minor direction. The same anisotropy was used for all grade variables estimated.



The historical data only have assays for Nb₂O₅. Therefore, the estimates of SiO₂, CaO, TiO₂, Ta, and Fe₂O₃ grade were extrapolated from the Cradle data. Not all of the cells were estimated with these grades in areas classified as Inferred Mineral Resources. Should Inferred Mineral Resources be considered in a study, the full suite of data shall not be available.

The estimates were validated by sectional validation plots. These compare the average grade of the drillhole data with the average grade of the block model estimate over a series of corridors through the model in three different directions. The sectional validation plots presented by Coffey show areas of bias even in areas where there are large quantities of data, and these potential estimation biases were not explained by Coffey. Statistical validation was also completed by Coffey although the results were not presented.

3.2.6 Classification

The Panda Hill Mineral Resource has been classified into the Measured, Indicated and Inferred categories in accordance with the guidelines of the JORC Code (2012) (Maidens, 2015). The criteria used by Coffey's Competent Person were as follows:

- the robustness of the input data;
- confidence in the geological interpretation;
- distance of estimates from data; and
- quantity of data
- other considerations as outlined in the JORC Code (2012).

According to Cradle, these principles were applied as follows:

- the Mineral Resource was classified as Measured if it was informed by Cradle drillholes on a 50 m (strike) by 25 m (dip) grid;
- the Mineral Resource was classified as Indicated if it was informed by Cradle drillholes on a 50 m (strike) by 50 m (dip) grid; and
- the area outside of the 50 m by 50 m Cradle drilling grid informed by the historical 100 m by 100 m drilling grid, including some Cradle drillholes, was classified as Inferred.

The classified areas are shown in Figure 3-3.

3.2.7 Reporting

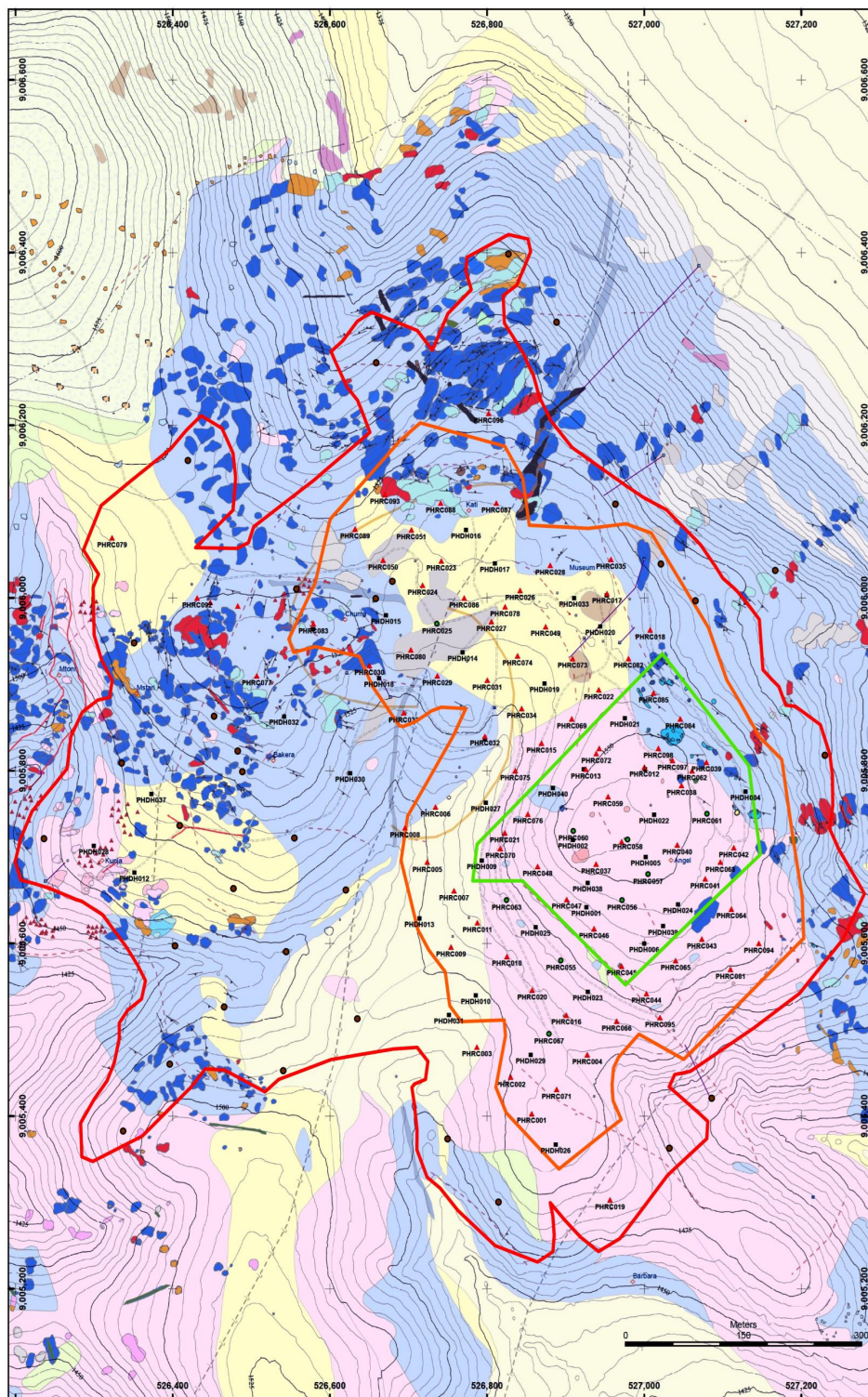
The Mineral Resource is reported above a cut-off grade of 0.30 % Nb₂O₅. This is the same cut-off grade used for the mining study from year 10 onwards, which has a positive economic outcome. Therefore the Mineral Resource satisfies the over-riding criterion of Reasonable Prospects for Eventual Economic Extraction (RPEEE).

Coffey appropriately tabulated the Mineral Resource into the Measured, Indicated and Inferred categories and by oxidation state. MSA interrogated the Coffey model and obtained exactly the same figures as stated in the Coffey tabulation.

The Mineral Resources as reported by Coffey are reproduced in Table 3-5.



Figure 3-3
Panda Hill 2015 Mineral Resource - Classified Areas



Note: Extent of the Measured Mineral Resource shown by the green perimeter, orange is Indicated Mineral Resources and red is Inferred Mineral Resources.
Holes drilled by Cradle are shown as annotated red triangles for RC and black squares for DD. Historical holes are shown as small brown dots in black circles.
For the legend of the geology refer to Figure 3-1

Source: Cradle data pack supplied in 2016. Modified by MSA.



Table 3-5: Panda Hill 2015 Mineral Resources (Coffey Mining Pty Ltd)

Oxidation/ Weathering	Lower Cut-off Grade	Measured Resource			Indicated Resource			Inferred Resource			Total Measured + Indicated + Inferred		
		Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)	Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)	Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)	Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)
Oxidised	0.28	2,320	0.66	15.3	3,028	0.52	15.9	6,489	0.51	33.0	11,838	0.54	64.2
	0.30	2,279	0.67	15.2	2,897	0.53	15.5	6,217	0.52	32.2	11,393	0.55	62.9
	0.32	2,228	0.67	15.0	2,750	0.55	15.0	5,918	0.53	31.3	10,896	0.56	61.3
	0.34	2,166	0.68	14.8	2,589	0.56	14.5	5,566	0.54	30.1	10,320	0.58	59.4
	0.35	2,131	0.69	14.7	2,501	0.57	14.2	5,338	0.55	29.4	9,971	0.58	58.2
	0.36	2,096	0.69	14.5	2,411	0.58	13.9	5,103	0.56	28.5	9,609	0.59	56.9
	0.38	2,016	0.71	14.3	2,225	0.59	13.2	4,654	0.58	26.9	8,895	0.61	54.3
	0.40	1,931	0.72	13.9	2,035	0.61	12.5	4,263	0.59	25.4	8,230	0.63	51.7
	0.28	6,639	0.65	43.2	13,396	0.50	66.7	19,554	0.50	98.4	39,589	0.53	208.3
	0.30	6,501	0.66	42.8	12,690	0.51	64.7	18,658	0.51	95.8	37,849	0.54	203.2
Moderately Oxidised	0.32	6,333	0.67	42.3	11,908	0.52	62.2	17,656	0.52	92.7	35,897	0.55	197.2
	0.34	6,140	0.68	41.6	11,069	0.54	59.5	16,534	0.54	89.0	33,743	0.56	190.1
	0.35	6,038	0.68	41.3	10,640	0.55	58.0	15,900	0.55	86.8	32,578	0.57	186.1
	0.36	5,935	0.69	40.9	10,195	0.55	56.4	15,242	0.55	84.5	31,372	0.58	181.8
	0.38	5,718	0.70	40.1	9,285	0.57	53.1	13,963	0.57	79.8	28,965	0.60	172.9
	0.40	5,482	0.71	39.2	8,394	0.59	49.6	12,746	0.59	75.0	26,622	0.62	163.8
Fresh	0.28	7,319	0.58	42.1	39,616	0.48	189.4	90,776	0.46	418.6	137,711	0.47	650.0
	0.30	7,078	0.59	41.4	37,349	0.49	182.8	84,489	0.47	400.3	128,916	0.48	624.5
	0.32	6,798	0.60	40.5	34,735	0.50	174.6	77,649	0.49	379.1	119,182	0.50	594.3
	0.34	6,493	0.61	39.5	31,921	0.52	165.4	70,654	0.50	356.1	109,068	0.51	561.0
	0.35	6,337	0.62	39.0	30,493	0.53	160.5	67,114	0.51	344.0	103,943	0.52	543.5
	0.36	6,181	0.62	38.5	29,072	0.53	155.5	63,641	0.52	331.7	98,894	0.53	525.6
Total	0.38	5,858	0.64	37.3	26,324	0.55	145.4	56,934	0.54	307.1	89,116	0.55	489.7
	0.40	5,527	0.65	36.0	23,699	0.57	135.2	50,301	0.56	281.3	79,526	0.57	452.5
	0.28	16,278	0.62	100.6	56,039	0.49	271.9	116,819	0.47	550.0	189,137	0.49	922.5



Oxidation/ Weathering	Lower Cut-off Grade	Measured Resource			Indicated Resource			Inferred Resource			Total Measured + Indicated + Inferred		
		Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)	Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)	Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)	Tonnes (kT)	Nb ₂ O ₅ (%)	Nb ₂ O ₅ Metal (kT)
	0.30	15,857	0.63	99.4	52,936	0.50	262.9	109,365	0.48	528.3	178,158	0.50	890.6
	0.32	15,358	0.64	97.8	49,392	0.51	251.9	101,224	0.50	503.1	165,975	0.51	852.8
	0.34	14,798	0.65	96.0	45,578	0.53	239.3	92,754	0.51	475.2	153,130	0.53	810.5
	0.35	14,507	0.65	94.9	43,634	0.53	232.7	88,352	0.52	460.1	146,492	0.54	787.7
	0.36	14,212	0.66	93.9	41,677	0.54	225.8	83,986	0.53	444.7	139,876	0.55	764.4
	0.38	13,592	0.67	91.6	37,834	0.56	211.6	75,550	0.55	413.7	126,976	0.56	716.9
	0.40	12,940	0.69	89.1	34,128	0.58	197.3	67,310	0.57	381.7	114,378	0.58	668.1

NOTES:

- The Panda Hill project is located in south-western Tanzania, approximately 20km south-west of the town of Mbeya.
- Niobium mineralisation occurs in pyrochlore (and minor columbite) and is hosted by the Panda Hill Carbonatite Complex.
- The deposit is defined by diamond and RC drillholes on nominal 25-100m spaced drilling on NE-SW oriented grid lines. The majority of drillholes are angled at -60° to 046NE.
- Validated data from 166 drillholes has been used in the resource estimate. 87 of these are RC drillholes drilled by Cradle in 2014. 38 are diamond drillholes drilled by Cradle in 2013 and 2014. 8 are RC drillholes with diamond tails drilled by Cradle in 2014 and the remaining 33 are historic diamond drillholes. Note that 63 historic drillholes were deliberately removed from the database as they have been replaced by new drilling or are situated outside the resource area.
- An indicator-based grade shell (INDOP30) was generated using a 0.3% Nb₂O₅ indicator threshold on all data and a (0.2) 20% probability (INDOP30 > 0.2) for use in the MIK modelling (Zonecode 100).
- Geological logging information was used to create 3D surfaces defining three zones of oxidation: mostly weathered (oxide), moderately weathered (transitional) and mostly fresh (fresh).
- Sample preparation was carried out by SGS in Mwanza, Tanzania. Samples were then sent to SGS in Johannesburg for assay by XRF Borate fusion.
- QAOC consists of the insertion of certified standards and blanks into the sampling stream. Field duplicates were collected from the RC drillholes and coarse reject duplicates were collected from the diamond drillholes. Selected samples were also sent for analysis at Genalysis Laboratory in Perth, WA, as an umpire check. No potential problems were highlighted by the QAOC results and the data is considered to be of sufficient standard for use in the Resource estimation.
- Following flagging for the mineralised zones and domains, drillhole data was composited to regular 2m downhole intervals.
- Statistical analyses were completed on the raw sample data and the 2m composite data. No top cut is used in the MIK estimation and a top cut of 3% Nb₂O₅ was applied to the Nb₂O₅ composites used for variography and for geostatistical estimation.
- Grade estimates were generated for panels of size 25m(X) by 5m(Y) by 5m(Z) with sub-blocks of 5m(X) by 5m(Y) by 1m (Z). The estimation method was Multiple Indicator Kriging (MIK). MIK grade estimation with change of support has been applied to produce 'recoverable' Nb₂O₅ estimates for a range of cut-off grades targeting a Selective Mining Unit (SMU) of 6.25m x 12.5m x 5m.
- In-situ dry bulk densities were assigned on the basis of measurements collected for the 2013 and 2014 drill core using the calliper method. After statistical review of the 3,743 density measurements, average bulk density values have been applied to the block model as follows: for waste material values of 2.27t/m³, 2.54 t/m³ and 2.68t/m³ have been applied to oxide, moderately oxidised and fresh domains respectively. For mineralised material bulk density values of 2.04t/m³, 2.54t/m³ and 2.65t/m³ have been applied to oxide, moderately oxidised and fresh domains respectively. The bulk density values for mineralisation incorporate a 6% void factor for oxide material and a 3% void factor for transitional and fresh material, resulting from statistical estimates of recorded voids/cavities.
- Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling quality, data density and location, grade estimation and quality of the estimates.



3.2.8 MSA's Opinion on the Mineral Resource Estimate

Although MSA consider that some adjustments to the geological model could be considered, these are in the areas classified as Inferred Mineral Resources or outside of the Mineral Resource area.

MSA examined the fenite (MDMF) model and found that the strong anisotropy used does not cater for all geological alternatives such as rafts of fenite that are not steeply dipping, e.g. the fenite cap over the "Angel Zone". Overall the proportional fenite model honours the data reasonably well using the 50 % probability to define fenite. MSA consider that a loosening of the strong anisotropy used may assist in producing a model that allows for alternative directions.

The nature of the fenite occurrence at Panda Hill is complex and sporadic, with poor continuity between the 50 m spaced section lines. The 50 m spaced section lines are too far apart to confidently connect zones of fenite. For this reason, MSA agree that a probabilistic method as used by Coffey is appropriate as it is not possible to digitise the fenite boundaries. MSA do not consider infill drilling is necessary at this stage as the overall fenite proportions in the model are reasonable and to accurately define the exact positions of the fenite will require drilling at a grade control level of detail, which will be conducted when mining.

The oxidation is complex at Panda Hill and layers of fresh rock commonly occur at surface within the oxidised domain. It is important to note that the oxidation has been simplified in the modelling and is represented as oxide underlain by transitional and in turn underlain by fresh rock. The oxidation tends to be along steeply dipping fractures and layers and the modelled oxide zone contains a proportion of fresh material that will require drilling and blasting.

More fresh material will be available in the earlier years of mining than indicated by the model. This situation will however be reversed in later mining. Material in the oxidised zone should not be regarded as "free dig" as fresh rock is interspersed within weathered rock. As the oxide material, which tends to occur near surface, is the highest grade, ore produced in the earlier years of mining will be of higher grade.

MSA consider the variography work completed by Coffey to reasonably represent the continuity of the data. The choice of whether to use correlograms rather than variograms is one of preference and no material difference will result in the estimate either way.

MSA consider that the estimation method used by Coffey (MIK) is appropriate and was generally well applied.

As MSA considered that the validation of the estimate was not presented in enough detail to form an informed opinion on the veracity of the estimate, MSA carried out its own validation. It was revealed that the oxide zone estimate within the Measured and Indicated Mineral Resource area did not compare as well with the drillhole data as should be expected. This is likely due to the lack of domaining applied during estimation of the oxidation domains. MSA's validation indicates that the Nb₂O₅ grade is underestimated in the oxide zone (data average of 0.62% Nb₂O₅ and model average of 0.51% Nb₂O₅). This represents potential upside to the project in earlier years of mining.



As much of the oxide is not planned to be processed initially, MSA do not consider any adjustments to the financial model necessary in this respect.

Overall MSA consider that the classification of the Panda Hill Mineral Resource is reasonable and is consistent with the definitions of the JORC Code (2012). Some inconsistencies were found between the stated classification methodology and that actually applied. Despite some areas with larger drillhole spacing than ideal, it is unlikely that additional drilling will result in a change to the estimate that could significantly affect potential economic viability.

The Inferred Mineral Resources are not suitable for mine planning as per JORC 2012 guidelines. The drilling grid is too wide to interpolate Nb_2O_5 with a reasonable degree of local accuracy. The grades required for metallurgical parameters are unreliable due to a lack of data amplified by there being no domaining used to control the estimate in the poorly informed areas. There is a high probability that the majority of the Inferred Mineral Resource area could be upgraded to Indicated and Measured Mineral Resources with additional drilling. MSA note that the Inferred Mineral Resource has been excluded (correctly) from the Ore Reserve estimate but has been included in the financial model received for valuation purposes. MSA limited the inclusion of Inferred Mineral Resources in the financial model to maximum five years after the Ore Reserves are practically depleted.

The variability of the geological and grade distribution is such that strict grade control will be required in mining. Whether ore is sent for processing, stored in a low grade or intermediate stockpile, or classed as waste is dependent on oxidation state, rock type, and Nb_2O_5 , SiO_2 and CaO grade. Grade control using a number of parameters can be challenging. Fortunately the mineralisation lends itself to XRF assays with fast turnaround times.

It is MSA's opinion that the classification and reporting has generally been carried out in accordance with the JORC Code (2012) guidelines. There are a number of areas which MSA consider to be lacking in detail or which require further explanation.

3.3 Exploration Potential

Several areas of potential carbonatite occurrence outside of the mapped carbonatite plug boundaries were identified by the geophysical interpretation, however no carbonatite outside the mapped outcrop has been intersected by drilling. The greatest potential remains within the currently defined areas of carbonatite, particularly where magnetite-rich carbonate has been identified by the outcrop-scale mapping. Exploration drilling in several prospective areas has not been practical due to the steep topography and the location of prison infrastructure below the steep sided hill.

Cradle has reported an Exploration Target (as per JORC 2012 guidelines) of between 200 and 400 million tonnes at a grade of between 0.4 % and 0.6 % Nb_2O_5 at a 0.30 % Nb_2O_5 cut-off grade (Cradle Resources Limited, ASX Release, 2015a). This compares to the total Measured, Indicated and Inferred Mineral Resource estimate of 178 million tonnes at a grade of 0.5 % Nb_2O_5 . This estimate is based on the Cradle drilling results, the occurrence of mapped mineralisation at surface and a number of mineralised historical diamond drillholes outside of the current Mineral Resource area. The Exploration Target has been projected to the interpreted carbonatite edge and



limited to a depth of 200 m below surface. The initial volume calculation was halved in order to provide for a conservative estimate of the tonnage potential. The extent of the Exploration Target and the potential high grade zones within it is illustrated in Figure 3-4.

3.3.1 MSA's Opinion on the Exploration Potential

The Exploration Target stated by Cradle appears reasonable. Some areas of potential high grade have been identified by mapping magnetite-rich carbonatite and by limited amounts of historical drilling. During the site visit, magnetite-rich carbonatite was observed outside of the Mineral Resource area and was confirmed to contain high Nb₂O₅ grade by the Niton XRF. The south-eastern extent of the high grade "Angel Zone" has not been closed off by drilling, therefore lateral extensions of this high-grade zone may exist. The "Angel Zone" is open at depth as are all areas of the Mineral Resource.

Although there is undoubtedly more mineralisation at the Project than in the Mineral Resource, much of the Exploration Target is towards the edge of the carbonatite plug where a different grade of mineralisation may occur. It also cannot be guaranteed that another high grade "Angel Zone" will be discovered, and in the absence of such high-grade mineralisation the potential grade will be similar to the Inferred Mineral Resource i.e. between 0.45 % and 0.50 % Nb₂O₅. The Exploration Target is conceptual in nature and the true potential of the area outside of the current Mineral Resource will only be realised with a well-structured drilling programme such as that completed by Cradle in 2013 and 2014.

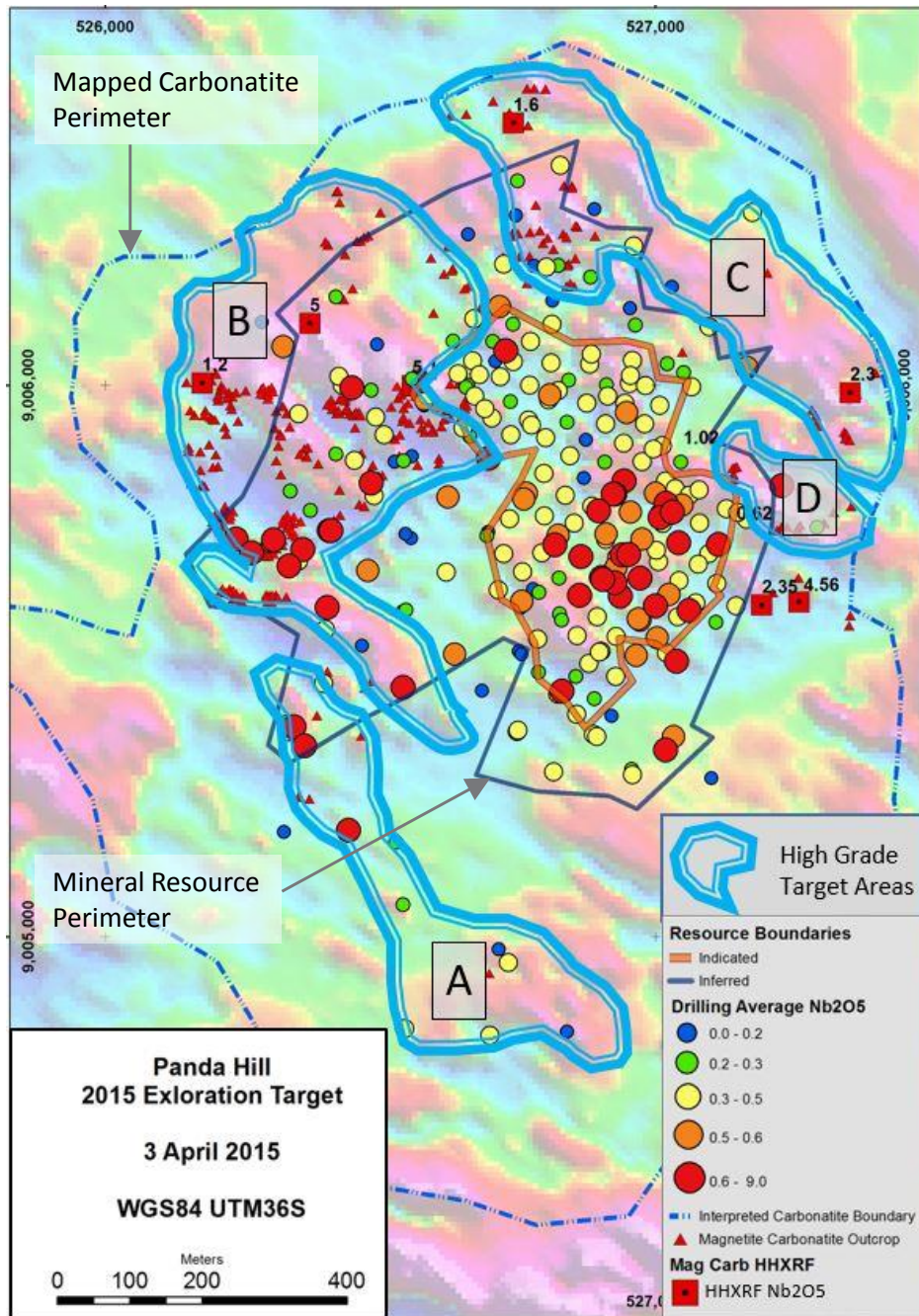
The DFS pit shell contains areas where the Mineral Resource has been classified as Inferred and portions where no Mineral Resource has been delineated due to a lack of drilling. Currently the financial model envisages 20.6 million tonnes of Proved and Probable Reserves with the remaining 51.9 million tonnes being sourced from Inferred Resources. Inferred Resources by their very nature are not suitable for detailed mine planning, although financial valuations compliant with VALMIN 2015 can include Inferred Resources after the application of an appropriate discount factor (see Section 4.7).

PHT verbally communicated that it intends to spend between three and five million USD to convert Inferred Mineral Resources to Indicated Mineral Resources once the mine is operational and in a positive cash flow situation. MSA made allowance for this is the ongoing sustaining capital.

Extensions to the Measured and Indicated Mineral Resource in the proposed pit shell may be achieved by drilling during the mine's production phase.



Figure 3-4
Panda Hill 2015 Exploration Target



Note: The exploration target includes the high grade areas delineated as well as the areas between the existing Mineral Resource limits and the interpreted carbonatite perimeter.

Source: Cradle Resources Limited, ASX Release (2015a)



3.4 Summary of Geology and Mineral Resource Review

3.4.1 Summary

- No fatal flaws were found during the review.
- No items that require immediate rectification were found.
- A number of areas were identified that could be considered as improvement areas, however they will not materially affect the integrity of the DFS.
- The processing is dependent on oxidation state, rock type and various grades. The geometallurgical process flow is complex and strict operational control will be required to categorise the ore using the required parameters.
- The review largely indicates potential upside to the Project.

3.4.2 Geology and exploration practice

- The geology and controls on mineralisation are understood well enough for the level of study.
- The Cradle exploration work was carried out in accordance with currently accepted industry practice. All the exploration processes required for a project of this nature at a DFS level of study have been carried out.
- The historical data should be treated with caution. MSA consider that the historical data has been dealt with in a reasonable manner and the Mineral Resource estimate has appropriately considered the lower confidence in this data.
- The exploration data is well stored in a relational database and exports are in a logical and user friendly format for use in geological modelling and grade estimation.
- The weathering profile is highly irregular and cannot be accurately defined using the 50 m spaced drillhole sections. Although the modelling of the profile is reasonable, the mixed nature of the fresh and weathered material near surface means that local areas of fresh and weathered material cannot be accurately defined using the drillhole data.
- Identification of fenite from carbonatite can be difficult especially in the RC holes, particularly where altered. The occurrence of fenite is highly irregular without well-defined trends. It should be noted that significant Nb₂O₅ grades occur in the fenite as logged (average fenite 0.41 %, average carbonatite 0.50 %), which may imply some incorrect categorisation of carbonatite as fenite.
- Uranium, thorium, tin and sulphur are deleterious elements that can be of concern when elevated in concentrate. Test-work to date suggests that the average concentrate produced will be within specification.

3.4.3 Mineral Resources

- MSA carried out a number of validation tests on the data and the estimate and found no serious issues.
- A complex method of estimation has been used for Nb₂O₅ that results in the proportion of each block being above a number of cut-off grades – Multiple Indicator Kriging (MIK). This has been refined into smaller block estimates (selective mining units (SMUs)) by a localisation correction resulting in the LMIK estimate.



- The estimates are recoverable resource estimates which should reasonably represent the grade tonnage profile at an SMU scale.
- Both the MIK and LMIK estimates are appropriate for the estimation of Nb₂O₅ at Panda Hill and have been reasonably done, mostly considering observed geological controls.
- There is a strong relationship between weathering state and estimated grade. The grade estimation did not consider these weathering domains. Domainining by weathering state in the estimation process will improve the quality of the estimate.
- The lack of domainining by weathering state results in an under-estimation of the Nb₂O₅ grade in the weathered material (near surface) and it is likely that higher Nb₂O₅ grades will be encountered in the oxidised shallow areas than the model predicts.
- Although an under-estimation of SiO₂ and an over-estimation of CaO will occur in the weathered domain, the under/over estimation is not severe enough to impact significantly on the geometallurgical characterisation within the Measured and Indicated Resource areas for the purpose of the study.
- MSA agree with the classification of Measured, Indicated and Inferred Mineral Resources.
- The Inferred Mineral Resource is largely based on historical data that do not have SiO₂ or CaO assays. The Inferred Mineral Resource estimates cannot be geometallurgically characterised and are not suitable for use in a detailed mine plan. Currently the financial model envisages approximately 20.6 million tonnes of Proved and Probable Ore Reserves, with the remaining 51.9 million tonnes being sourced from Inferred Mineral Resources.

3.4.4 Exploration potential

- Significant near mine exploration potential exists within the currently identified Panda Hill carbonatite area.
- The deposit is open in all directions, the edge of the carbonatite being outside of the currently defined Mineral Resource area.
- The extent of the high grade "Angel Zone" has not been fully delineated.
- Cradle estimated exploration potential of between 200 and 400 million tonnes at a grade of between 0.4 % and 0.6 % Nb₂O₅ at a 0.30 % cut-off grade to 200 m depth. Although this appears conservative (and the estimate assumes only 50 % of the potential volume being payable) much of this area is towards the edge of the carbonatite where significantly lower grades than intersected so far may occur.
- Geophysical surveys indicate the presence of further targets outside of the currently defined carbonatite, but they do not appear to be very prospective.

3.4.5 Operational considerations

- The weathering/oxidation profiles are highly irregular, which results in the proportion of fresh to weathered material near surface being variable. It is likely that more fresh material will be encountered earlier on in the Project than the model suggests.
- Grade distribution is complex. Areas of high and low grade can occur over short distances horizontally as the main trend of the mineralisation is steep (~60° SW). Detailed grade control will be required. Visual grade control cannot differentiate between ore and waste



(below 0.48 % Nb₂O₅ cut-off grade) areas within the carbonatite. Fortunately the mineralisation lends itself to XRF assays with fast turnaround times.

- The geometallurgical characterisation of material involves rock type (fenite or non-fenite), weathering state, and SiO₂ and CaO content, in addition to Nb₂O₅ grade. Rock that is metallurgically complex and above cut-off grade will be stockpiled on an Intermediate Stockpile if it satisfies one of four combinations of parameters:
 - proportion of fenite is greater than 50 %;
 - weathered rock with SiO₂ > 20 % and CaO < 20 %;
 - transitional rock with SiO₂ > 12 % and CaO < 20 %; and
 - fresh rock with SiO₂ > 8 % and CaO < 20 %.

The distribution of these parameters is complex and irregular and strict controls will need to be implemented in order to ensure that the material is appropriately stock-piled for processing.

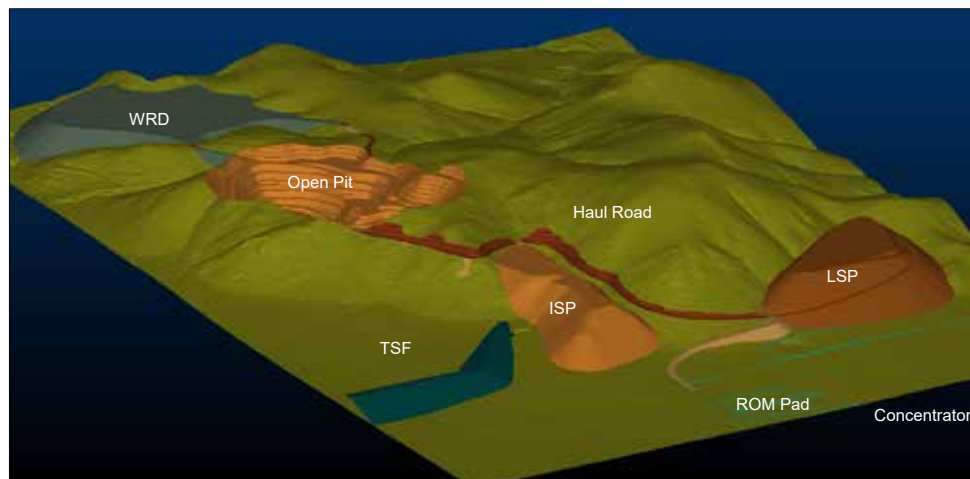
- Upside exists in the production plan as areas of potential mineralisation exist outside the Mineral Resource area. These are treated as waste in the mine plan. Such areas may be defined by an exploration programme and it is expected that they will be identified during grade control drilling of areas currently demarcated as waste.



4 MINING AND ORE RESERVES

The Project includes an open pit mine and concentrator with associated infrastructure, a tailings storage facility (TSF), haul roads, waste rock dumps and stockpiles as shown in Figure 4-1.

Figure 4-1
Main Project infrastructure



Source: Sound Mining (2016)

Note: WRD – Waste Rock Dump, ISP – Intermediate Stockpile, LSP – Low Grade Stockpile, TSF – Tailings Storage Facility

The Mineral Resources underpinning the DFS have been prepared in accordance with the JORC Code (2012) (see Section 3.2).

The technical assessment of the Mining and Mineral Reserves of the Project was based on a review of the following information:

- the Project DFS Mining report compiled by SRK in April 2016 (SRK, 2016a),
- the Project FEED report compiled by MDM Engineering in December 2016 (MDM Engineering FEED, 2016 and Sound Mining, 2016), and
- the financial model based on DFS base case, as supplied by Cradle (CXX_CF Model_31March16 (Adjusted Model) MSA Inputs.xlsm, supplied 7 April 2017).

Following the completion of the Project DFS, a decision was made by PHT to continue with the FEED Phase through more detailed planning and contract negotiations. The intention of the FEED was to do more detailed engineering and design work associated with the Project to enable a smooth transition into project execution and to investigate a potential reduction in the capital costs and improve the overall efficiency of the operation. MDM was appointed by PHT to project manage the FEED phase, review the DFS provide technical input and compile the FEED report. Sound Mining was appointed to review the mining section presented of the DFS (Sound Mining, 2016).



The FEED objectives for the Sound Mining team included the following items:

- interrogate and review the DFS mine design to identify areas of improvement (value engineering);
- determine a final life-of-mine plan schedule (LoM Plan) with associated production profiles for:
 - feed to the concentrator via the run of mine (RoM) Pad;
 - Waste Rock Dump (WRD), Intermediate Stockpile (ISP), Low Grade Stockpile (LSP); and mining haul roads;
- the final LoM Plan was required to be based on the Mineral Resources (Measured and Indicated Resources) at an ore mining rate of 1.3 Mtpa only (16 years). A second LoM Plan included some Inferred Mineral Resources for an 18-year mine life;
- optimisation of the stripping ratio and head grade mined and transported to the RoM Pad; and
- distribution and evaluation/adjudication of tenders for mining operations.

Sound Mining re-designed the mine with the objectives of maintaining and sustaining a relatively high consistent mining grade for as long as possible whilst minimising the waste stripping ratio. The revised mine design included the redesign of the WRD, ISP and LSP and all the mining haul roads to these facilities and the RoM Pad.

The technical assessment for the Mining and Ore Reserves covers the following areas;

- geotechnical design parameters;
- optimisation process;
- pit design;
- production schedule;
- mining equipment;
- stockpiling and blending; and
- Ore Reserve estimation.

4.1 Geotechnical Design Parameters

The DFS geotechnical reports and findings completed by SRK Australia (Stuklis *et al.*, 2016) were deemed to remain valid and unchanged for the FEED phase.

The DFS pit design was based on bench-stack pit slope angles of 46° and 49° derived for weathered material domains and 55° for fresh material domains. The FEED pit design used the same pit slope angles and geotechnical design parameters.

The DFS geotechnical design parameters calculated by SRK Australia were previously reviewed by MSA and no fatal and/or material flaws or moderate/major risks were detected. The following points were made:

- the planned pit has been devised with consideration of the geotechnical conditions of the ore body and host rock;
- the geotechnical information gathering, transformation and design have been thorough, detailed and well-constructed; and



- the quantity of geotechnical data acquired and synthesised is representative and appropriate for the deposit, its topographical setting, geometry and geological disposition.

4.2 Optimisation Process

Open pit optimisation was used to identify the optimum economic pit shape from the Mineral Resource model based on highest cash flow. SRK Australia used the Gemcom Whittle software package. The open pit optimisation process is described in detail in the SRK Australia DFS report (SRK, 2016a). The results from the DFS optimisation process are as follows:

- all fenite material was treated as waste, irrespective of its grade, due to metallurgical complications;
- mineralised carbonatite was treated with a cut-off grade of 0.48 % Nb₂O₅ for the first ten years of production to elevate the RoM grade to approximately 0.7 % Nb₂O₅;
- Ore Reserve material classified as Measured or Indicated Mineral Resources was considered as ore for the first 10 years of production using pushback shells 1 to 3;
- from Year 11 onwards the cut-off grade was lowered to 0.3 % Nb₂O₅;
- from Year 11 onwards the Inferred Mineral Resource was included in the ore classification using pushback shells 4 to 6;
- the production rate was set to 1.3 Mtpa RoM for the first 4 years and at 2.6 Mtpa for the subsequent 26 years, for a total 30 year LoM production schedule.

There is no detailed write-up on the optimisation process used by Sound Mining in the FEED report. Sound Mining used a mine design with four pushbacks, including Measured, Indicated and Inferred Mineral Resources.

The MSA findings of the review of the optimisation process are as follows:

- the DFS pit optimisation process was well documented and executed by SRK Australia;
- SRK Australia have a clear distinction in the pit optimisation phase between Ore Reserves (Pushbacks 1, 2 and 3) for the first 10 years and the inclusion of Inferred Mineral Resources (Pushbacks 4, 5 and 6) from Year 11 to 30; and
- the excessive amount of Inferred Mineral Resources in the Mineral Resource model is a concern for the optimisation of the pit design, particularly in the first 10 years, where the inferred material is stockpiled on the ISP. A pit optimisation was run using Inferred Mineral Resource material to ensure that any permanent infrastructure was placed outside of known potentially mineable pit boundaries. In addition, the placement of infrastructure was further informed by the logging of geotechnical drillholes in the areas of the TSF and plant infrastructure so as to avoid areas with additional potential mineralisation outside of the Project mining area.

4.3 Pit Design

Six pushbacks were designed by SRK Australia in the DFS. The first three pushbacks include only Measured and Indicated Mineral Resources in the plant feed for the first 10 years of mining, with the Inferred Mineral Resource material being stockpiled on the ISP. Pushbacks 4 to 6 include Measured, Indicated and Inferred Mineral Resources in the plant feed for the remainder of the



LoM plan up to Year 30. The average Nb₂O₅ grade in the Measured and Indicated Mineral Resources in the first three pushbacks is considerably higher than in the remaining material in pushbacks 4 to 6.

Sound Mining re-designed the mine with the objectives of maintaining and sustaining a relatively high mining grade for as long as possible and minimising the waste stripping ratio. Four pushbacks were designed for the revised FEED LoM plan. This was deemed sufficient for FEED requirements and for mining contractor tender purposes. The revised mine design included changes to the WRD, ISP, the introduction of a separate LSP to assist grade control and all the mining haul roads to these facilities and the RoM Pad.

The mining benches were designed at 20 m height for the DFS. The SRK report refers to 5 m benches in two 2.5 m flitches which are beneficial for improved grade control with smaller blasts which can affect the mine production rate.

The ore benches for the FEED were designed in 10 m benches with waste 20 m benches.

The MSA findings of the review of the pit design are as follows:

- the geotechnical parameters have been applied accurately to the pushbacks and final pit designs;
- the high proportion of development of the pushbacks pit to depth and laterally seems reasonable;
- the pushbacks employ only a single haul road to the lip of the pit. The potential loss of the access road puts all production at risk. It also complicates the development process of the pit; and
- the reduction in LoM production tonnage for the FEED design results in a smaller capital footprint, a reduced number of pushbacks and a reduced TSF.

4.4 Production Schedule

The mine production rate in the DFS was set at 1.3 Mtpa for the first four years, and then doubled to 2.6 Mtpa for the remainder of the LoM plan as shown in Figure 4-2. The mining inventory for the DFS is 72.4 Mt at 0.54 % Nb₂O₅ grade compared to 22 Mt at 0.68 % Nb₂O₅ for the FEED. In the FEED study, the ore production rate was maintained at a constant 1.3 Mtpa, based on Ore Reserves only for a 16-year LoM plan (18 years if some Inferred Mineral Resource material is included) as shown in Figure 4-3. The DFS production schedule includes 37.2 Mt of Inferred Mineral Resource material which would need to be converted to Ore Reserves through progressive exploration work. The FEED production schedule includes 3 Mt of Inferred Mineral Resource material.

The overall stripping ratio (tonnes waste per tonnes mill feed) is 1.55 for the DFS 30-year LoM plan and approximately 2.69 for the first 16 years. The overall stripping ratio is 2.04 for the 18-year FEED plan.

The average grade of the Nb₂O₅ for the first 10 years is similar, averaging approximately 0.7 % Nb₂O₅ for the DFS and FEED production schedules. The average grade of Nb₂O₅ for the remaining 30 year LoM plan for the DFS production schedule is 0.45 % Nb₂O₅ compared to



0.65 % Nb₂O₅ for the 18-year FEED production schedule. This highlights the influence of the higher percentage Inferred material in the production schedule.

Figure 4-2
Panda Hill DFS – production schedule – mill feed

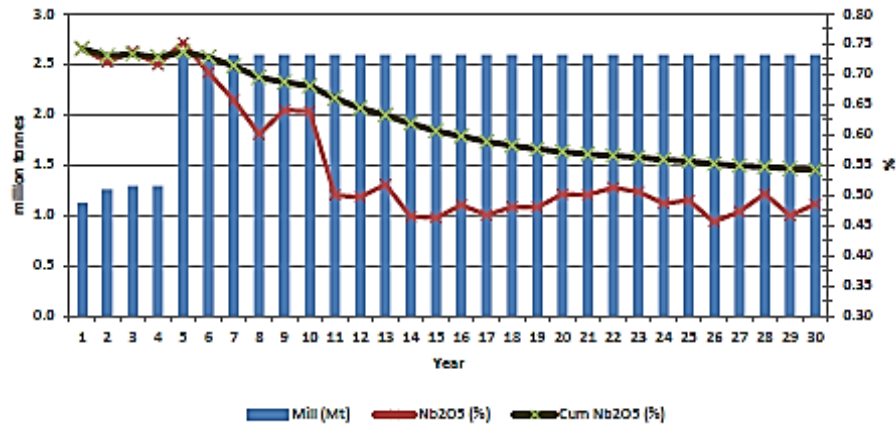
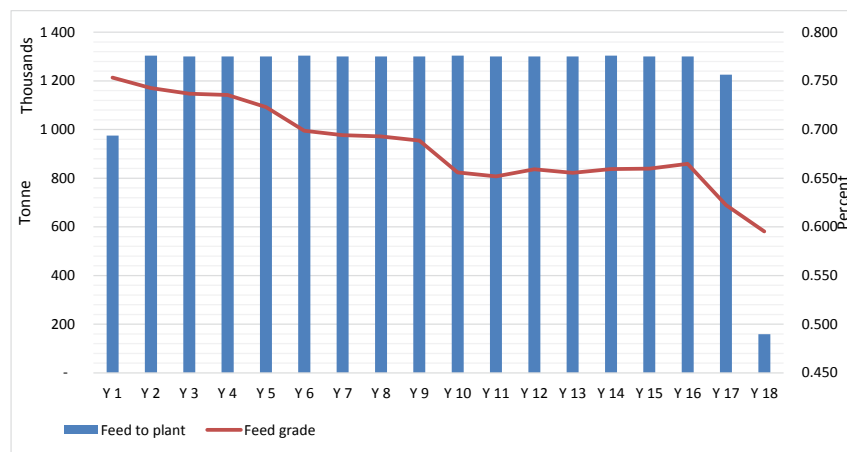


Figure 4-3
Panda Hill FEED – production schedule – mill feed



The Total Material Mined (TMM) for the DFS and FEED production schedules are shown in Figure 4-4 and Figure 4-5. TMM is approximately 2 Mtpa less in the FEED production schedule compared to the DFS. The DFS TMM production schedule is more variable than the FEED schedule which would affect the fleet.

Currently Inferred Mineral Resources above the cut-off grade is being classified as ISP material from Years 1 to 10 in the DFS and throughout the FEED schedule.



Figure 4-4
DFS Production Schedule – ex-pit TMM by pushback

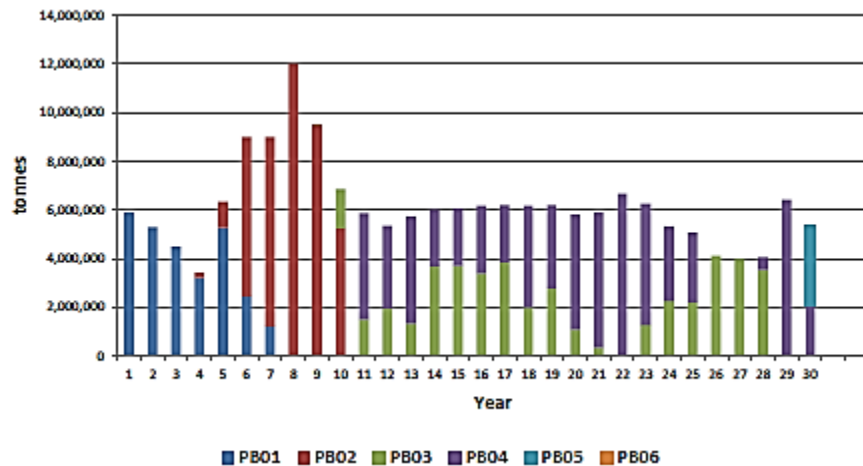
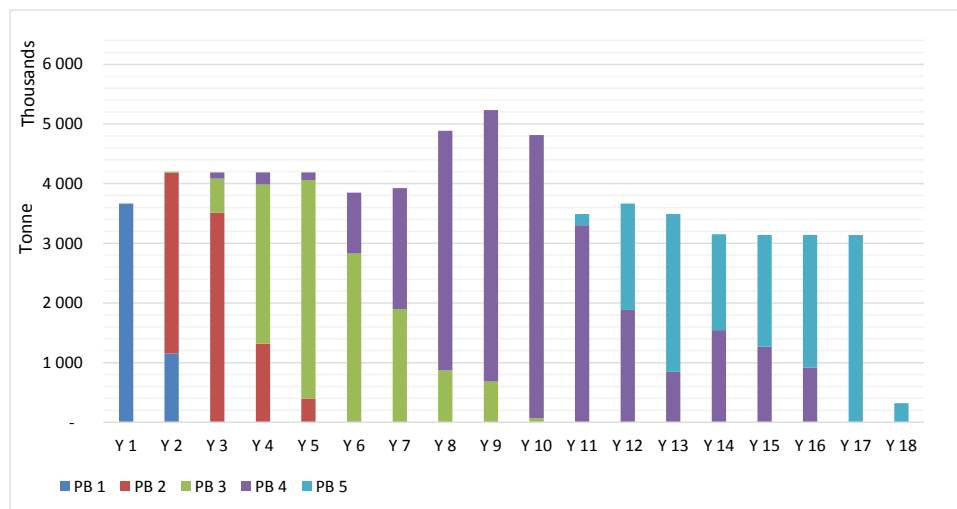


Figure 4-5
FEED Production Schedule – Ex-pit TMM by Pushback



The MSA findings after review of the schedule are as follows:

- the DFS production rate of 2.6 Mtpa is easily sustainable due to the massive nature of the orebody, low stripping ratio and based on the large amount of the Mineral Resources available per vertical metre of orebody. The main risk is the large amount of Inferred Mineral Resources in the production schedule (37.2 Mt out of the 72.4 Mt);



- the flow of RoM material from the pit is relatively smooth in the FEED TMM schedule. The stripping ratio for the DFS TMM schedule can be smoothed out in the first 10 years through the conversion of Inferred Mineral Resources to Ore Reserves once mining commences and infill drilling and grade control processes are in place; and
- the ability of the mining contractor to produce the scheduled ore tonnes from the open pit is achievable with this massive type of orebody. The key point is the variable nature of the orebody and the complexity of the metallurgical process which is likely to affect the plant feed and production start-up in the first few years (see section 5.10 on the ramp-up of the processing plant).

4.5 Mining Equipment

Sound Mining performed a check on the equipment requirements by means of TALPAC® simulations for the load and haul equipment. The equipment selection methodology and logic was critically examined by Sound Mining with the purpose of confirming or recommending the size/capacity of load and haul equipment.

The recommendation by Sound Mining is that smaller excavators and haul trucks are appropriate for the FEED production schedule. The comparison of the DFS fleet versus the FEED fleet is shown in Table 4-1.

Sound Mining prepared the mining tender documents which were distributed by PHT to the selected service providers. Three service providers were invited to submit tenders for the mining scope of work. This selection was based on their performance in the indicative tenders as submitted for the DFS. AMS, the contractor chosen by SRK Australia in the DFS, withdrew from the final tender process as they do not operate in East Africa and the contract was too small for them to establish in East Africa.

Table 4-1
Mining equipment fleet comparison

DFS Fleet (AMS)	FEED Fleet (BC Mining)
Primary Equipment: 3 x drill rigs (Sandvik Pantera 1500). 2 x 120t Excavator (Liebherr 984C). 18 x CAT 777 Haul trucks (90t capacity)	Primary Equipment: 3 x drill rigs (Sandvik Pantera 1500). 3 x Excavator (CAT 374 x 2; CAT 336 x 1). 11 x CAT 745 Haul trucks (40t capacity).
Ancillary Equipment: 3 x CAT D9 bulldozers. 2 x Grader (CAT 16M). 2 x CAT 773 Water trucks (each 50kl capacity) 2 x Cat 966 FEL.	Ancillary Equipment: 3 x CAT D8 bulldozers. 2 x Grader (CAT 120 K). 3 x CAT 745 Water trucks (each 20kl capacity). 3 x Cat 966 FEL.

MSA agree with the choice of equipment by Sound Mining for the FEED and DFS production schedules. A key advantage is that the smaller excavators will be beneficial for grade control.

MSA elected to use the FEED fleet and BC mining costs from the FEED study for the financial evaluation model.



4.6 Stockpiling and Blending

The key differences between the DFS and FEED stockpile layouts shown in Figure 4-6 and Figure 4-7 are:

- the FEED design shows a separate LSP and interim stockpile ISP. The additional LSP in close proximity to the plant for the FEED design will assist the blending process to provide consistent feed to the plant. Low grade RoM material refers to material with a grade greater than 0.3 % Nb₂O₅ but less than the cut-off grade and Inferred Mineral Resource material;
- the DFS design only has the ISP stockpile. In the DFS scenario, Inferred Mineral Resource material mined in the first 10 years from the pit pushbacks is stockpiled separately on the ISP area, together with Low Grade and metallurgically difficult material;
- the FEED waste rock dump design has a two-road access compared to the DFS design;
- the TSF is reduced for the FEED design due to the shortened LoM (18 years compared to 30 years at doubled up tonnage);
- the RoM pad in the DFS design includes four stockpiles for oxide, transition, fresh and one live stockpile feeding the plant. Total capacity of 200 kt;
- the RoM pads in the FEED design comprise of two 80 kt stockpiles with the ore blended in layers prior to feeding the plant. One stockpile will be built while the other is consumed. Two smaller stockpiles (20 kt each) for high grade and low grade material will also be provided;
- the SRK DFS layout designed the low-grade stockpile and the WRD at a slope angle of 40°; and
- all dumps and stockpiles in the FEED layout are designed with a slope angle of 35°.

The monthly fluctuation in the percentage of mineralisation types (Fresh versus Oxide versus Transitional ore) in the RoM tonnes for the first 60 months is shown in Figure 4-8 Each of these mineralisation types have different recoveries which pose a problem to the plant and will need to be managed carefully.

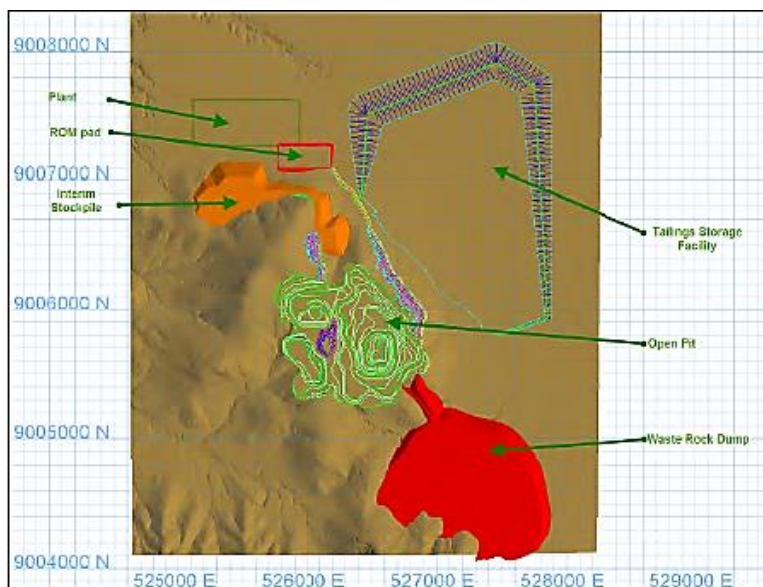
Each of the mineralisation types also has different Nb₂O₅ grades as shown in Figure 4-9.

The need for strict grade control systems to be in place as mentioned in Section 3.4.5 is critical for planning purposes to ensure consistent feed grade to the plant and understanding of the different mineralisation types.

The DFS RoM pad strategy to separate the mineralisation types is different to the FEED RoM pad strategy which blends the mineralisation types for grade. MSA consider the DFS strategy to be unpractical and prefer the FEED strategy. However, there will be a learning curve in the initial few years to fine tune the correct blending strategy.



Figure 4-6
DFS mining layout



Source: SRK (2016a).

Note: North is up.

Figure 4-7
FEED Mining Layout



Source: Sound Mining (2016).



It was noted that the mined and processing production schedules in the DFS financial model are identical. It is MSA's view that the mining schedule needs to allow for stockpiling ahead of the processing plant feed schedule on the RoM pad to provide operational flexibility. In the original mine schedule developed by SRK for the DFS, an initial RoM stockpile of 190,000 t were allocated to the RoM pad. This needs to be factored into the production start-up. Ramping up production is discussed in more detail in Sections 5.10 and 5.11.

Figure 4-8
Monthly RoM tonnes mined and mineralisation type for FEED schedule

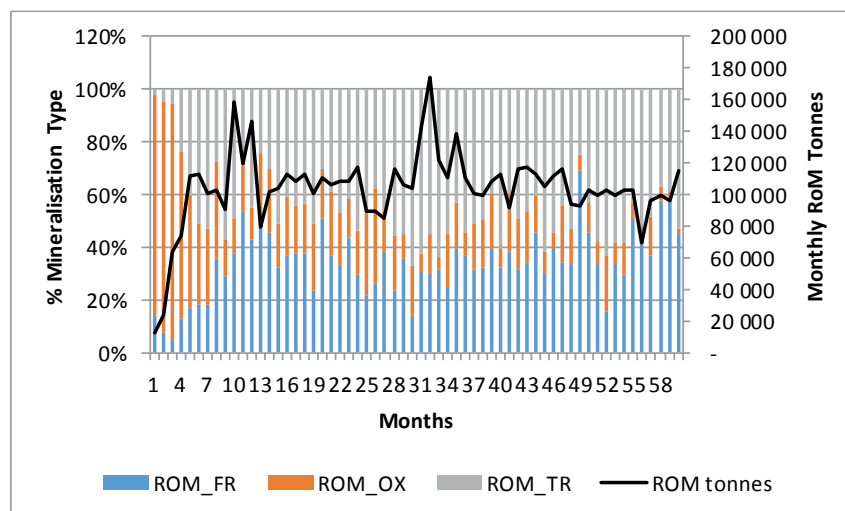
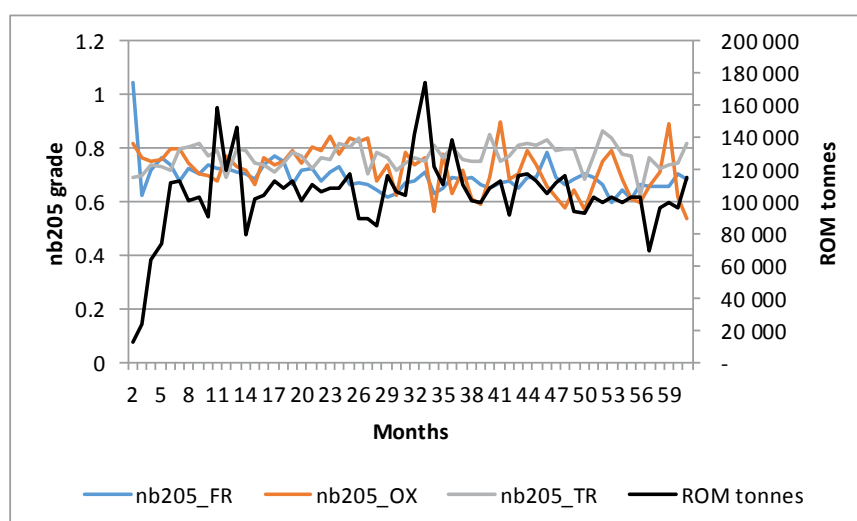


Figure 4-9
Monthly RoM tonnes and Nb₂O₅ grades per mineralisation type for FEED schedule





4.7 Ore Reserve Estimation

SRK Australia estimated the conversion from Mineral Resources to Ore Reserves in accordance with the requirements of JORC 2012. The Ore Reserves as stated by SRK in May 2016 (SRK, 2016a, 2016b and 2016c) are shown in Table 4-2. The key modifying factor is the 5 per cent mining loss. The mining dilution is incorporated in the MIK Mineral Resource model as part of the recoverable resource modelling for the SMU.

In accordance with the criteria set out in Table 1 of JORC Code 2012, only Measured and Indicated Mineral Resources were considered for conversion to Ore Reserves. An average cut-off grade of 0.46 % Nb₂O₅ was used to derive the Ore Reserves. Material that will be mined during the course of normal planned production, but with an estimated grade of between 0.3 % and 0.48 % Nb₂O₅, will be stockpiled for potential future plant feed. Material with an estimated grade below 0.3 % Nb₂O₅ will be treated as waste.

SRK explained in detail the input parameters and modifying factors in their report (SRK, 2016a, 2016b, 2016c). These parameters and factors are in line with the results from DFS (with recent updates) and satisfy the requirements of the JORC Code 2012.

Table 4-2 Ore Reserves of the Panda Hill Project (20 May 2016, SRK)				
Ore Reserve Category	Mineralisation Type	Tonnage (Mt)	Nb₂O₅ (%)	Contained Nb₂O₅ (t Nb₂O₅)
Proved Ore Reserve	Oxide	0.84	0.77	6,424
	Transition	3.46	0.77	26,814
	Fresh	3.02	0.66	20,087
Probable Ore Reserve	Oxide	0.83	0.68	5,668
	Transition	3.84	0.68	26,294
	Fresh	8.57	0.63	54,353
Subtotals				
Proved Ore Reserve	All mineralisation types	7.32	0.73	53,325
Probable Ore Reserve	All mineralisation types	13.25	0.65	86,315
Total Ore Reserve	All mineralisation types	20.57	0.68	139,640

Source: SRK (2016a, 2016b, 2016c)

It is MSA's view that the modifying factors and conversion from Mineral Resources to Ore Reserves is considered appropriate and in accordance with the requirements of JORC 2012.



5 MINERAL PROCESSING, METALLURGICAL TESTING AND RECOVERIES

5.1 Testwork

The beneficiation work has been conducted through SGS Lakefield which is a leading and globally respected metallurgical laboratory in Peterborough, Canada. The objective of the metallurgical investigation at SGS was to determine the feasibility of upgrading the Panda Hill material by flotation and magnetics and the further removal of deleterious elements from the resultant concentrate by integrated acid and caustic leach processes.

The Panda Hill deposit has been broadly classified into three different main ore categories: fresh carbonate (FC), transition or moderately oxidised carbonate (MOC) and oxide carbonate (OC). A substantial volume of testwork has been performed by SGS on borehole cores and bulk samples during the PFS and DFS phases of the project, the majority of which has concentrated on the mineral characterisation and beneficiation aspects. More limited work has been carried out on the leaching aspects of the selected flowsheet. During the course of the various work adequate rheology including the settling and filtration characterisation of the various streams has been undertaken to allow the sizing of the relevant process equipment.

5.1.1 Samples

Testwork was carried out on three different sample sets from the Project comprising:

- 34 drillhole core samples selected by Orway Mineral Consultants to represent the various mineralisation categories;
- a 75 tonne bulk sample for pilot plant testwork representing each of the MOC, FC and OC categories. It is noted that the initial relatively more oxidised MOC bulk sample provided to SGS was considered non-representative following poor bench scale performance and difficulties controlling the process in the direct flotation pilot plant testwork; and
- a second bulk sample consisting of less oxidised MOC to replace the initial sample was submitted for treatment during the second pilot plant which included a carbonate removal step as the first stage and allowed a much improved and stable operation.

A sample of final niobium concentrate was forwarded from SGS to the Australian Nuclear Science and Technology Organisation (ANSTO) for confirmatory acid and caustic leaching and smelting testwork.

5.1.2 Mineralogy

The mineralogy of the various lithologies and relevant Nb associations has been well defined at SGS. The niobium associations, in generally decreasing order in all three major types, are with pyrochlore, columbite, rutile, Ba-pyrochlore and ilmenite.

The variability in carbonates, phosphates, silica and silicates has been identified as likely to have an impact in the operability of the selected flowsheet. There is a loss of carbonates in transitioning from fresh to weathered ore types resulting in a concurrent increase in silicates and other insoluble mineralisation.



This variability presented a challenge in terms of the configuring the processing plant to consider the flotation response differences between the various ore types, and the handling of the impurities reporting to the niobium concentrates.

5.1.3 Bench-scale testwork and pilot plant flotation

The aim of this testwork has been to progressively reduce the major contaminants whilst improving the niobium grade within the concentrate at acceptable Nb recoveries.

Preliminary bench-scale testwork was conducted after the first screening campaign. The standard test focused on reverse pyrite flotation to reduce the S component, followed by direct niobium flotation. The 34 borehole core samples representing six carbonatitic lithologies and four non-carbonate lithologies of the FC, MOC and OC ore types were tested at bench-scale and adequately displayed the likely range of flotation variability responses to the standardised flotation test utilised at the time of testing. Significant variability was found both within and across the three major ore types. The amenability of all of these samples to the final selected flowsheet was not tested.

The initial FC bulk sample was tested through an initial pilot plant. The plant was configured to deslime the feed, followed by preliminary removal of the magnetics component, removal of pyrite (sulphides) by flotation, and a direct niobium flotation. Niobium circuit instability occurred during this process, thought to be due to fine carbonate reactivity with the fluorsilicic acid required to promote niobium flotation. It was noted that the circuit water became contaminated with calcium cations which resulted in a passivation of niobium containing mineral species and a loss of recovery. This resulted in low performance and high variability in the results with excessive acid consumption required to maintain the circuit pH. The relatively oxidized MOC sample performed poorly in the bench-scale testwork and failed to achieve suitable results through the circuit and was subsequently considered non-representative. Subsequent investigations identified the material to have been heavily silicified and the associated ore as having gone through a late stage partial feniitisation process.

The second pilot plant on FC ore retained the pyrite float and magnetics removal but introduced a two-stage flotation process with a partial flotation rejection of the fine carbonates prior to the niobium float. This resulted in improved recoveries, a more stable float regime and reduced acid consumption for pH stabilisation. Water qualities appeared to remain adequate for the duration of the relatively short term test. The two-stage process was accepted as a workable solution and is in line with other producers within the same type of mineralisation (fresh carbonate).

The results confirmed that the selectivity of the niobium circuit can be improved by removing part of the carbonate (25-35 % carbonates) with limited niobium losses of 3-5 %. This carbonate rejection step also reduces the amount of acid required in the subsequent acid leach. The last pilot plant test campaign appeared to be stable and achieved similar results to the locked cycle bench-scale testwork.

The pilot plant on FC achieved results close to the objective. The MOC from the second sampling campaign (lightly oxidized) produced a lower Nb concentrate grade with higher iron grade. However, the first MOC sample (more oxidised) failed to achieve results through the direct



flotation circuit. The results indicate a need to be cautious with the MOC oxidation extent and suggest that the plant should be commissioned with mainly fresh ore if possible.

The two-stage flotation option plant design was based on the outcomes of the second pilot plant work. The design recovery is based on the results from the laboratory testwork and the second pilot plant results for the FC and MOC samples provided. The niobium recoveries do not take into account any impurity element data or variation in the deposit and are based on the premise that the subsequent leaching circuit will take care of the impurity elements.

The following points are noted:

- test work on an "average" feedstock has not been undertaken. The risk associated with this is not so much in the processing plant being inappropriate or inadequate, as in the design recoveries not being achieved. PHT advised that the DFS design recovery was "de-rated" by 2 % in the financial model to mitigate these possible losses;
- the downstream impacts of the minor elements coming through the beneficiation process are currently less well understood, in terms of smelter operability and final product quality;
- averaged locked cycle bench testwork Nb recoveries and concentrate grades show reasonable correlation with the recoveries and grades achieved in the final pilot plant;
- bench-scale testwork has indicated that concentrate grade versus recovery relationships are variable even within the material considered to be FC. The final pilot plant showed stable operation with a blended FC feed. Actual plant recoveries may not always concur with design recoveries which are based on the pilot plant results. Blending of plant feeds has been adopted for the FEED study;
- the pilot desliming was done at a k80 of 10-15 μm compared to the other commercial producers who operate at 5-6 μm . The DFS specified a desliming cut at 25 μm which has been reduced to 7 μm for the FEED study;
- relatively limited pilot plant work has been conducted with the MOC and OC samples on the selected double flotation flowsheet;
- the operability of the full proposed flowsheet under full sample variability still has to be determined. The expected variable mass pull on the carbonate float (0 % to 30 %) in the short term will impact on Nb flotation residence times. Some buffer capacity between the stages should be considered; and
- no work has been carried out on the secondary sulphide flotation proposed to further limit S in the final concentrate.

5.1.4 Modelling

Variability modelling of the results of the initial 34 samples was undertaken by Independent Metallurgical Operations of Perth, Australia. The modelling indicated a good correlation between niobium recovery and the ratio of niobium to iron in the head sample. The concentrate grade achieved showed a lesser correlation.

5.1.5 Acid leaching

The acid leaching process involves contacting the niobium concentrates with 25 g/l HCl under ambient conditions for 4 hours to extract primarily P, although other deleterious elements are



also extracted. Extractions, reagent additions and product composition were fairly consistent from experiment to experiment and the leach slurries filtered well. It was noted that:

- extractions were about: 75 % for P and Mg, 90 % for As, and 20–25 % for Ca, Mn, S and Sn;
- refractory elements reporting to the residue included Al, Ba, Nb, Sr, Ta, Th, Ti, U, Zr and the U-238 decay chain; and
- acid addition ranged from 212 g to 238 g of 33 % HCl per kg of dry feed material (640–720 g/kg of contained Nb).

The acid leach process is robust and achieves significant P and other impurity element reduction.

5.1.6 Caustic leaching

The caustic leach process is similar to caustic leaches used in the Rare Earths industry to "crack" phosphate minerals, particularly monazite to make them amenable to downstream leaching. The 50 % caustic requirement enables the ambient boiling point to be raised to the 140 °C required for the cracking to take place. The viscosity of the resultant slurry generally mitigates against the settling and filtration characteristics of the material. The caustic requirement to reach the required boiling point is vastly in excess of reaction stoichiometric requirements and there is a need to recycle this caustic stream if at all possible. This in itself may be problematic in the longer term due to the build-up in sodium triphosphates and Si in the recycle stream. High Si levels can result in crystallisation on cooling these streams. The pilot plant testwork immediately diluted samples drawn to counter this eventuality.

The effects of the high Si MOC and OC ore types were not tested in terms of long term Si loading in the caustic circuit during the pilot plant operation.

The leach testwork targeted the limitation of impurities to produce a concentrate suitable for direct feed into a ferroniobium aluminothermic smelting process:

- the work focused on P and Si which targets were generally achieved during the second pilot plant operation;
- it was noted specifically that S did not achieve the target levels in the caustic leach residue; and
- lesser consideration has been given to other minor element impurities which may impact on the final ferroniobium product including Pb, Sn, C.

5.1.7 Pyrometallurgy

The testwork undertaken by ANSTO Sydney, Australia targeted the smelting of the leach residues from the SGS process to produce a saleable ferroniobium product. ANSTO completed three confirmatory acid and caustic leaches of a niobium flotation concentrate sample supplied by SGS and eight crucible smelting tests of the resultant leach residues by an aluminothermic process under various reagent, containment and firing conditions to produce a number of ferroniobium buttons:

- ANSTO confirmed the efficiencies achieved at SGS for the acid and caustic leaching processes and has performed limited bench scale work on the smelting aspects of the process;



- ANSTO operated at a higher solids loading in the caustic leach than SGS resulting in a better reagent utilisation and an opportunity to reduce the recycle of caustic;
- initial smelting testwork indicated Nb recoveries of between 39 % and 72 % but more typically around 54 % to 65 % are achievable with controlled Al deportment to the button. It is noted that the small-scale test hinders phase separation before cooling and that Nb recoveries will be higher in a commercial furnace. PHT has assumed a smelter recovery of 97 % based on similar operations, which would appear to be reasonable;
- Nb grades achieved overall ranged between 56 % and 70 % but more typically between 66 % and 70 % which would meet the provided target Nb specification;
- with relatively limited optimisation of the bench testwork, the required impurity levels of Al, Ta, Si, P, Ti, S, C and Mn were shown to be achievable for the sample tested. ANSTO commented that Sn was outside of the Canmet specification provided as a target;
- the specification of the final FeNb buttons produced by ANSTO are regarded as marketable;
- the test fusion process used for the ANSTO work does not adequately predict the performance efficiencies of a commercial furnace with controlled heating and extended slag separation times, both in terms of Nb recovery and the deportment of impurities;
- the smelting work is not regarded to have demonstrated the finally achievable grade of ferroniobium, generally due to the deportment of minor elements either from the concentrate or from the ignition and crucible containment materials into the final ferroniobium button;
- no work has been conducted to establish the recovery parameters of the Nb values contained in the testwork slag although these may be elevated as compared to the commercial furnace slag. This could represent an opportunity to increase the overall Nb recovery; and
- the smelting testwork undertaken by ANSTO indicated that the targeted level of S in the FeNb product was not achieved, in spite of having been calcined at 1,000°C prior to conversion, a method used by Niobec to reduce S in the feed to the furnace. The primary source of S in the laboratory process was the thermite star required for the ignition of the aluminothermic process. PHT have subsequently changed the smelting design to a non-thermite process, which should alleviate this concern.

5.1.8 Ferroniobium specification and/or impurity deportment

The final ferroniobium product will be required to achieve specifications with regard to grade and impurity elements. The Canmet specification against which the ANSTO products were evaluated is shown below in Table 5-1.

The pyrochlore species contains Sn and Pb in the crystal structure. This could impact the required niobium concentrate treatment before the aluminothermic process. Carbon assays are required to confirm that no organic or graphitic carbon report to concentrate.



Table 5-1
Canmet specification

Element	Specification (%)	Typical (%)	ANSTO Smelting (%)
Niobium	63 min	66	70
Iron	Balance	Balance	28
Aluminium	2.0 max	1	0.70
Tantalum	0.50 max	0.35	0.13
Silicon	3.0 max	2	0.69
Phosphorous	0.20 max	0.1	0.03
Titanium	2.0 max	0.5	0.11
Sulphur	0.10 max	0.04	0.13
Carbon	0.20 max	0.12	0.03
Manganese	0.75 max	0.55	0.11

Thorium and uranium also upgrade into the niobium concentrate but will report mainly to slag. Assays for these elements in the concentrate are in the same range as the other producers.

Depending of the market and the specific client, additional specifications may be imposed, for example, Sn and Pb (typically 0.05 - 0.10 %). Companhia Brasileira de Metalurgia e Mineração (CBMM) have changed their niobium concentrate treatment before the aluminothermic reduction because of the high phosphor, sulphur and lead content. The pyrochlore at the Panda Hill Project contains some Sn and Pb in the mineral lattice.

5.2 Process Design Criteria

The DFS design work was undertaken by established and reputable design houses and the process design criteria adequately reflect the testwork conditions for initial design purposes. The design criteria presented by MDM Engineering conservatively incorporates the established testwork parameters available at the time of the study. The following points are noted:

- the design criteria for the mechanical, electrical and structural disciplines are clearly stated to be the South African National Standards (SANS) and Regulations;
- adequate information has been collected during the various beneficiation testwork to allow the initial sizing of the relevant process equipment;
- the individual unit processes used in the flowsheet are reasonably conventional and have been used in other mineral processing plants;
- several items within the process design criteria are marked "to be confirmed" (TBC);
- the design grade 0.8 % is higher than the testwork grades of 0.4-0.6 % Nb₂O₅;
- the sizing of the transport system has been undertaken by SRK Consulting Australasia. Transport of the RoM material by truck to the crusher tipping point and recovery by front-end loader from the stockpile is conventionally used by many operations;
- the sizing of the stockpiles is in line with the recommendations of the stockpile simulation report by Simulation Engineering Technologies;
- layout of the ROM recovery and crushing sections is conventional with built in safeguards, for example, scalping grizzly and sacrificial conveyors



- the crushing circuit has been designed by Orway Mineral Consultants and is conventional to many processing operations. A smaller crusher has been specified for the FEED study in line with the lower LoM tonnage expectations;
- the bin and overflow stockpile ahead of the mill, as in the DFS has been replaced with a stacking conveyor and apron feeders in the FEED study;
- the milling circuit has been specifically designed by Orway Mineral Consultants to minimise the production of fines. The use of an open circuit semi-autogenous grind (SAG) mill with grate discharge, followed by a ball mill in closed circuit, has been used successfully in other non-niobium operations requiring the minimisation of fines production. The use of a ball mill grate discharge is unusual but is understandable from a minimisation of fines generation requirement and the high slurry recycle ratio required to achieve this;
- in line with DFS recommendations, the FEED study has specified a common 1,850 kW mill motor for both mills to reduce spares holdings to a single common motor;
- the flotation unit processes, magnetic separator and leach processes have been based on the pilot plant parameters and optimised by flotation and leach consultants and the results are reflected in the process design criteria;
- the individual flotation ore type niobium recoveries targeted by PHT average 65.6 % for the FC, 57.9 % for the MOC and 53.4 % for the OC. These appear to be reasonably in line with the testwork. As noted elsewhere, the DFS recoveries were derated by 2 % in the financial model to cater for ore type change and blending effects;
- the magnetic separator has been shown as installed between the sulphide and carbonate floats rather than before the sulphide float as per the pilot plant work. The advantage is not apparent but it is noted that other niobium operations install separators at various points in the circuit;
- some corrosion testwork was conducted for the specification of materials FEED study resulting in the specification of Monel 400 for the caustic leach circuit. Additional corrosion protection measures have been implemented for other equipment and banded areas within the leach circuits;
- the work index parameter used for the grinding circuit design is the highest one. Considering the type of mineralisation, the mill will operate normally at the average hardness which will provide extra grinding capacity after commissioning;
- conventional equipment is selected for the flotation sections as used by many concentrators. Contractors with specific niobium float experience will be included on the final tender list;
- during the FEED phase, the consultants ProProcess were contracted to optimise the acid leach and caustic leach design parameters based on SGS and ANSTO leach results. These have been incorporated; and
- the process design criteria for each of the flotation unit processes and magnetics separator has been based on the pilot plant parameters and expert consultant advice and is accurately reflected in the design. A flotation residence time scale up factor has been included for design purposes and the cell volumes have been adjusted to allow for aeration and mechanism volume.



A departure from the testwork flowsheet is a single 5 m³ pyrite (sulphide) float cell after the niobium float which is to be utilised if the resultant Nb concentrate does not meet the required S specification. Given that the pilot plant concentrate was generally off specification, this unit may operate on a continuous basis. This option was not tested during the pilot plant operation and hence all operating parameters and efficiencies would be assumed including possible Nb losses, S rejection, etc.

5.3 Reagents

The reagents suite used for some of the flotation stages comprise complex reagent blends which are to be mixed on site. Given the quantities required, this approach appears adequate for this kind of operation. The use of a high level of automatic control in the reagent preparation is advantageous to maintain appropriate and constant quality of the reagent mixture.

From a supply risk perspective, the reagents used within the process appear to be freely available from major global producers or are available from multiple source suppliers (Table 5-2).

There is also the possibility of reagent substitution for some of the listed reagents.

Table 5-2 Reagent sources			
Reagent	Source	Reagent Type	Source
Accumer 9000	Dowchem	Caustic soda	multisource
Potassium Amyl Xanthate	multisource	Aramac flotio	Clariant
Oxalic acid	multisource	Flotigam ITU	Clariant
sodium silicate	multisource	Flotisor 1682	Clariant
Dextrin	multisource	Arkopal 040	Clariant
Hydrochloric acid	multisource	Aluminium powder	multisource including Alcoa, Degussa
Steelball	multisource	Iron Powder	multisource
Fluorosilicic acid	multisource		

The main reagents and the reagents dosage is similar to the level used in other niobium applications. The two-stage flotation process significantly reduces the acid consumption due to the pre-removal of carbonates. The main component for the mixed niobium collector is Armac flot 109, with the Flotisor product, Sylfat FA-1 used for the carbonate flotation circuit. Sodium silicate, sodium carbonate and sodium hydroxide are used as modifiers or depressant. Fluorosilicic acid and oxalic acid are used as pH regulators and niobium activators.

The testwork regime dosages appear reasonable to achieve the desired results, but should be considered as a starting point which would be subject to optimisation on the operational plant.

The reagent consumptions used are extracted from the pilot plant work without any contingency.

The ANSTO work used less sodium hydroxide in the caustic leach and less aluminium and but more iron in the thermite conversion process than similar commercial processes.



5.4 Process Control

The level of process control and instrumentation appears adequate for the type of operation. The use of density meters with flow meters will help to understand the mass flow, particularly at the front end of the circuit where niobium losses occur. This is critical to understand the mass pull recovered to the desliming stage, carbonate concentrate mass pull and the mass pull reporting to the niobium circuit. The niobium losses are directly correlated to mass pull reject.

The sampling system is not described in the process plant description and process control philosophy. The circuit control seems to be based on manual sampling and grab samples and no sampling frequency is described. PHT has indicated that samplers have been included in the FEED design.

An automatic sampling system with on-stream analyser is not included in the design. This increases the challenge to maintain optimum recovery. On stream analysers and automatic samplers are used by other producers. These tools enable a faster operational response to changing conditions within the circuit.

The mine plan seems to be based on niobium grade and recovery as is common to most other operations. However, in niobium processing, impurities need to be taken into account. Some of the ore blocks may not be suitable for processing via the standard flow sheet or may require specialised side processing.

5.5 Water

Process water for the plant will be a blend of fresh water and water to be drawn from the tailings return and storm water dam. A water use strategy has been proposed to utilise contaminated water in the process where possible. This may result in a build-up of contaminants within the process water systems, which in the light of the pilot plant testwork, may impact particularly on the flotation plant performance. It is suggested that the fresh makeup water be used in the build-up critical areas of the flotation plant where possible.

The effect of the use of the various proposed water sources on the process should be considered, and mitigation water treatment measures implemented if they are found to be performance limiting:

- given the high hazard classification of the TSF, excess water retention on the tailings dam should be avoided;
- the effects of recycling process water, both in terms of recovered water from the thickeners and returned from the tailings dam has not been quantified effectively, although a single bench-scale test done with site water showed no adverse effects. Water quality is critical for the optimum flotation of niobium. The possible limiting effect that this could have on plant operation is emphasised (as an example the Lynas RE operation in Western Australia where recycled water quality reduced the recoveries to a point where the plant was stopped);
- the effects of the use of local water particularly on the flotation circuit have not been quantified;
- PHT has advised that capital provision has been made for a water treatment plant as it is likely to be a requirement of the financing arrangement. No further detail regarding the



capacity or type of technology has been provided. It is advisable that adequate clean water is available in case the recycled water does not meet the plant requirement until a treatment plant will be available; and

- no work on the treatment of the leach effluents, which will contain significant concentrations of Na and Cl ions, was noted in the testwork. Elevated chloride concentrations, in particular in the recycled water streams, may cause accelerated corrosion. The incorporation of the water treatment plant, depending on the technology employed, may limit the build-up of these impurities. Some control measures including water conductivity measurement and some equipment corrosion protection have been included for the FEED study.

5.6 Tailings Disposal Facility

In the absence of Tanzanian standard legislation relating to tailings dams, the proposed dam has been classified according to the South African Standard code of Practice for Mine Residue Deposits (SANS 10286), in terms of which the dam is classified as a high hazard dam with a zone of influence covering the railway line, the Songwe village and extending to the Songwe river. This classification requires specific mitigations in the design and operation of the facility. The design issues appear to be adequately addressed, and recommendations are made in the design report as to the operational issues.

The evaluation of the DFS site water management and the design of the TSF were undertaken by SLR Consulting Africa (Ltd) (SLR) (SLR, 2016a). Rheological characteristic modelling of the tailings has been undertaken by Talpro (Chile). Hydraulic modelling for both the FC and MOC tailings slurry transport to the dam has been undertaken by Paterson and Cooke USA Ltd. The resultant high pressure carbon steel feed line with subsequent high-density polyethylene (HDPE) low pressure distribution lines is typical of mining operations. Adequate consideration has been given to transport velocities to promote turbulent mixing to prevent solids settlement during operations.

The TSF design work and the rheological and hydraulic transport modelling has been undertaken by established and reputable design houses. The FEED tailings dam has been substantially re-engineered to cater for the reduced LoM tonnage profile and now incorporates two phased compartments with revised decant and storm water catchments. Both the DFS and FEED designs have the TSF as a high-density deposition facility to maximise deposition potential as well as water recovery. The dam is to be operated with conventional deposition via a steel transport line with an HDPE distribution line and pipes with spigots to deposit into and control the deposition pattern. Supernatant water on the dam will be decanted to separate return water dams for each compartment. A second tailings deposition line has been allowed for in the FEED study. A stockpile pollution control dam has been added.

The resultant design is consistent with current construction and operational methods. The design and proposed implementation appear to be fit for purpose. Site selection has been optimised to make considered best use of the available area whilst limiting social and environmental impact. The dam is still classified as a high hazard dam in terms of infrastructure and habitation in the zone of influence of the dam.



The construction schedule of 15 months does not appear unreasonable. It is noted that 20 days allowance has been made of wet weather during the construction period.

5.7 Seismicity

The mining site lies on a defined fault zone and by association is in the vicinity of a seismically active area. In the absence of historic data for the area, the peak ground acceleration (PGA) for the purposes of the DFS has been interpolated from the nearest data sources and has been estimated statistically likely to fall between 0.08 g and 0.16 g, with an estimated 10 % probability of exceeding the resultant 0.16 g over the next 50 years.

A design PGA of 0.16 g has been noted in the tailings dam report (SLR, 2016b). The dam slope was analysed for pseudo-static conditions to assess the impact of earthquake loading, in accordance with the practice established by Hynes-Griffin in 1984. This approach estimated factors of safety ranging from 1.15 (at start-up) to 1.2 (year 17).

In discussion with SLR, the tailings dam starter wall has been designed as a water impoundment to mitigate effects of seismicity including slimes liquefaction. Future raisings of the dam wall are designed according to a downstream configuration, which the most stable shape for such an impoundment.

5.8 Radionuclides

Consideration has been given to the deportment of naturally occurring thorium and uranium throughout the process. These naturally occurring radioactive elements in the ore body upgrade into the niobium concentrate, leach residues and furnace slag which then contain elevated levels of Th and U. The deportment of these elements to the final ferroniobium samples was limited.

ANSTO analysed the caustic leach residue, slag and FeNb product for radionuclides in the naturally occurring U-238, U-235 and Th-232 decay chains. The results measured in Bq/g are indicated in Table 5-3.

Table 5-3 Radionuclide assays in Bq/g				
Sample ID	NaOH Leach Residue	Calcined NaOH Leach Residue	Slag	FeNb
<i>U-238 Decay Chain</i>				
U-238	23 ± 2	24 ± 2	24 ± 2	0.21 ± 0.02
Th-230	26 ± 3	na	27 ± 3	<0.37
Ra-226	22 ± 2	na	21 ± 2	0.059 ± 0.006
Pb-210	17 ± 2	na	4.7 ± 0.5	41 ± 4
Po-210	15 ± 1	14.2 ± 0.9	11.1 ± 0.9	na (a)
	31-Mar-16	07-Jun-16	22-Apr-16	-
<i>U-235 Decay Chain</i>				
U-235	1.5 ± 0.2	na	1.4 ± 0.2	<0.011
Pa-231	1.6 ± 0.2	na	1.6 ± 0.2	<0.024
Ac-227	na	na	na	<0.0052
Th-227	1.6 ± 0.2	na	1.6 ± 0.2	<0.0052



Sample ID	NaOH Leach Residue	Calcined NaOH Leach Residue	Slag	FeNb
<i>Th-232 Decay Chain</i>				
Th-232	13 ± 1	13 ± 1	17 ± 2	0.059 ± 0.006
Ra-228	22 ± 2	na	20 ± 2	0.060 ± 0.006
Th-228	23 ± 2	na	21 ± 2	0.060 ± 0.006
K-40	<0.15	na	<0.067	<0.016

The Nb concentrate delivered to ANSTO was not analysed for radionuclides, but was analysed at 1,700 ppm U. By ANSTO's calculation, and if the sample is in equilibrium, the U-238 decay chain would contain about 21 Bq/g each for U-238, Th-230, Ra-226, Pb-210 and Po-210. Although not tabulated by extension the acid leach residue activity values could be expected to fall between those of the niobium concentrate and NaOH leach residue figures.

Although the individual activities for the nuclides indicated by ANSTO in Bq/g are relatively low, in sum for each material other than the final ferroniobium product, they exceed the limits indicated in section 4(1) of the Tanzanian legislation, The Atomic Energy Act, 2002 for which automatic exclusion from the conditions of the Act would apply.

"3. This Act shall apply to Mainland Tanzania as well as Tanzania Zanzibar in respect of all persons or body of persons whose undertakings involve or include generally the use of atomic energy and nuclear technology and in particular the production, processing, handling, use, holding, possessing, storage, transport and disposal of natural and artifascial (sic) radioactive materials and radiation devices in respect of any other activity which involves a risk or harm arising from radiation.

Application

4-(1) Nothing in this Act shall apply to any material or use of any material, which contains radioactivity of less than 3,700 Becquerels and if there is no portion on it in which the concentration exceeds 74 Becquerels per gram of material."

The sum of the total measurements in the niobium concentrate (>84 Bq/g based on the U-238 decay chain only), the NaOH leach residue (166 Bq/g) and the slag (150Bq/g) all exceed 74 Bq/g. The quantities to be produced of each of these would exceed the 3,700 Bq total.

Initial direct radiation was also measured by ANSTO on a single (unidentified) sample which returned a low direct reading of 0.4 µSv/hour at a distance of 2 cm. The reading on the same sample from outside the glass container was 0.1 µSv/hour, which is equal to background radiation.

Provisions are made within the Act (section 4-(2)) for the exemption of ionizing radiation generators of a type approved by the Commission and any electronic tubes such as cathode ray tube for the display of visual images, provided they do not cause, in any normal operating conditions, an ambient dose equivalent rate or a directional dose equivalent rate, as appropriate, exceeding 1.0 µSv/hour at a distance of 0.1 m from any accessible surface of the apparatus; or if the maximum energy of the radiation produced is not greater than 5 keV. The levels as measured



by ANSTO for the single sample are below these limits and if approved by the Commission the sample would be subject to exclusion.

5.9 Staffing

Although niobium recovery processes are currently better understood they continue to be challenging. The successful start-up and the commissioning of this plant will require a number of skilled people, with some niobium processing experience if possible.

For the DFS, the proposed labour complement consists mainly of local manpower with only four expatriate staff out of the total staff of 128 assigned to the process plant. With the level of challenges associated with the commissioning this type of process plant, there is a high risk of not having sufficient highly skilled employees with niobium experience (or similar oxide processing experience).

The FEED study has confirmed the use of contract plant operator Minopex who will be required to supply their own skills to run the metallurgical operation. The challenge of sourcing the relevant experienced skills will remain with the contractors to ensure the relevant skills are sourced.

PHT has indicated that it will assemble an experienced implementation team prior to commissioning, as well as drawing up a detailed training plan to be implemented prior to start up. This measure would assist in achieving the targeted commissioning and start up schedule.

5.10 Construction and Ramp-Up Schedule

The FEED report documentation indicates that the proposed construction period has been reduced from 21 months in the DFS report to 18 months in the FEED report, but the documentation does not indicate the production ramp-up.

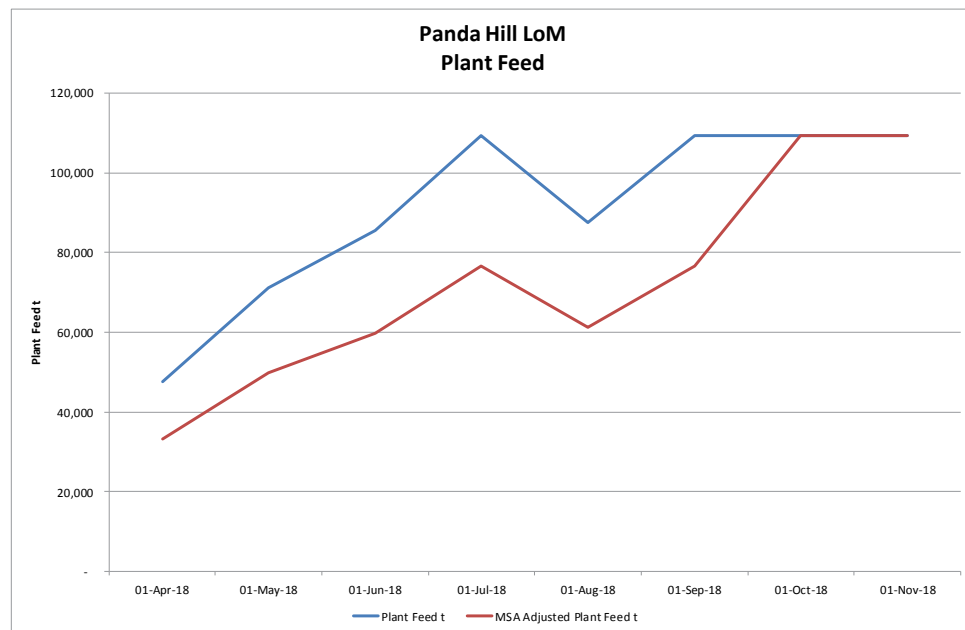
An aggressive ramp-up should be targeted, but the risk of not achieving such a ramp-up also should be considered. It is noted that Catalão, with 30 years of niobium design, engineering and operating experience, were reportedly able to achieve a McNulty type 1 start-up for their most recent plant.

MSA would consider a 12-month ramp-up to be aggressive compared with industry norms for a complex ore body and a complex flow sheet, an inexperienced general labour force and an untested blending of two primary ore types which would imply a McNulty curve type 2 operation. In terms of McNulty type 2, a ramp-up period of up to 18 months to design output may be considered as a conservative outcome. MSA have adopted such an 18-month ramp-up for the financial evaluation.

Figure 5-1 shows the MSA recommended plant feed ramp-up schedule, contrasted with the ramp-up from the DFS.



Figure 5-1
Recommended plant feed ramp-up schedule



The expansion plant capital is indicated in the financial model as being spent over a 12-month period, and the treated tonnage ramps up immediately thereafter to full capacity. MSA consider that the plant may be constructed over a period of 15 months, three months less than the time required for the construction of the initial plant. Given the experience gained during the operation of the initial plant, the commission ramp-up to steady state could be achieved in 12 months. During the expansion plant commissioning ramp-up, MSA prefer that the tonnage ramps up from 50 ktpm to the final 100 ktpm over a 9-month period and that recovery ramps up from 40 % to the final 60 % over a 12-month period.

Table 5-4 presents the Plant niobium recovery ramp-up over 18 months, according to a McNulty type 2 curve, as recommended by MSA.

Table 5-4 Plant Feed Ramp-up according to McNulty type 2								
Percentage of full design throughput capacity per month from start of production								
M1	M2	M3	M4	M5	M6	M7	M7	M9
8.0%	15.0%	26.0%	42.0%	57.0%	68.0%	74.0%	78.0%	81.5%
M10	M11	M12	M13	M14	M15	M16	M17	M18
84.5%	87.0%	89.5%	91.5%	93.5%	95.0%	96.0%	97.5%	98.5%

From Month 19 onwards the recovery ramp-up factor is 100%.



5.11 Ore Source and Mine Schedule

Ferroniobium production requires a specific control of the feed stock (pyrochlore concentrate) for some elements, otherwise the final product may not be suitable for market. The planned access to different ore sources and the ore mapping philosophy including recovery, concentrate grade and contaminant level are not clearly defined.

The following points are noted:

- most of the pilot plant tests have been done on fresh carbonate material with MOC material (transitional) treated at the end. However, fresh material will only represent 30 % to 35 % of the total treated and transitional material close to 40 % with the remaining being oxide ore. Oxide material will account for 40 % to 50 % for the first six months' feed;
- a constant process plant feed is a critical aspect considering the process flowsheet and level of parameters to be adjusted (reagents addition). Limiting the feed variation will impact positively on the process plant results. The FEED philosophy of stockpiling the ore is a good approach in terms of assuring a constant ore feed;
- access to fresh ore will remain critical and it is suggested that this be considered in the mining plan philosophy. An accelerated mining schedule may help in this respect; and
- Niobec successfully control and manage the different impurity elements over time by a mapping procedure of the various mine blocks. Metallurgical test work is done on mine blocks samples to determine their characteristics (niobium grade, Nb recovery and contaminants level). This is demanding work but critical to their understanding and control of their process plant feed and ore mixing/blending procedure.

5.12 Inclusion of Inferred Resources in Targeted Production

It needs to be noted that during the initial 10 years, when mainly Measured and Indicated Mineral Resources (converted to Ore Reserves) are mined, Low Grade Material and all Inferred Mineral Resources are placed on the ISP. This has the effect of raising the average feed grade to the plant to 0.65 % Nb₂O₅ for Fresh material, 0.72 % Nb₂O₅ for Transitional material and 0.70 % Nb₂O₅ for Oxide material. The corresponding floatation recovery rates are 65.6 % (Fresh), 57.9 % (Transitional) and 53.4 % (Oxide).

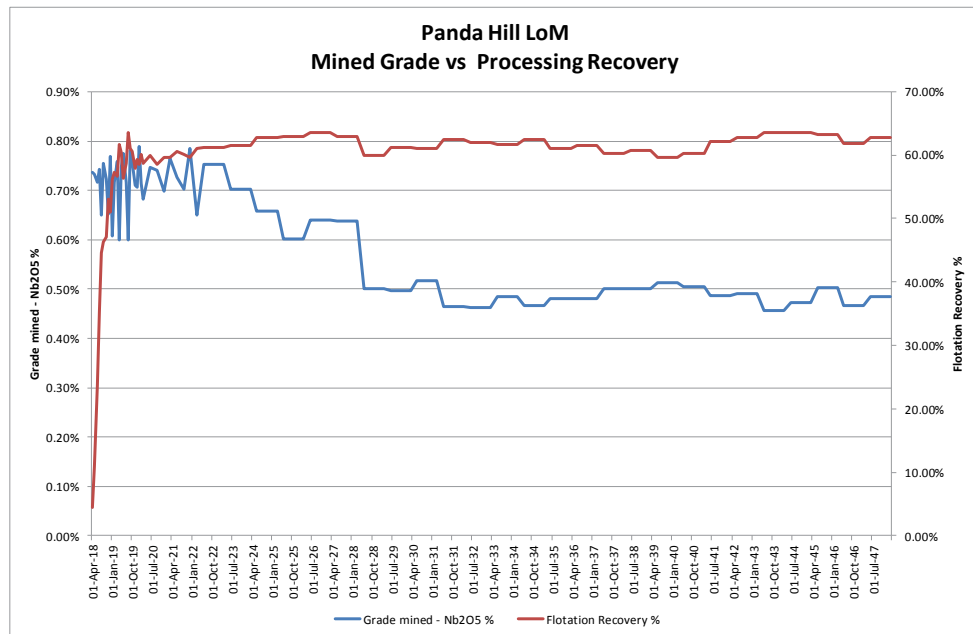
From year 11 onwards, mining depletes mainly Inferred Mineral Resources. The schedule takes all mineralised material (i.e. no selection of higher grade material and no stockpiling of lower grade) and feed it to the plant. This is due to the nature of the Inferred Mineral Resource, i.e. a function of wider drillhole spacings which do not support data densities sufficient to allow detailed modelling of the spatial distribution of grade. As a consequence, the average grades decrease to 0.46 % Nb₂O₅ for Fresh material, 0.51 % Nb₂O₅ for Transitional and 0.56 % Nb₂O₅ for Oxide material (Figure 5-2).

A detailed analysis of flotation recovery behaviour was carried out by Cradle on the metallurgical testwork results (Recovery Calculations.xlsx). This analysis compared recoveries with various characteristics of the feed material used in the metallurgical tests. The results showed that there are strong correlations between recovery of Nb₂O₅ and concentrations of SiO₂, CaO and Fe₂O₃. These correlations were used to estimate expected flotation recoveries for the material mined



during years 11 to 15. For the average composition of the Inferred Mineral Resources, the recoveries during years 11 to 15 thus decrease to 58.3 % for Fresh material and to 56.0 % for Transitional material. The average recovery for the Oxide material remains the same.

Figure 5-2
Comparison of mined grade with processing recovery

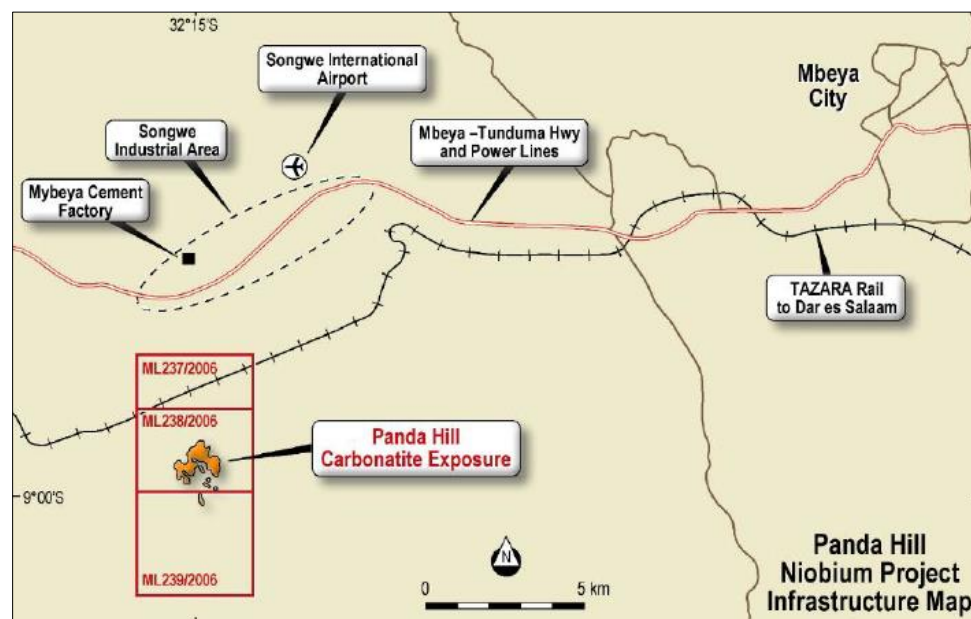




6 INFRASTRUCTURE AND AUXILIARY FACILITIES

The infrastructure within the local area of the Project is already well established and as such the Project development will only require significant investment in a tailings storage facility, surface water management, road upgrades, and onsite power plant. The location of the Project and surrounding infrastructure is shown in Figure 6-1.

Figure 6-1
Location of the Project and surrounding infrastructure



6.1 Mining Infrastructure

The following mine infrastructure is to be provided by the mining contractor:

- heavy mining equipment workshop;
- tyre bay and ancillary equipment;
- wash bays and ancillaries; and
- facilities including the administration building, car park, training facility, warehouse and store, and mobile radio installations.

The following mine infrastructure will be provided by the mine:

- the fuel farm – third party contractor supply;
- an explosives magazine (boosters and ancillaries) – to be provided by third party contractor;
- bulk storage of explosives will be provided by third party contractor; and
- light delivery vehicle workshop.



The DFS report (MDM Engineering, 2016) makes mention that the provision of the above facilities will be discussed and finalised with the mining contractor during the implementation phase.

6.2 Bulk Electrical Power

The DFS identifies a bulk power requirement for the 1.3 Mtpa production option in the order of 11 MW with a further 9 MW required to ramp up for the 2.6 Mtpa option. PHT intend to supply power to the plant by using a Heavy Fuel Oil (HFO) generator plant for the first four years of the operation. Thereafter, it is intended to migrate to grid power which is to be supplied by the Tanzanian power supply utility, i.e. Tanzania Electric Supply Company Limited (TANESCO).

Although national grid power is available at nearby (Mbeya town), it cannot be demonstrated at this stage that sufficient power will be available in a dependable manner from the national grid.

The FEED study considers the use of HFO throughout the LoM. The HFO power supply is to be based on a Build, Own, Operate and Maintain (BOOM) model, contracted to an independent power producer (IPP).

MSA adopt the view that for the purpose of financial evaluation the HFO power supply should be used for LoM as the only demonstrably reliable source of power for the foreseeable future. The HFO power supply would need to be upgraded prior to the ramp-up to 2.6 Mtpa, to meet the anticipated 20 MW full operating load.

6.3 Bulk Water Supply

Water storage and rainfall modelling using 13 years of rainfall data indicated that the operation should be water positive for the first five years of operation, i.e. until the expansion of the operation as proposed in the DFS. Thereafter an additional water source would be required.

Potential sources of water to the mine, as identified in the DFS and the site wide water management study undertaken as part of the FEED (SLR, 2016), include the following:

- storm water: the mine design(s) allow for two storm water dams with storage totalling 414,000 m³ which will be sufficient for the 1.3 Mtpa option. SLR undertook as Site Wide Water Management Study as part of the FEED (SLR, 2016). A storm water management strategy was developed for the proposed operation. During the initial years of the mine, storm water from the TSF, waste rock dump, intermediate stockpile and low grade stockpile will be collected in various dams (reclaim dam, pollution control dams for the plant and stockpiles) for reuse at the plant. A series of storm water measures are proposed to divert clean water around dirty catchments and to convey the dirty storm water to collections dams for re-use at the plant. Water quality monitoring will be undertaken. Modelling indicates that the dams on site, if full, will be able to supply the plant with make-up water during the average dry season (6 months) without a further external source of make-up water. During a longer dry season (in excess of 6 months), an external source of water will be required (well field and/or Songwe River);
- the mine has a permit to extract 60,000 litres per day from the Songwe River. This existing permit is valid for a period of three years and was obtained as part of the exploration phase



of the Project. PHT has applied for a permit to abstract 2,040 m³/day from the Songwe River. The application is currently with the National Water Board, pending a decision.

- an irrigation canal which is fed from the Songwe River; and/or
- a wellfield: the wells which had been drilled on the Property collapsed during drilling and casings could not be inserted. Results from a recent drilling campaign indicate that four of the five wells completed can supply a combined sustainable yield of 734 m³/day. PHT submitted an application to abstract 734 m³/day from five holes. Permits to abstract 389 m³/day borehole water during the rainy season have been granted by the Lake Rukwa Basin water board, Tanzania. Extraction is now permitted for three months over the dry season.

The storm water dams should always contain sufficient water to supply the plant's requirements for the 1.3 Mtpa production.

From Year 5 onwards, the Project will require an estimated additional 420,000 m³/yr.

No consideration was given to the impact of water treatment facilities for the processing plant in the DFS. The FEED report made capital provision for a water treatment plant to be part of the processing facility. Any changes to the processing plant water circuit which may include water quality treatment facilities may require a revision of the Project water requirements, but not necessarily for the worse.

A water treatment facility (Ultra Filtration) designed to treat 90 m³/day has been included in the capital provision. This is a packaged treatment facility and will be sufficient to cater for the envisaged potable water requirements for the employee and/or contractors on.

6.4 Access Road

In January 2017, the location of the access road to the Project was changed due to environmental and social concerns. Although the new access road will require a different set of improvements, it is materially shorter than the original design. MSA accept the capital allowance of USD 5,055,175 for the original access road as reasonable for the proposed new access road.



7 ENVIRONMENTAL AND SOCIAL REVIEW

The objectives of the environmental and social review include the following:

- review of the deliverables as part of the FEED Phase and the FEED Report (marked as draft) and highlight outstanding material environmental and social issues identified; and
- assess the environmental and social risks on the capital and operating costs for the proposed project, and in particular, the rehabilitation and closure component.

7.1 Environmental Authorisations

MSA have been informed by PHT that all the necessary environmental authorisations are in place for the current phase of the Project. Further permits are required at future stages of the Project. However, this aspect is unlikely to have a material effect on the technical valuation of the operation.

7.2 Water Management

A key deliverable undertaken as part of the FEED phase was obtaining a better understanding of the mine water and mine waste in light of the optimised mine plan and plant design. SLR Consulting (Africa) (Pty) Ltd (SLR) were appointed to develop the site water management measures as part of the FEED for the Project. This builds on work undertaken previously by SLR as part of the PFS and DFS. The various changes to the proposed mine design and operation have necessitated revisions to storm water management and the site wide water balance. The following was taken into account and revised by SLR (2016a):

- revised Tailings Storage Facility (TSF) design and related storm water infrastructure including revision of the location, reduced capacity and footprint and revised costing. A change in production rate to a constant 1.3 Mtpa over a minimum life of mine of 16 years (22 Mt), with consideration given to extending this capacity;
- reworking of the surface water management of the site based on the optimised FEED layouts which includes revision of the site wide storm water management plan based on the original DFS design;
- an update of the mine site water balance based on new FEED: WRD, ISP, LSP and TSF layout; new process plant; and make-up water supply from either the Songwe River or the potential well field; and
- the TSF and Prison geotechnical foundation material investigation (SLR, 2016b).

MSA note that the revised TSF design, as part of the FEED phase, has been designed and priced to a capacity of 22 Mt total production, i.e. 1.3 Mtpa over a life-of-mine of 16 years. It is important to note that the capacity of the TSF can be extended to accommodate the planned increased production rate to 2.6 Mtpa in Year 5 as per the DFS. The water decanted off the TSF will flow to a 120,000 m³ HDPE lined reclaim dam (RD) from where it will be pumped back to the plant for reuse. A second RD of similar capacity is required in Year 4 due to the increased area of the TSF basin and therefore the increase in the amount of storm water runoff over this area. The size of the second RD will need to account for the final footprint of the TSF and for the proposed increased production rate of 2.6 Mtpa in Year 5.



The storm water dam (SWD), RD and pollution control dams (PCD) have been sized to provide a total of six months' make-up water to the plant and mining operation. MSA are of view that water supply is unlikely to have a material effect on the technical valuation of the operation.

The capital expenditure to supply raw water to the plant has been accounted for in the FEED Financial Model. However, no allowance for related operating costs could be found. MSA consider that a monthly operating cost of USD 20,000 would be sufficient for this activity.

7.3 Waste Management

7.3.1 Mine waste management

The location of the waste rock dump has not changed from the DFS layout to the layout in the FEED study, however there has been a substantial reduction in the capacity and footprint of the waste rock dump, mainly due to reduced LoM tonnages. The exact capacity has not yet been verified. The ore stockpile area remains in the same location as proposed in the DFS and is split into two stockpiles: the ISP and the LSP. No material environmental issues are noted by MSA related to the waste rock dump and ore stockpiles.

7.3.2 General waste management

The general waste management aspect is unlikely to have a material effect on the valuation of the Project. An incinerator is included in the capital expenditure.

7.3.3 Social Management

An approved Prison/Relocation Agreement for the relocation of the prison was identified as a material social risk to the Project. The Prison Agreement has been approved by PHT shareholders and the Tanzanian Prison Services (TPS). The approved document has been passed on to Department of Home Affairs (prison services is part of DHA), after which it needs to be sent to the Attorney General for final approval. After this it will be signed by PHT and TPS. An Agreement approved by all relevant authorities is outstanding.

7.4 Mine Closure and Rehabilitation

The Environmental and Social Impact Assessment (ESIA) developed a closure strategy for the Project based on the DFS design. The closure plan has not yet been prepared based on the FEED Study, updated mine plan and design. According to local legislation, regulation 204 of the Mining Regulations 2010, every holder of a mining licence must submit a closure plan to the Chief Inspector for approval prior to closure. The holder is required to prepare and update mine closure plans for making the mining area safe on termination of mining operations.

The current closure strategy for the major infrastructure of the mine is discussed in the ESIA which includes the pit, TSF, Waste Rock Dumps, Processing Plant, Watercourses, Roads and Access Routes, Water Impoundments, Buildings, Waste Management Facilities.

In the original DFS, (based on a 1.3 Mtpa production rate, ramping up to 2.6 Mtpa in Year 5), there was an allocation of USD 60,408,289 put aside for closure and rehabilitation. PHT recalculated the closure costs, based on the projected production rate of 1.3 Mtpa over a life of



mine of 17 years, to USD 38,319,758 (Table 7-1). The difference in total closure costs calculated by PHT between the DFS proposed production schedule and the FEED production schedule is due to reduced dismantling costs of the plant and smaller pit and waste rock dump footprint. The closure costs calculated by PHT notably exclude the rehabilitation and closure costs for hauls roads or access roads, the landfill site, borrow pits and any post-closure water management.

SLR recalculated the closure costs for the 22 Mt TSF as part of the FEED study which amounted to USD 10,084,404. Given that the capacity at the end-of-life-mine will be likely be 72.8 Mt as per the original DFS, TSF closure cost of USD 16,865,691 as calculated by SLR is reasonable. The total closure and post closure costs for the TSF and storm water infrastructure amounted to USD 30,422,667 in the DFS study and USD 21,533,554 in the FEED study and these costs were based on industry rates. PHT calculated the closure costs for the remaining areas by applying generic "Master Rates" adopted from the South African Department of Mineral and Energy Guideline Document for the Evaluation of the Quantum of Closure published in 2005. These "Master Rates" were escalated by 8 % annually from 2006 to 2016 but were converted from South African Rand to US Dollars by means of an inappropriate conversion rate of ZAR 1 = USD 1, hence overestimating the closure cost in USD.

MSA adjusted the DFS closure and post closure estimate taking into account the closure costs for the water dam, the silts traps and the storm water control trenches as calculated by SLR. The total adjusted closure and post closure cost amounts to USD 60,839,551 (Table 7-1).

The Cradle DFS financial model allows USD 60.4 million for closure and post closure, ostensibly by the same methodology as mentioned above; however no details are shown regarding the components making up this value. It is MSA's view that this number is reasonable given the final footprint at the end of the life-of-mine, taking into account the anticipated ramp-up to 2.6 Mtpa in Year 5.

It is MSA's view that the closure costs have been calculated within a 30 % to 50 % range of error due to the method adopted by PHT to calculate the closure quantum and due to the following key assumptions:

- the open pit void will remain post closure. The pit will be made structurally stable and safe to the public;
- possible water treatment costs for seepage at closure and for the post closure period have not been considered as this is considered to be a very low risk issue;
- closure costs are scheduled to be disbursed during the last two years of operation, as well as five years following cessation of production. Only the TSF and associated infrastructure require post closure monitoring over a five-year period;
- an escalation rate of 8 % was applied to the Master Rates from 2005 to 2016;
- an exchange rate of 1 South African Rand = 1 US Dollar was used to convert the Master Rates; and
- water dam and silts traps will remain after mine closure for use by prison.



Table 7-1
The total rehabilitation and closure cost as calculated by PHT

Closure Component	DFS (USD)	FEED (USD)	1.3 Mtpa ramp up to 2.6 Mtpa (Adjusted) (USD)
TSF*	16,866,000	7,054,799	16,866,000
Water Dam and Silts Traps *	236,100	236,100	1,078,923
Storm water Control and Collection Trench*	0		409,062
Process Plant	14,391,394	10,354,204	14,391,394
Pit (Open Void)	3,419,737	2,279,825	3,419,737
Waste Rock Dump	2,159,897	1,198,825	2,159,897
Intermediate Stockpile	726,694	726,694	726,694
Closure Planning and Design (TSF and Associated Infrastructure only) *	2,800,000	2,800,000	2,800,000
Post Closure Aspects (TSF and Associated Infrastructure only) *	3,570,000	3,570,000	3,570,000
Other	6,170,419	3,712,685	5,277,919
20 % Contingency	10,068,048	6,386,626	10,139,925
Total	60,408,289	38,319,758	60,839,551

Note: * Closure cost calculated by SLR

In MSA's view, the rehabilitation cost estimate of USD 60.4 million for 1.3 Mtpa production ramping up to 2.6 Mtpa in Year 5 over a life-of-mine, is considered reasonable and is summarised in Table 7-2 given the assumptions listed above.

Table 7-2
The range of closure costs for the 1.3 Mtpa including ramp-up to 2.6 Mtpa (USD)

Option	Low Cost	Preferred Cost	High Cost
1.3 Mtpa ramp-up to 2.6 Mtpa	42,280,000	60,408,000	78,520,000

7.5 Operational Environmental Management Costs

The operational environmental management costs (Table 7-3) were updated in the FEED Opex Estimate to account for the operational costs per annum over life of mine. MSA are of the view that the total operational cost of USD 417,120 per annum is reasonable.



Table 7-3
Summary of the operational environmental management costs (USD/annum)

	DFS	FEED 1.3 Mtpa	Preferred Cost
Land Management	10,000	10,000	10,000
Water Resources Management	65,000	65,000	65,000
Materials and Waste Management	35,000	35,000	35,000
Flora & Fauna Management	111,000	111,000	111,000
Air Resources Management	30,000	30,000	30,000
Noise & Vibration Management	15,000	15,000	15,000
Visual Impact Management Plan	12,000	12,000	12,000
Health and Safety Management	10,000	10,000	10,000
Community Management Plan	60,000	60,000	60,000
ML Fees	40,000	44,120	44,120
Compliance Fees	25,000	25,000	25,000
Total	413,000	417,120	417,120

Source: FEED Opex Estimate 1.3 Mtpa 25-11-16 Final.xlsx



8 CAPITAL EXPENDITURE

MSA decided to use the latest FEED Capex calculations to derive the initial and sustaining Capex for the previous DFS Mine Plan, these numbers being considered to have been subjected to additional optimisation after conclusion of the DFS. A major exception is the TSF: the design presented in the FEED report cannot cope with the proposed expansion of the production rate from 1.3 Mtpa to 2.6 Mtpa in Year 5 of the production schedule. The design and Capex from the DFS were therefore retained for the tailings facility.

A summary comparison between the DFS, FEED and MSA adjusted Initial Capex is shown in Table 8-1. The DFS contingency is calculated to be 10.2 % of Capex compared to 8.6 % for the adjusted FEED. MSA used a 10 % contingency for the Initial Capex in Table 8-1 aligned with the DFS rate but propose that sensitivity analyses with a low rate of 8.6 % (aligned with the FEED) and a high rate of 12 % may be useful.

Table 8-1 Initial Capex			
Description	DFS k USD	FEED k USD	MSA Adj k USD
Mining	18,100	12,600	12,600
Process Plant	104,000	119,700	119,700
TSF	44,700	28,100	44,700
Owner*	10,700	13,500	13,500
Contingency	18,100	14,400	18,500
Total	195,600	188,300	209,000

Note: Some discrepancies in total may occur due to rounding of numbers; * includes Prison Relocation Costs

Due to a lack of information regarding the FEED Sustaining Capex, a summary comparison between the DFS and adjusted MSA estimates, prior to any contingency, is shown in Table 8-2. The key difference between the DFS and MSA adjusted Sustaining Capex is the adjustment to the Plant Expansion based on the revised FEED plant design.

Table 8-2 Sustaining Capex		
Description	DFS: 30 year LoM (k USD)	MSA Adjusted for 15 year LoM (k USD)
Mining Sustaining Capital	2,095	2,300
Plant Expansion	92,912	97,700
TSF Wall Lifts	84,637	50,200
Plant Sustaining Capital	36,963	28,700
Closure Costs	60,408	60,400
Total	277,015	239,200

Note: Some discrepancies in total may occur due to rounding of numbers



8.1 Mining

A comparison of the DFS and latest FEED Mining Capex (including contingency) related to the initial production rate of 1.3 Mtpa, with supporting commentary on the rationale for the changes made in the FEED phase, is shown in Table 8-3.

Due to the use of contract mining for the life of mine, the mining Sustaining Capex is limited. Reference is made to USD 2.3 million (including contingency) for the Mining Sustaining Capex in the financial model for the DFS base case which is deemed appropriate. This relates to mobilisation charges for additional mining equipment as the fleet requirements increase over time and expenditure for additional haul road requirements and clear and grub and topsoil removal.

Table 8-3 Initial Mining Capex – 1.3 Mtpa			
Description	DFS (k USD)	FEED (k USD)	Commentary
Owner's Team		1,174.3	Management team remains the same
Mobilisation of Equipment	784.8	663.9	Smaller equipment, BC Mining is already established in Tanzania, mobilisation costs are realistic.
Site Establishment	2,323.0	3,707.0	Workshop, training, explosives storage, workshops, administration buildings for mining contractor all form part of the MDM Engineering Capex estimates.
Management Fee (mining and explosives)	3,328.5	1,925.7	Shorter period on site during construction includes explosives supplier, lower estimates from BC Mining.
Clear and Grub and Topsoil	1,239.8	345.5	Clear and grub for ISP and LSP is included in the bulk earthworks area, as a source of fill and is therefore included in the bulk earthworks contract.
Haul Road	6,457.4	4,096.6	Haul road width redesigned for smaller vehicles (15 m wide vs 25 m wide. New optimised route and thus significantly shorter. BC Mining proposed attractive offer to start mining earlier to generate waste from the haul road to be used in bulk earthworks.
RoM Pad	3,228.0	278.6	RoM Pad redesigned by MDM Engineering. No drill and blasting at RoM Pad. Reduced waste fill requirements.
60 kt Stockpile	759.4	397.1	Lower haul rates from BC Mining and shorter routes.
Sub Total	19,295.3	12,588.7	
Contingency	1,449.7 (8.0 %)	1,165.7 (9.3 %)	
Total	18,121.0	13,754.4	FEED Capex is significantly lower



MSA decided to incorporate the FEED Mining Capex into the financial model for the following reasons:

- the smaller mining equipment proposed for the FEED design is deemed appropriate for the long-term production schedule due to improved grade control; and
- the commentary provided by Sound Mining for the changes made to the mining Capex appear sound and is based on the latest information and valid reasoning, and will not compromise the production schedule in the financial model.

The doubling up of production to 2.6 Mtpa in Year 5 will be supported by additional mining equipment in the mining contract and classified as operating costs.

8.2 Mineral Processing, Metallurgical Testing and Recoveries

A number of Project Capex additions and adjustments have been made subsequently to the FEED study including provision for a USD 5.5 million water treatment plant, and a reduction in the ECPM costs. The MSA adjusted process plant FEED Capex increased to USD 119.703 million versus the DFS study estimate of USD 104.048 million largely due to the implementation of layout revisions and the application of the findings of various expert studies and optimisation of the flotation and leach sections.

The Feed report allows for a contingency of around 6.7 % which is considerably lower than used for other projects of similar complexity and level of engineering. MSA consider that this should be regarded as the minimum likely contingency, with a preferred contingency estimate of around 10 % and an upper estimate of 12 %.

The DFS vs FEED Processing and TFS Capex summary for the initial production rate of 1.3 Mtpa is shown in Table 8-4. MSA adjusted the Capex based on the initial 1.3 Mtpa production rate to allow for doubling the production rate to 2.6 Mtpa after four years. This is especially applicable to infrastructural aspects and the TSF.

Table 8-4 DFS versus FEED study Processing Initial Capex			
Capex Category	DFS (k USD)	FEED (k USD)	MSA Adjusted Total (k USD)
Equipment Supply	47,890	50,861	56,361*
Construction/Erection	20,807	27,715	27,715
P&Gs	13,083	14,203	14,203
EPCM	12,080	15,000	11,250
Plant Total	93,859	107,780	109,530
Spares	10,188	10,174	10,174
Process Plant Total	104,048	117,954	119,703
TSF	44,763	28,115	44,763
PHT Owner	10,688	13,455	13,455
TSF & Processing Total	159,499	159,525	177,922
Contingency	16,622	13,658	17,335
Total incl. contingency	176,121	173,183	195,257

Note: Some discrepancies in total may occur due to rounding of numbers; *includes water treatment plant



The Metex furnace at a base price of USD 4.715 million was more expensive than the requested Keech furnace at a base price of USD 3.527 million.

A breakdown of the various section increases is indicated below in Table 8-5.

Table 8-5 DFS / FEED Capex variation (1.3 Mtpa)				
	DFS (k USD)	FEED (k USD)	Cost Variance (k USD)	%
Crushers	466.1	385.5	80.6	-17 %
Apron Feeders	135.9	539.4	403.5	397 %
Vibrating Grizzly, Feeders and Screens	118.1	90.4	-27.7	-23 %
Mills	3,283.7	2,543.5	-740.2	-22 %
Flotation Cells	1,934.6	1,904.2	-30.4	-2 %
Thickeners	710.3	465.6	-244.7	-34 %
Cyclones	212.7	267.2	54.5	26 %
Plate and Frame Filters	438.4	476.2	37.9	9 %
Alkali Leach Tanks	710.1	1,334.1	624.0	88 %
Rotary Dryer	254.6	286.5	31.9	13 %
Steam Boiler	35.2	287.2	252.1	717 %
Conveyors	337.7	191.3	-146.4	-43 %
Slurry Pumps	973.8	786.7	-187.2	-19 %
Water Pumps	161.6	146.0	-15.6	-10 %
Peristaltic Pumps	329.0	552.6	223.6	68 %
Chemical Pumps	46.9	54.8	8.0	17 %
Agitators	106.1	148.1	42.0	40 %
Cooling Tower	-	18.6	18.6	-
Leach and HFS Scrubbers	-	204.5	204.5	-
XLPE Tanks	19.4	34.3	14.9	77 %
Caustic Soda Bag Breaker	-	39.4	39.4	-
Caustic De-Humidifier	-	129.0	129.0	-
Flotation Area Maintenance Crain	-	54.5	54.5	-
Platwork	3,321.7	3,396.7	74.9	2 %
Piping	871.5	1,108.2	236.7	27 %
Valves	378.8	830.0	451.2	119 %
Acid Proofing	0.0	392.1	392.1	-
Electrical Engineering	5,365.4	5,377.4	12.0	2 %
Process Control and Instrumentation	3,534.2	3,888.9	354.7	10 %
Logistics	7,114.7	6,478.7	-636.0	-9 %
Totals:	30,394.4	32,026.1	1,631.7	-5.4%

The Capital required to expand the plant capacity to 2.6 Mtpa was estimated in the DFS to be USD 92.9 million. If the same pro rata change is applied to the FEED Capital, the expansion Capital for the processing plant should be USD 88.8 million. MSA added a 10 % contingency to the Plant



Expansion to make allowance for unforeseen costs, delays and complexities. Plant sustaining capital is set at USD 28.7 million over 15 year LoM.

The TSF design presented in the FEED report effected a large decrease in capital expenditure. However, this design reduced the long-term capacity of the storage facility to fit the reduced mine production rate on which the FEED is based. For the purpose of this Technical Assessment, and the subsequent financial evaluation, the DFS production schedule is preferred. The DFS schedule doubles the production rate to 2.6 Mtpa after Year 4. MSA therefore allotted the following Capital to the TSF:

- Initial Capital of USD 44.7 million; and
- Expansion Capital (tailings dam lifts) of USD 50.2 million over remaining LoM.

8.3 Closure and Rehabilitation

The Cradle DFS financial model allows USD 60.4 million for closure and post closure. MSA consider this amount as reasonable given the final footprint at the end of the life-of-mine. It is expected that this amount will be expended during the last two years of productive operation as well as the five years following cessation of productive operation. However, for the sake of computational efficiency, the costs are distributed in total over the last two years of production in the cash flow analysis.



9 OPERATING COSTS

9.1 On-going Rehabilitation

The costs related to on-going rehabilitation of environmental liabilities such as solid waste disposal, water treatment, etc. are included in the operating costs of the various areas in which these activities reside.

9.2 Mining

The following tables have been included from the Sound Mining report to highlight the comparison between the operating costs for the DFS and FEED plans.

- Table 9-1 and Table 9-2 compare the unit mining operating costs from Year 1 to Year 4;
- Table 9-3 and Table 9-4 compare the drill and blast unit cost rates;
- Table 9-5 and Table 9-6 compare the load and haul unit cost rates; and
- Table 9-7 and Table 9-8 compare the operating cash flows from Year 1 to Year 5.

The FEED unit costs in Table 9-2 have increased compared to the DFS unit costs in Table 9-1 by 19 % due to higher management fees in execution and higher drill and blast costs. Load and haul costs have decreased.

Table 9-1 Mining Operating Unit Costs based on Mine Plan in DFS					
Unit Costs	Y1	Y2	Y3	Y4	4 Years
Sub Total	25,317	23,021	21,560	18,498	88,397
USD/t milled	21.71	18.31	16.67	14.31	17.65
USD/t mined	4.28	4.35	4.80	5.38	4.62
Sub Total excl Owner Team	24,233	21,937	20,476	17,414	84,061
USD/t milled	20.78	17.45	15.84	13.47	16.78
USD/t mined	4.10	4.14	4.56	5.06	4.39
Sub Total ex Contractor fees and Owner Team	19,925	17,629	16,168	13,106	66,828
USD/t milled	17.09	14.02	12.50	10.14	13.34
USD/t mined	3.37	3.33	3.60	3.81	3.49



Table 9-2
Mining Operating Unit Costs based on Mine Plan in FEED

Unit Costs	Y1	Y2	Y3	Y4	4 Years
Sub Total	21,704	22,875	22,182	22,974	89,736
USD/t milled	19.41	17.99	15.98	17.88	17.72
USD/t mined	5.92	5.45	5.30	5.48	5.52
Sub Total excl Owner Team	20,782	21,953	21,260	22,052	86,048
USD/t milled	18.58	17.27	15.31	17.16	16.99
USD/t mined	5.67	5.23	5.08	5.26	5.30
Sub Total ex Contractor fees and Owner Team	15,616	16,653	15,961	16,667	64,897
USD/t milled	13.96	13.10	11.49	12.97	12.82
USD/t mined	4.26	3.97	3.81	3.98	4.00

The DFS drill and blast unit costs in Table 9-3 are significantly lower than FEED unit costs in Table 9-4. The DFS costs appear to be out of line with BC Mining and Teichmann (FEED). The DFS assumed a free dig of all the oxide weathered waste and ore material which is similar costs to the Fresh material.

Table 9-3
Operating Drill and Blast Unit Costs in DFS

Description	USD/bcm
Weathered waste	2.04
Weathered Ore	2.41
Fresh waste	2.25
Fresh ore	2.66

Table 9-4
Operating Drill and Blast Unit Costs in FEED

Description	USD/bcm
Weathered waste	2.15 (2.18)
Weathered Ore	2.25 (2.38)
Fresh waste	3.95 (4.43)
Fresh ore	4.21 (4.94)

Note: Figures in brackets are from Teichmann Tender

The BC Mining unit load and haul costs in Table 9-6 are lower than AMS unit costs in Table 9-5 due to significantly shorter haulage distances.



Table 9-5 Operating Load and Haul Unit Costs in DFS	
Description	USD/bcm
Y1	5.35
Y2	5.63
Y3	6.30
Y4	6.67
Y5	6.86

Table 9-6 Operating Load and Haul Unit Costs in FEED	
Description	USD/bcm
Y1	5.35 (5.56)
Y2	5.37 (5.36)
Y3	5.43 (5.28)
Y4	5.45 (5.21)
Y5	5.46 (5.18)

Note: Figures in brackets are from Teichmann Tender

The Owner's team cost in Table 9-8 (DFS) is reduced in Table 9-7 (FEED) due to more accurate costing using latest planning.

Table 9-7 Mining operating Cash Flow for DFS (k USD)					
Description	Y1	Y2	Y3	Y4	4 years
Owner's Team	1,084	1,084	1,084	1,084	4,336
Management Fee	4,308	4,308	4,308	4,308	17,232
Drill and Blast	4,579	4,271	3,643	2,932	15,425
Grade Control	296	272	274	270	1,112
Load and Haul	13,974	12,206	11,215	8,999	46,394
Load and Haul to TSF	260	0	131	0	391
Crusher Feed	816	880	905	905	3,506
Sub Total	25,317	23,021	21,560	18,498	88,396
Sub Total (excl. Owner and Management fee)	19,925	17,629	16,167	13,106	66,827
Day Works allowance @ 3%	598	529	485	393	2,005
Total	25,915	23,550	22,045	18,892	90,402



Table 9-8
Mining operating Cash Flow for FEED (k USD)

Description	Y1	Y2	Y3	Y4	4 years
Owner's Team	922	922	922	922	3,688
Management Fee	5,166	5,300	5,300	5,386	21,152
Drill and Blast	5,437	5,379	5,064	5,336	21,216
Grade Control	296	272	274	270	1,112
Load and Haul	8,654	9,752	9,321	9,756	8,907
Load and Haul to TSF	Included in Load and Haul				
Crusher Feed	1,381	1,381	1,381	1,381	5,524
Sub Total	21,855	23,005	22,262	23,050	90,172
Sub Total (excl. Owner and Management fee)	15,768	16,783	16,040	16,743	65,334
Day Works allowance @ 3 %	473	504	481	502	1,960
Total	22,328	23,509	22,743	23,553	92,133

MSA decided to incorporate the FEED mining operating costs into the financial model for the following reasons:

- the drill and blast rates appear more accurate and are based on reputable mining contractors operating in Tanzania;
- the smaller mining equipment proposed for the FEED design is deemed appropriate for the long-term production schedule, with improved grade control; and
- the application of the FEED mining operating cost rates will not compromise the production schedule in the financial model.

9.3 Mineral Processing, Metallurgical Testing and Recoveries

The DFS/FEED study operating expenditure comparison is summarised in Table 9-9.

Total labour costs have increased from a DFS estimate of USD 4.21 per tonne mill feed to USD 6.67 per tonne mill feed due to the Minopex contract. This increase in cost has been offset by savings on power due to the specification of a coal-fired rather than an electric boiler and a lower power furnace installation as well as savings on assay work.

The overall reagent costs appear to be in a similar range to other niobium processing plants.

The total plant Opex, expressed in USD/tonne, for the expanded plant facility after Year 5 will likely decrease due to at least part of the fixed portion of the initial plant Opex being shared across the two plants. In the absence of a fixed/variable split on FEED Opex, for the purpose of the valuation model, the FEED Opex has been projected for the expanded plant. This represents an opportunity during the operations contract negotiations prior to the commissioning of the expansion plant.



Table 9-9
Processing operating costs comparison (DFS vs FEED)

	DFS Study		FEED Study	
	USD/annum	USD/t MF	USD/annum	USD/t MF
Plant Direct				
Power Cost: Ore Treatment	9,540,048	7.34	8,152,754	6.27
Power: Product	3,575,262	2.75	1,224,121	0.94
Ore Consumables	11,244,399	8.65	11,812,777	9.09
Product Consumables	14,652,225	11.27	15,177,901	11.68
Maintenance: Ore Treatment	577,500	0.44	591,706	0.46
Maintenance: Product	293,760	0.23	228,227	0.18
Labour:(FEED Minopex)	3,297,744	2.54	6,773,256	5.21
Consumables: (FEED Minopex)	2,176,872	1.67	771,756	0.59
Owners' Cost: Process			630,408	0.48
Owners' Cost: Engineering			510,192	0.39
Analytical	1,875,600	1.44	876,808	0.67
Total Plant	47,233,409	36.33	46,749,907	35.96



10 MARKET ASSESSMENT

Cradle has undertaken a market assessment and analysed the supply and demand dynamics of the niobium market. Ferroniobium forms 90 % of world niobium sales and is the most saleable niobium product.

Cradle contracted a reputable independent market research company to undertake a marketing study and price forecast as part of the DFS. The report is of a confidential nature, but MSA have had full sight of the report and access to the relevant researchers. MSA are of the opinion that the report was diligently compiled and represents a reliable impression of the current niobium market.

Discussions with potential offtake partners have progressed beyond the initial stages of terms and conditions. Two offtake agreements that cover Europe and Asia are in the pre-signature stage. The details of the offtake agreements are confidential. MSA have reviewed the offtake agreements and are of the opinion that they are generally in line with industry standards.

Standard customer specifications are shown in Table 10-1, along with expected specifications from the Project. The Panda Hill specification is based on preliminary bench scale testwork undertaken on pilot plant concentrate samples.

Table 10-1 Product specifications		
Element	Spec (%)	Panda Hill (%)
Niobium	63.0	69.0
Iron	balance	27.0
Aluminium	<2.00	1.00
Tantalum	<0.50	0.23
Silicon	<3.00	0.50
Phosphorous	<0.20	0.04
Titanium	<2.00	0.20
Sulphur	<0.10	0.03
Carbon	<0.20	0.05
Manganese	<0.75	0.11



11 PROJECT RISKS

11.1 Mining

The key mining project risks are:

- the ability to provide the processing plant with consistent feed grade and blend of (fresh, oxide and transitional) mineralisation types;
- which would in turn affect the plant efficiency and mine operating costs;
- the timeous conversion of Inferred Mineral Resources to Indicated/ Measured Mineral Resource category to reduce the risk in the life of mine plan from Year 11 onwards. The types of risks involved with the scheduling of inferred Mineral Resources are:
 - a potential change to the pit design and pushback strategy;
 - a potential reduction in the LoM Reserve tonnes and grade; and
 - a potential inability to sustain the production rate at the set plant parameters.

The mitigation factors for the project risks are:

- the implementation of "best practise" grade control processes and procedures;
- combined with the implementation of an integrated stockpile management system; and
- the implementation of an integrated exploration program aligned with the long term plan.

11.2 Mineral Processing, Metallurgical Testing and Recoveries

The following areas may be regarded as risk items:

- operational:
 - blending of the primary ore types and the effect that this could have on the operability of the plant and on recoveries. The FC mineralisation was predominately tested via the pilot plant with a limited amount of MOC tested (the first sample being rejected as unrepresentative). A blended ore was not pilot plant tested to the full final flow;
 - the efficiency of the secondary sulphide rejection flotation stage has not been tested. If ineffective, this would result in elevated S levels in the final FeNb product;
 - other elements, for example tin, may deport to the final product which may impact on marketability;
 - the plant is relatively complex and the hiring of staff with suitable experience may be problematic in the local area. This represents a risk to start-up and commissioning as well as to achieving the planned ramp-up. By using an experienced contract plant operator, PHT aims to mitigate this risk to some extent; and
 - the quality of the water to be used in the plant has only been bench tested by means of a single sample. The pilot plant highlighted the problems experienced with recycled water quality on the operability and grade achievable from the flotation plant. It is essential that an adequate supply of good quality water be available. A water treatment plant has been costed to address this problem;
- health and safety:



- uranium and thorium, and their decay chain products, are upgraded into the niobium flotation concentrate and hence smelter dusts before being rejected into the furnace slag. PHT has subsequently drawn up operating procedures for handling of slag, which will monitor the working environment in this respect;
- the final flow sheet has not been tested at pilot scale. The final deportment of impurity elements is therefore not known. The ANSTO work indicated elevated levels of radioactive Pb210 in the FeNb product which would require more stringent containment and shipping conditions; and
- some of the reagents may be toxic or corrosive (hydrofluoric and hydrochloric acids, solid and solution caustic soda) and appropriate measures need be implemented in handling these.

11.3 Environmental and Social

An approved Prison/Relocation Agreement for the relocation of the prison was identified as a material social risk to the Project. The Prison Agreement has been approved by PHT shareholders and the Tanzanian Prison Services (TPS). The approved document has been passed on to Department of Home Affairs (prison services is part of DHA), after which it needs to be sent to the Attorney General for final approval. After this it will be signed by PHT and TPS. An Agreement approved by all relevant authorities is outstanding.

In January 2017, the location of the access road to the Project was changed due to environmental and social concerns. Permitting for the new access road and submission of a revised environmental management plan are outstanding and will need to be in place before construction commences. However, the costs associated with the new access road are expected to be of the same order as for the original access road.



12 FINANCIAL EVALUATION INPUTS

MSA critically reviewed the inputs on which the existing financial model ((CXX_CF Model_31March16 (Adjusted Model) MSA Inputs.xlsm) as provided by Cradle on 7 April 2017 are based. MSA adjusted the Capex, Opex and Sustaining Capital to reflect a revised mine plan encompassing:

- mining of the Ore Reserves over 10 years; and
- mining of Inferred Mineral Resources from Year 11 to end Year 15.

MSA edited the financial model to ensure all revised Capex, Opex and Sustaining capital are correctly reflected.

A key point is the high percentage of Inferred Mineral Resources in the DFS production schedule scheduled from Year 11 to Year 30 in the financial model as supplied by Cradle.

The VALMIN Code 2015 edition states the following regarding valuation of Inferred Mineral Resources.

"All Ore Reserves and Mineral Resources must be considered in a Technical Assessment or Valuation. When the Reasonable Grounds Requirement has been met for a Valuation, it is generally acceptable to use all Proved and Probable Ore Reserves in the Income Approach. It may sometimes be appropriate to include other classifications, but these must, subject to the Reasonableness Test:

(a) meet the minimum reporting requirements of the ASX Listing Rules and guidance, the ASIC Regulatory Guidelines and guidance, and the JORC Code;

(b) not include Exploration Targets that have not been converted to Production Targets;

(c) be scheduled for extraction behind Proved and Probable Ore Reserves, where practical to do so;

(d) include a statement by the Specialist that confirms the appropriateness of the Modifying Factors along with a description of their level of certainty relative to those of a Feasibility Study or Pre-Feasibility Study; and

(e) be discounted in a manner that is commensurate with the increased uncertainty."

MSA consider that the supplied financial model, in which Inferred Mineral Resources account for approximately half of all material mined and processed, cannot satisfy the Reasonableness Test. MSA therefore elected to limit the amount of mining and processing of predominantly Inferred Mineral Resources to only 5 years following the practical depletion of the estimated Ore Reserves.

The remaining scheduled Inferred Mineral Resources is valued separately in section 13.

The financial model inputs that require updating to fit the mine plan and schedule as considered reasonable by MSA are presented in Table 12-1, Table 12-2, and Table 12-3.



Table 12-1
Financial Evaluation Inputs

Input	Value & Time Distribution
Life of Mine	Life of Mine of 15 years in total, based on production schedules in existing financial model
Construction Period	18 months
Plant Feed and Recovery ramp-up	Following a McNulty type 2 curve, to reach full design performance after 18 months of operation. See section 5.10, and Table 5-4 for detailed ramp-up factors.
Initial Capex Changes	Refer to Table 12-2
Sustaining Capex Changes	Refer to Table 12-3
Closure Costs	USD 60.4 million to be distributed over the last two years of mine production.

Table 12-2
Initial Capex Changes

Heading	Sub Heading	Capex (USD million)	Reason
Mining	Mining Equipment (Mobilisation)	0.66	Aligned with FEED Initial Capex
	Mine Infrastructure	3.71	Aligned with FEED Initial Capex
Plant	Total plant	86.58	Aligned with FEED Initial Capex
Plant Infrastructure	Water Treatment Plant	5.50	Aligned with FEED Initial Capex
	Transport & Logistics (Roads)	5.06	Aligned with FEED Initial Capex
	Mobile Equipment	1.80	Aligned with FEED Initial Capex
Tailings & Water Storage	Tailings Storage Facility	20.77	Aligned with DFS Initial Capex
	Slurry Deposition Pipeline	0.26	Aligned with DFS Initial Capex
	Reclaim Dam	2.28	Aligned with DFS Initial Capex
	Start-up dewatering	0.90	Aligned with DFS Initial Capex
	PCD & Dirt Water Management	1.32	Aligned with DFS Initial Capex
	Silt Traps	0.41	Aligned with DFS Initial Capex
	Storm Water Dam	3.48	Aligned with DFS Initial Capex
	Storm Water Diversion	2.56	Aligned with DFS Initial Capex
	P&Gs	10.51	Aligned with DFS Initial Capex
Indirect	Mechanical	1.03	Aligned with FEED Initial Capex
	Mill	0.80	Aligned with FEED Initial Capex
	Furnace	0.29	Aligned with FEED Initial Capex
	Electrical	0.06	Aligned with FEED Initial Capex
	First Fills	2.94	Aligned with FEED Initial Capex
	Construction Services (Camp, security etc.)	4.40	Aligned with FEED Initial Capex



Heading	Sub Heading	Capex (USD million)	Reason
Engineering & Management	EPCM Plant	11.25	Aligned with FEED Initial Capex
	EPCM Fees (TSF and Water)	2.27	Aligned with FEED Initial Capex
	Owner's Costs	13.46	Aligned with FEED Initial Capex
Contingency	Mining	1.17	Aligned with FEED Initial Capex
	Plant & Infrastructure	8.06	Aligned with FEED Initial Capex
	TSF and Water	5.60	Aligned with DFS Initial Capex
Pre-Production	Owners (MSA make up)	3.68	
	Mining - Clear & Grub / Topsoil Removal	0.35	Aligned with FEED Initial Capex
	Mining - Haul Road	4.10	Aligned with FEED Initial Capex
	Mining - RoM Pad/ ISP & LSP + P&Gs	0.28	Aligned with FEED Initial Capex
	Mining – Owner's Cost	1.17	Aligned with FEED Initial Capex
	Mining - Mining Contractor Management Fee	1.93	Aligned with FEED Initial Capex
	Plant - Processing Start-up Costs	0.40	Aligned with FEED Initial Capex

Table 12-3
Sustaining Capex Changes

Heading	Capex (USD million)	Reason
Mining Sustaining Capital	2.3	Aligned with DFS Sustaining Capex including 10 % contingency
Plant Expansion	97.7	FEED plant and EPCM Capex including 10 % contingency
TSF Wall Lifts	50.2	Aligned with DFS Sustaining Capex including 10 % contingency
Plant Sustaining Capital	28.7	Aligned with DFS Sustaining Capex including 10 % contingency
Closure Costs	60.4	Aligned with DFS Sustaining Capex (distributed over the last two years of mine production)

Note: Some discrepancies in total may occur due to rounding of numbers



13 VALUATION OF INFERRED RESOURCES

The Inferred Mineral Resources that were not considered for inclusion in the LoM on which the discounted cash flow analysis is based, still constitute a real mineral asset, with a real value. MSA considered valuing this part of the Panda Hill project by means of comparable transactions (Market Approach) and potential revenue (Income Approach). This mineral asset valuation of the Inferred Mineral Resources not included in the LoM on which the financial evaluation is based, complies with the Australasian Code for Public Reporting of the Technical Assessments and Valuations of Mineral Assets (the VALMIN Code 2015 Edition) (the VALMIN Code).

The quantity of Inferred Mineral Resources that were not included in the financial evaluation (the "Remaining Inferred Mineral Resource"), amounts to 38.9 Mt at an average grade of 0.49 % Nb₂O₅.

Some 13 known transactions involving projects with significant niobium mineralisation were researched. Most of these transactions were rejected, due to mainly three reasons:

- not enough details of the project or the terms of the transaction are in the public domain;
- the project is either in too advanced a stage of development, with Inferred Mineral Resources contributing a minor amount to the project value; and or
- the project is in too early a stage of development, with no significant estimate of the amount of mineralised material that the project may host.

Eventually, only five reasonably comparable transactions were found and analysed. These are described below, and summarised in Table 13-1.

Kanyika Project – Kenya

In August 2009 Globe Metals and Mining Limited (Globe) (ASX:GBE) announced that Thutuka Group Limited (Thutuka) has entered into a formal joint venture agreement to invest AUD 12.9 million to earn a 25 % interest into the Kanyika Project. Based on this, a 100 % interest in Kanyika is valued at AUD 51.6 million. At the time, Globe had declared Mineral Resource totalling 55.3 Mt at an average grade of 0.299 % Nb₂O₅ (with some credits for U₃O₈ and Tantalum). 76 % of this material was in the Inferred Mineral Resource category. To enable a more direct comparison, the transaction is expressed as having been at a unit value of AUD 0.93 per tonne mineralised material.

Qeqertaasq Project – West Greenland

In December 2013 NunaMinerals A/S (Nuna) announced that the company has signed an agreement with Korea Resources Corporation (KORES) whereby KORES will spend USD 3.5 million to earn a 51 % interest in the Qeqertaasq project. The investment is to be spent in three stages: the first stage of USD 1.5 million is committed and the subsequent stages will depend on the results of the first stage. MSA applied a 50 % possibility to the subsequent stages eventuating. Hence the cash equivalent payment for the 51 % interest is deemed to be USD 2.5 million. Hence a 100 % interest is valued at USD 4.90 million (AUD 5.44 million).

An historic estimate of mineralisation claimed 35 Mt of material at an average grade of 0.5 % Nb₂O₅. From this MSA calculate a unit value of AUD 0.16 per tonne of mineralised material.



Argor Project – Northern Ontario

In March 2016 MDN Inc. announced that the company has signed non-binding letter of intent to acquire a 100 % interest in the Argor project from Barrick Gold Inc., James Bay Columbian Ltd. And Goldcorp Inc. In June 2016 MDN confirmed that the company has closed the acquisition.

The terms of the acquisition of the 100 % interest in the Argor project included:

- MDN to pay a cash consideration of CAD 25,000,
- MDN to issue 5,000,000 common shares to the sellers. MDN's share price in the period immediately before the announcement averaged approximately CAD 0.02 per share. Hence the share portion is valued at CAD 100,00 in cash equivalent, and
- the sellers will retain a 2 % net smelter royalty over all minerals produced from the property. MDN has the right to buy back 1 % of the royalty for CAD 2,000,000 at any time (in 2016 CAD). Using this buy-back right as a guideline, the 2 % royalty is valued at CAD 4,000,000 cash equivalent.

Hence the total cash equivalent value of a 100 % interest is estimated to be CAD 4.125 million, or AUD 4.08 million (at the then rate of exchange).

An historic estimate of the mineralisation claimed 62 Mt at an average grade of 0.52 % Nb₂O₅. Based on this, a unit cash value of AUD 0.07 per tonne of mineralised material is derived.

Elk Creek – Nebraska

In May 2010 Quantum Rare Earth Developments Corp. (Quantum) announced that it has acquired the Elk Creek carbonatite from 859404 BC Ltd. The terms of the transaction were:

- Quantum to pay a cash consideration of CAD 500,000, and
- to issue one Quantum share for each outstanding share of 859404 BC Ltd. At the time, 859404 BC Ltd. Had approximately 19.2 million shares outstanding. Immediately prior to the announcement of the transaction, Quantum shares traded around CAD 0.49 per share. Hence the cash equivalent of the equity consideration is estimated to be CAD 9.4 million.

The cash equivalent to gain a 100 % interest in the Elk Creek project is therefore estimated at CAD 9.9 million (AUD 9.8 million).

An historic estimate of mineralisation (Molycorp Inc., 1986) claimed 35.7 Mt at an average grade of 0.82 % Nb₂O₅. This allows a cash unit value of CAD 0.28 (AUD 0.26) per tonne mineralised material to be derived.

Montviel – Quebec

In May 2011 GéoMégA Resources Inc. announced that the company has entered into an agreement (amended from a previous agreement) by which the company will immediately acquire a 100 % interest in the Montviel project from NioGold Mining Corporation.

At the time of the transaction, no public statement had been made regarding any Mineral Resources estimated to be hosted by the project. However, some five months after the announcement, a large Mineral Resource (250.6 Mt of which 73 % in the Measured and Indicated



categories) containing lanthanides and niobium at relatively low grades, was made public. This indicates that the project was at an advanced stage of exploration at the time of the transaction.

Payment for the 100 % interest is by GéoMégA issuing 1,525,000 ordinary shares to NioGold. During the month preceding the announcement, the shares of GéoMégA traded at an average of CAD 3.83 per share. In this manner a 100 % interest in the Montviel project is calculated to be worth CAD 5,840,750 (AUD 6,084,115).

Summary

The prices paid for a 100 % interest in the various projects show convergence to a range of between AUD 4 million and AUD 10 million.

The context of the Inferred Mineral Resources at the Panda Hill project is positive: these tonnages have been subjected to techno-financial scrutiny and found favourable for eventual extraction and processing. In addition, significant exploration potential exists to over time add to the mineral inventory at Panda Hill. Considering this context, MSA select a preferred value towards the upper end of the convergence range, similar to Elk Creek. This **preferred value is AUD 10 million**. A lower value would be AUD 6 million and a higher value AUD 15 million.

The spread of the unit values is also fairly wide, with the highest value being 13 times higher than the lowest value. The median value is AUD 0.21 per tonne of mineralised material.

Applying a spread of +/- 50 % of the median value either side of the preferred value, the range of reasonable values are deemed to vary from AUD 0.16 per tonne to AUD 0.36 per tonne.

Based on the value per tonne of mineralised material, the Remaining Inferred Mineral Resource at Panda Hill is estimated to have a reasonable value ranging between AUD 6.2 million and AUD 14.0 million, with a preferred value of AUD 10.1 million. This agrees very closely with the gross transactional values.

In order to review the reasonableness of the values based on comparable transactions, the effect of including the Remaining Inferred Mineral Resource in the financial evaluation was modelled by means of a discounted cashflow analysis. This analysis extended the life of mine of the project, based on the project description contained in this report, to 30 years, during which the 38.9 Mt of Inferred Mineral Resource is depleted. On this basis, at a discount rate of 10%, the Remaining Inferred Mineral Resource increased the NPV of the project by some AUD 73.7 million. Adjusting this figure downward by a factor of 0.5 to allow for the uncertainty regarding grade distribution and quantity of mineralisation, and an additional factor of 0.7 to align the technical value with market value, a more reasonable financial contribution of AUD 25.8 million can attributed to the Remaining Inferred Mineral Resource. This number is more than double than the value derived from the comparable transactions, and higher than the highest transactional value (Kanyika project), perhaps illustrating why the inclusion of Inferred Mineral Resources in a financial evaluation model is generally cautioned against. The range of values derived from the comparable transactions is the preferred estimate of the mineral asset value of the Remaining Inferred Mineral Resources.



Table 13-1
Summary of Comparable Transactions

Project (location)	Transaction Summary	Date	Cash Equivalent for 100 % interest (AUD million)	Cash Equivalent (AUD per tonne mineralised material)	Comment
Kanyika (Kenya)	AUD 12.9 million to earn 25 % interest	Aug 2009	15,600,000	0.93	55.3 Mt of mineralised material, of which 76 % is Inferred Resource. Ave. grade 0.299 % Nb ₂ O ₅
Qeqertaasaq (West Greenland)	51 % interest: 1 st stage USD 1.5 million 2 nd & 3 rd stages: USD 2.0 million	Dec 2013	5,440,000	0.16	Historic estimate of 35 Mt at 0.5 % Nb ₂ O ₅
Argor (Ontario)	100 % interest Cash payment CAD 25,000 Shares valued at CAD 100,000 2 % Net Smelter Royalty valued at CAD 4 million	Mar 2016	4,080,000	0.07	Historic estimate of 62 Mt at 0.52 % Nb ₂ O ₅
Elk Creek (Nebraska)	100 % interest Cash CAD 500,000 Shares valued at CAD 9.4 million	May 2010	9,800,000	0.26	Historic estimate of 35.7 Mt at 0.82 % Nb ₂ O ₅
Montviel (Abitibi, Quebec)	100 % interest 1,525,000 shares valued at CAD 5.84 million	May 2011	6,084,115	-	No Mineral Resource estimate at time of transaction, but significant Mineral Resource declared 6 months later

14 CONCLUSIONS

14.1 Geology and Mineral Resources

- No fatal flaws were found during the review.
- No items that require immediate rectification were found.
- A number of areas were identified that could be considered as improvement areas, however they will not materially affect the integrity of the Mineral Resource estimate or the ability of the Mineral Resource to deliver to project expectations.
- Whether ore is sent for processing, stored in a low grade or intermediate stockpile, or classed as waste is dependent on oxidation state, rock type, and Nb₂O₅, SiO₂ and CaO grade. Strict operational control will be required to categorise the ore using the required parameters and provide for the optimal feed.
- The review indicates potential upside to the Project in terms of the grade of oxide Mineral Resource and the significant exploration potential. Despite the potential upside, no adjustments to the financial model are warranted.

14.2 Mining and Ore Reserves

- No fatal flaws and/or material flaws were found during the review of the mining and Ore Reserves.
- MSA have reduced the first and second year of mining production in line with the 18-month plant feed ramp-up based on a McNulty type 2 operation.
- MSA have in the mining schedule allowed for stockpiling ahead of the processing feed schedule on the RoM pad to provide operational flexibility as described in the DFS report.
- MSA have incorporated the FEED Mining Capex into the financial model for the following reasons:
 - The smaller mining equipment proposed for the FEED design is deemed appropriate for improved grade control.
 - The commentary provided by Sound Mining for the changes made to the mining capex appear sound, based on latest information and valid reasoning, and will not compromise the production schedule in the financial model.
- MSA have incorporated the FEED Mining Opex rates into the financial model for the following reasons:
 - The drill and blast rates appear more accurate and are based on reputable mining contractors operating in Tanzania.
 - The smaller mining equipment proposed for the FEED design is deemed appropriate for improved grade control.
 - The application of the FEED mining Opex rates will not compromise the production schedule in the financial model.

14.3 Metallurgy

- The mineralogical, metallurgical, material characterisation and design testwork has been undertaken by established and reputable laboratories and design houses with relevant previous experience.
- Smelter testwork has demonstrated that a marketable grade FeNb is achievable from concentrates produced from the design flowsheet.
- The unit processes incorporated in the process flowsheet are reasonably conventional but represent a relatively complex process in total.
- No fatal flaws were found during the review.

14.4 Environmental and Social Issues

- MSA have noted no outstanding material environmental issues related to authorisations, water management, waste rock dump and ore stockpiles, social management and rehabilitation, that may have an effect on the financial evaluation.
- It is MSA's view that the USD 60.4 million budgeted for closure and post closure costs is reasonable given the final footprint at the end of the life-of-mine.
- MSA consider that the total operational cost of USD 417,120 per annum is reasonable.

14.5 Capital Expenditure

MSA combined the best applicable results from both the DFS and the FEED results to derive an optimised estimate of the capital expenditure:

- Initial Capital: USD 209.0 million, including the prison relocation but excluding pre-production financing costs; and
- Sustaining Capital: USD 239.2 million (including closure costs).

14.6 Operating Costs

MSA decided to incorporate the FEED mining operating costs into the financial model for the following reasons:

- the drill and blast rates appear more accurate and are based on reputable mining contractors operating in Tanzania;
- the smaller mining equipment proposed for the FEED design is deemed appropriate for the long-term production schedule, with improved grade control; and
- the application of the FEED mining operating cost rates will not compromise the production schedule in the financial model.

Processing and tailings storage Opex are based mainly on the FEED costs and come to USD 35.96 per tonne of mill feed.

14.7 Valuation of Inferred Mineral Resources

Some 38.9 Mt of Inferred Mineral Resources, at an average grade of 0.49 % Nb₂O₅, are not included in the financial evaluation. This portion of the mineral asset that makes up the Panda Hill project were valued using Comparable Transactions (Market Approach). Detailed analysis of five

reasonably comparable sales allowed a **preferred value of AUD 10 million** to be estimated for the Inferred Mineral Resources. This preferred value fits into a range varying from AUD 6 million to AUD 15 million.

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APPENDIX 1:

Abbreviations and Acronyms

Acronyms and Abbreviations

Al	Aluminium
ANSTO	Australian Nuclear Science and Technology Organisation
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollars
BDO	BDO Corporate Finance (WA) Pty Ltd
C	Carbon
CAD	Canadian Dollars
Capex	Capital expenditure
CBMM	Companhia Brasileira de Metalurgia e Mineração, Brazil
CINGEX	Canadian National Geological Exploration Ltd
Cradle	Cradle Resources Limited (ASX:CXX)
DD	Diamond drill
DFS	Definitive Feasibility Study
DTM	Digital Terrain Model
FC	Fresh carbonates
FEED	Front End Engineering and Design
FEL	Front end loader
FeNb	Ferro niobium
HDPE	High-density polyethylene
HFO	Heavy Fuel Oil
IER	Independent Experts Report
IPP	Independent Power Producer
IRR	Internal Rate of Return
ISP	Intermediate stockpile
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition
K	Potassium
LMIK	Localised multiple indicator kriging
LoM	Life-of-mine
LSP	Low grade stockpile
MBEXCO	Joint venture: Billiton and Colonial Development Corporation - Mbeya Exploration Company
MDM	MDM Engineering (Pty) Ltd
MIK	Multiple indicator kriging
ML	Mining Licence
Mn	Manganese
MOC	Moderately oxidised carbonates
MSA	The MSA Group (Pty) Ltd (South Africa)
Nb	Niobium
Nb ₂ O ₅	Niobium pentoxide
NPV	Net Present Value
NRG	New Resolution Geophysics
OC	Oxidised carbonates
OK	Ordinary kriging
Opex	Operating cost

P	Phosphate / Phosphorous
Pb	Lead
PCD	Pollution Control Dam
PFS	Pre-Feasibility Study
PGA	Peak ground acceleration
PHM	Panda Hill Mining Pty Ltd
PHT	Panda Hill Tanzania Limited
Po	Polonium
Project	The Panda Hill Niobium Project
QAQC	Quality assurance and quality control
Ra	Radium
RC	Reverse circulation (drilling)
RD	Reclaim dam
RECB	RECB Limited
RoM	Run of mine
RPEEE	Reasonable prospects for eventual economic extraction
RUDIS	Yugoslavian State Enterprise – Mining Industrial Association
S	Sulphur
SAG mill	Semi-autogenous grind mill
SANS	South African National Standards
SANS 10286	South African Standard code of Practice for Mine Residue Deposits
Sb	Antimony
Si	Silicon
SLR	SLR Consulting Africa (Ltd)
SMU	Selective mining units
Sn	Tin
STAMICO	State Mining Company of Tanzania
SWD	Storm water dam
Ta	Tantalum
TANESCO	Tanzania Electric Supply Company Limited
TAZARA	Tanzania-Zambia Railway Authority
TBC	To be confirmed
Th	Thorium
Ti	Titanium
TMI	Tremont Investments Limited
TMM	Total mined material
TPS	Tanzania Prison Service
TSF	Tailings Storage Facility
Tremont	Tremont Investments Ltd
U	Uranium
USD	United States Dollar
VALMIN	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code) 2015 Edition
WRD	Waste rock dump
XRF	X-ray fluorescence



Scheme Implementation Agreement

Dated 9 March 2017

King & Wood Mallesons
QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia
T +61 8 9269 7000
F +61 8 9269 7999
DX 210 Perth
www.kwm.com

Scheme Implementation Agreement

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Scheme Implementation Agreement Details

Parties	Bidder and Cradle	
Bidder	Name	Tremont Investments Limited
	Incorporated in	Mauritius
	Address	C2-202, Level 2, Office Block C, La Croisette, Grand Baie, 30517, Mauritius
	Email	brendon.jones@tremontservices.com
	Attention	Brendon Jones
Cradle	Name	Cradle Resources Limited
	ACN	149 637 016
	Incorporated in	Australia
	Address	Level 7, 1008 Hay Street, Perth WA 6000
	Email	ssmart@equatorialresources.com.au
	Attention	Company Secretary
Recitals	A	Bidder proposes to acquire Cradle Shares pursuant to a members' scheme of arrangement under Part 5.1 of the Corporations Act.
	B	At the request of Bidder, Cradle intends to propose the Scheme and issue the Scheme Booklet.
	C	Cradle and Bidder have agreed to implement the Transaction on the terms and conditions of this agreement.
Governing law	Western Australia	
Date of agreement	See Signing page	

Scheme Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

These meanings apply unless the contrary intention appears.

Announcement Date means the date on which the public announcement is made in accordance with clause 15.1.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

Authorised Officer means:

- (a) in respect of Bidder, each of its directors or any other person nominated by Bidder to act as an Authorised Officer under this agreement and notified to Cradle in writing; and
- (b) in respect of Cradle, each of its directors and its company secretary, or any other person nominated by Cradle to act as an Authorised Officer under this agreement and notified to Bidder in writing.

Business Day means a business day as defined in the Listing Rules.

Bidder Indemnified Parties means Bidder, its Related Bodies Corporate and the officers, employees and advisers of each of Bidder and its Related Bodies Corporate.

Bidder Information means the information regarding Bidder as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or applicable ASIC Regulatory Guides. For the avoidance of doubt, Bidder Information does not include information about the Cradle Group (except to the extent it relates to any Bidder's statement of intention relating to the Cradle Group following the Effective Date).

Bidder Sole Funded refers to the sole funding to be provided by Bidder to PHT for the implementation by PHT of any matter referred to in clauses 7.3(a)(i) to 7.3(a)(iii) by Bidder providing a loan facility to PHT for the specific purpose of implementing the relevant matter. The terms of the loan facility will include:

- (a) no interest accruing on the outstanding amount under the facility;
- (b) the maturity date for the loan facility being the date that is 90 calendar days after the "Decision to Mine" is made or deemed to be made by PHT under clause 14 of the ISA; and
- (c) the outstanding amount under the facility will be repaid on the maturity date by:
 - (i) PHT making a cash call to PHT shareholders under the terms of the ISA not more than 14 days prior to the maturity date, with payment due on or before the maturity date;

- (ii) PHT using the proceeds from Cradle's proportional share of the cash call to repay the relevant portion of the outstanding amount under the facility;
 - (iii) Bidder will discharge its obligation to pay its proportional share of the cash call by setting it off against the balance of the outstanding amount under the facility (after accounting for Cradle's payment under paragraph (c)(ii) above; and
 - (iv) if Cradle fails to satisfy its proportional share of the cash call, then the outstanding amount under the facility will be converted into PHT shares at an issue price of US\$1.00 per share and upon the issue of shares in PHT, the loan facility to Bidder will be discharged and Bidder will have no further claim against Cradle or PHT in respect of that Bidder Sole Funded amount; and
- (d) the provision that the loan facility may be appropriately restructured or varied at the discretion of Bidder if the Scheme becomes Effective.

Bidder Request List means the due diligence request list provided by Bidder to Cradle on or around 17 November 2016 and the responses provided by Cradle.

Cash Budget means the Cradle Group (excluding PHT) cash budget provided by Cradle to Bidder on 7 March 2017 and initialled by the parties as at the date of this agreement.

Claim means any obligation, debt, cause of action, disability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute or otherwise.

Competing Transaction means any proposal, agreement, arrangement, reorganisation or transaction which, if completed, would mean a person (other than Bidder or its Related Bodies Corporate) would:

- (a) directly or indirectly, acquire an interest or Relevant Interest in, or become the holder of:
 - (i) 20% or more of the Cradle Shares; or
 - (ii) all or a substantial part or a material part of the business conducted by the Cradle Group,

including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee;
- (b) acquire control of Cradle or any of its material Subsidiaries, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Cradle.

Conditions Precedent means the conditions precedent set out in Schedule 2.

Confidentiality Agreement means the agreement of that name between Cradle and Bidder dated on or about 3 November 2016 and as subsequently amended on or about 3 January 2017 and on 21 February 2017.

Controller has the meaning it has in the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia or the Supreme Court of Western Australia, to be agreed by Bidder and Cradle.

Cradle Board means the board of directors of Cradle.

Cradle Clause means any of the following clauses of this agreement:

- (a) clause 14.1(a);
- (b) clause 14.1(b)(i);
- (c) clause 14.1(b)(ii) - provided the material breach relates to the Cradle Group (excluding PHT) and does not relate to any matter relating to PHT (but including breaches of clause 7.3(a) and Cradle's warranties in relation to PHT provided as at the date of this agreement);
- (d) clause 14.1(c);
- (e) clause 14.1(d);
- (f) clause 14.1(e);
- (g) clause 14.1(f) - where, if applicable, the relevant Condition Precedent is item 7 or item 15 of Schedule 2 or items 2, 3, 4, 5, 6, 8, 9 or 10 of Schedule 2 provided in respect to each of items 2, 3, 4, 5, 6, 8, 9 or 10 of Schedule 2 only the event relates to the Cradle Group (excluding PHT) and does not relate to any matter relating to PHT only;
- (h) clause 14.1(g) - provided the event relates to the Cradle Group (excluding PHT) and does not relate to any matter relating to PHT (but including breaches of clause 7.3(a));
- (i) clause 14.1(h); or
- (j) clause 14.1(i).

Cradle Group means Cradle and its Subsidiaries. For the avoidance of doubt, Cradle Group includes PHT.

Cradle Indemnified Parties means Cradle, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Cradle Information means all information contained in the Scheme Booklet other than the Bidder Information and the Independent Expert's report.

Cradle Share means a fully paid ordinary share in the capital of Cradle.

Cradle Shareholder means each person registered in the Register as a holder of Cradle Shares.

Data Room means the documents contained in the virtual data room established by Cradle containing information relating to the Cradle Group and to which Bidder had access to in the period from 29 November 2016 to the date of this agreement, an index of which is in the agreed form.

Deed Poll means a deed poll substantially in the form of Annexure B to this agreement.

Details means the section of this agreement headed “Details”.

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, Claim, covenant, profit à prendre, easement or any other security arrangement or any other arrangement having the same effect.

End Date means the date that is 6 months from the date of this agreement or such other date as determined in accordance with clause 3.12 or as agreed in writing by Bidder and Cradle.

EPCM means engineering, procurement, construction and management.

Excluded Share means a Cradle Share held by an Excluded Shareholder as at the Record Date.

Excluded Shareholder means Bidder and its Associates.

Exclusivity Period means the period from and including the date of this agreement to the earliest of:

- (a) the termination of this agreement in accordance with its terms;
- (b) the Effective Date; and
- (c) the End Date.

Fairly Disclosed means disclosed to Bidder in writing prior to the date of this agreement, to the extent that, and in sufficient detail so as to enable, a reasonable and sophisticated buyer such as Bidder to identify the nature and scope of the relevant matter, event or circumstance (including, in each case, that the possible financial effect (if any) of the relevant matter, event or circumstance was reasonably ascertainable from the information disclosed).

FIRB Act means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

First Court Date means the first day on which an application made to the Court, in accordance with item 10 of Schedule 4, for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Cradle Shareholders eligible to vote at the Scheme Meeting and who are present and voting, either in person or by proxy.

Implementation Date means the fifth Business Day following the Record Date or such other date agreed in writing by Cradle and Bidder.

Independent Expert means the independent expert appointed by Cradle under item 3 of Schedule 4.

Input Tax Credit has the meaning it has in the GST Act.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement);
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

ISA means the Investment and Shareholders Agreement between Bidder, Cradle and others dated 6 June 2014.

Listing Rules means the listing rules of ASX.

Losses means all Claims, demands, damages, losses, costs, expenses and liabilities.

Material Adverse Change means Specified Events which, individually or when aggregated with all Specified Events, would be reasonably expected:

- (a) to result in the value of consolidated net assets of the Cradle Group being reduced by at least A\$2,000,000; or
- (b) to result in cash and cash equivalents of the Cradle Group (excluding PHT) being less than the amount of cash or cash equivalents provided for in the Cash Budget for any one or more periods in the Cash Budget by A\$100,000 or more (except as a result of any emergency expenditure the amount of which is not reasonably ascertainable prior to the date of this agreement and that is approved in writing by Bidder); or
- (c) to have a materially adverse effect on the status or terms of (or rights attaching to) the Mineral Rights or the ability of the owner of those rights to exploit them,

but does not include:

- (d) any matter, event or circumstance Fairly Disclosed including in the Data Room, responses to the Bidder Request List, a document lodged with ASIC or ASX lodged by Cradle in the 12 months prior to the date of this agreement, or actually known by Bidder (other than matters, events or circumstances known by representatives of professional advisers to the extent those representatives are not involved with the Transaction) on or before the date of this agreement (including as a result of disclosures made to ASX);
- (e) any change in accounting policy required by law;
- (f) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this agreement, the Scheme or the transactions contemplated by them;
- (g) a change resulting directly from a general deterioration in world Niobium prices, equity markets, interest rates, exchange rates or credit spreads, that impacts the Cradle Group and its competitors in a similar manner; or
- (h) any costs incurred directly in relation to the Transaction which exceed the amounts provided for in the Cash Budget.

Without limiting the generality of paragraphs (a), (b) and (c) above, Material Adverse Change includes, at any time before 5.00pm on the day immediately before the Second Court Date, a change or proposed change of laws (including mining, taxation, customs, export, health and safety, environmental or any other law) of Tanzania adversely affecting the development, operation, exploitation or economic benefits to PHT, Bidder or Cradle of the Project and the Mineral Rights being announced or made (whether through amendment of existing laws or enactment of new laws, or a change having the force of law in the interpretation or application thereof by any judicial, arbitral or administrative body).

Material Contract means a contract listed in Schedule 8.

Mineral Rights means:

- (a) the following mineral rights located in Panda Hill, Mbeya District, Tanzania:
 - (i) Mining Licence 237/2006;
 - (ii) Mining Licence 238/2006; and
 - (iii) Mining Licence 239/2006;
- (b) any other mineral right or mineral rights which may be granted in lieu of or relate to the same ground as the mineral rights referred to in paragraph (a); and
- (c) includes all rights to mine and other privileges appurtenant to the mineral rights referred to in paragraph (a) and (b) as conferred by law.

Mining Act means the mining acts under which the Mineral Rights are granted and administered in Tanzania and includes the regulations to those acts, including the Mining Act 2010 (Act No 14 of 2010) (and any associated or related acts post or prior in time).

Option means any option issued by Cradle in respect of Cradle Shares, whether vested or unvested.

Option Cancellation Offer means the offer to Optionholders in accordance with clause 5.1.

Optionholder means each person who is a holder of an Option.

Optionholder Deed means the deed (in the form acceptable to Bidder) between each Optionholder that accepts the Option Cancellation Offer and Cradle pursuant to which the Optionholder agrees, subject to the Scheme becoming Effective and any necessary ASX waivers being obtained, to the cancellation of each Option held in return for the Option Consideration.

Option Consideration means, in respect of the Options, the consideration payable for the cancellation of the Options, being the amount equal to the Scheme Consideration less the exercise price of the Option being cancelled.

Performance Rights means any performance right issued by Cradle in respect of Cradle Shares, whether vested or unvested.

PHT means Panda Hill Tanzania Limited.

PPSR means the register maintained for the purposes of the Personal Property Securities Act 2009 (Cth).

Prescribed Event means, except to the extent publicly disclosed prior to the date of this agreement or contemplated by this agreement or the Scheme, any of the events listed in Schedule 1 provided that a Prescribed Event listed in items 1 to 14 of Schedule 1 will not occur where Cradle has first consulted with Bidder in relation to the event and Bidder has approved the proposed event or has not objected to the proposed event within 5 Business Days of having being so consulted.

Project means the Panda Hill niobium project in Tanzania owned by PHT.

Record Date means 5.00pm on the fifth Business Day following the Effective Date or such other date as Cradle and Bidder agree in writing.

Register means the share register of Cradle and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approval means any approval of a Regulatory Authority to the Transaction or any aspect of it which is necessary or desirable for the implementation of the Transaction.

Regulatory Authority means:

- (a) ASX and ASIC;
- (b) the Takeovers Panel;
- (c) the Tanzanian Fair Competition Commission;
- (d) a government or governmental, semi-governmental or judicial entity or authority;
- (e) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and

(f) any regulatory organisation established under statute,

including, in Australia, Mauritius or Tanzania.

Regulatory Review Period means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Representative means any person acting for or on behalf of a party including any director, officer, employee, agent, contractor or professional advisor of a party or its Related Body Corporate.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act under which all of the Scheme Shares will be transferred to Bidder substantially in the form of Annexure A together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Cradle Shareholders which must:

- (a) include the Scheme, an explanatory statement complying with the requirements of the Corporations Act, notices of meeting and proxy forms; and
- (b) comply with the Corporations Act, Corporations Regulations, applicable ASIC Regulatory Guides and the Listing Rules.

Scheme Consideration means \$0.33 per Scheme Share.

Scheme Meeting means the meeting to be convened by the Court at which Cradle Shareholders will vote on the Scheme.

Scheme Participant means a person registered as a Cradle Shareholder at the Record Date, other than an Excluded Shareholder.

Scheme Shares means all Cradle Shares on issue as at the Record Date other than Excluded Shares.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Specified Event means an event, occurrence or matter that:

- (a) occurs after the date of this agreement;
- (b) occurs before the date of this agreement but is only announced or publicly disclosed after the date of this agreement; or
- (c) will or is likely to occur after the date of this agreement and which has not been publicly announced prior to the date of this agreement,

including, to avoid doubt:

- (d) termination of a Material Contract; and

- (e) commencement of hostilities not presently existing (whether war has been declared or not) or a major escalation in existing hostilities occurring (whether war has been declared or not) involving Tanzania, or a terrorist act being perpetrated in Tanzania.

Subsidiaries has the meaning it has in the Corporations Act.

Superior Proposal means a publicly announced Competing Transaction which the Cradle Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and
- (b) more favourable to Cradle Shareholders than the Scheme, taking into account all terms and conditions of the Competing Transaction.

Superior Proposal Period means the period commencing on the date a Superior Proposal comes into existence and ending on the date that the Superior Proposal is withdrawn, terminated, rejected, expires or is otherwise concluded.

Takeovers Panel means the review body continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 of the Corporations Act.

Tax Invoice has the meaning it has in the GST Act.

Timetable means the indicative timetable set out in Schedule 3.

Transaction means the acquisition by Bidder of all Cradle Shares other than the Excluded Shares through the implementation of the Scheme and other transactions contemplated by this agreement.

Treasurer means the Treasurer of Australia.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this agreement to:

- (a) **(variations or replacement)** a document (including this agreement) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this agreement;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;

- (g) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (i) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(accounting terms)** an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (m) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (n) **(time of day)** time is a reference to time in Perth, Western Australia.

1.3 Next day

If an act under this agreement to be done by a party on or by a given day is done after 10.00pm on that day, it is taken to be done on the next day.

1.4 Next Business Day

If an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.5 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this agreement.

2 Agreement to propose and implement Scheme

2.1 Cradle to propose Scheme

Cradle agrees to propose the Scheme on and subject to the terms and conditions of this agreement.

2.2 Agreement to implement Transaction

The parties agree to implement the Transaction on the terms and conditions of this agreement.

3 Conditions precedent

3.1 Conditions precedent

Subject to this clause 3, the obligations of Bidder under clause 4.2 are conditional on the satisfaction (or waiver, if applicable) of each of the Conditions Precedent contained in Schedule 2 to the extent and in the manner set out in clauses 3.2 and 3.4 and the Scheme will not become Effective unless and until all such Conditions Precedent are satisfied or waived.

3.2 Benefit of certain Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by a party entitled to the benefit of that Condition Precedent as noted in the table set out in Schedule 2 and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.2 may do so in its absolute discretion.

3.3 Waiver of Conditions Precedent

If either Cradle or Bidder waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause, then:

- (a) subject to subclause 3.3(b), that waiver precludes that party from suing the other for any breach of this agreement arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
- (b) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (i) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with subclause 3.3(a); or
 - (ii) does not accept the condition, the Condition Precedent has not been waived.

3.4 Reasonable endeavours

Each of Cradle and Bidder agree to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent:
 - (i) is satisfied as soon as is reasonably practicable after the date of this agreement; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence that would prevent the Conditions Precedent being satisfied.

3.5 Regulatory matters

Without limiting clause 3.4, each party:

- (a) **(Regulatory Approvals)** must promptly apply for all relevant Regulatory Approvals and take all steps it is responsible for as part of the approval process, including responding to requests for information from the relevant Regulatory Authority at the earliest practicable time;
- (b) **(representation)** subject to the requirements of the relevant Regulatory Authority, has the right to be represented and make submissions at any proposed meeting with any Regulatory Authority relating to any Regulatory Approval; and
- (c) **(consultation)** must consult with the other party in advance in relation to all communications (whether written or oral, and whether direct or via a Representative) with any Regulatory Authority relating to any Regulatory Approval **(Communications)** and, without limitation:
 - (i) provide the other party with drafts of any material written Communications to be sent to a Regulatory Authority and make such amendments as the other party reasonably requires; and
 - (ii) provide copies of any material written Communications sent to or received from a Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so.

3.6 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;
- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied;
- (c) **(notice of waiver)** upon receipt of a notice given under paragraph (b), give written notice to the other party as soon as reasonably possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question; and
- (d) **(certificates)** give to:
 - (i) the other (in draft) by 5.00pm on the day immediately prior to the Second Court Date; and
 - (ii) the other (in final form) by 8:00am on the Second Court Date,

a certificate signed by an Authorised Officer (in respect of the Conditions Precedent relating to it, other than the Conditions Precedent in item 6 of Schedule 2 whether or not those Conditions Precedent have been satisfied or waived.

3.7 Effect of waiver or non-fulfilment

A waiver of breach or non-fulfilment in respect of one Condition Precedent does not constitute:

- (a) a waiver of the breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
- (b) a waiver of the breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.8 Consultation on failure of Conditions Precedent

Subject to clause 3.11, if:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this agreement by the time or date specified in this agreement for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this agreement for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this agreement); or
- (c) if the Scheme has not become Effective by the End Date,

then the parties must consult in good faith with a view to determining whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

3.9 Failure to agree

If the parties are unable to reach agreement under clause 3.8 within 5 Business Days (or any shorter period ending at 10.00pm on the day before the Second Court Date):

- (a) subject to subclause 3.9(b), either party may terminate this agreement (and such termination will be in accordance with clause 14.1(f)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this agreement (and such termination will be in accordance with clause 14.1(f)(ii)),

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this agreement pursuant to this clause 3.9 if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:

- (c) a breach of this agreement by that party; or
- (d) a deliberate act or omission of that party.

3.10 Regulatory Approval

A Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Regulatory Approval if that condition or those conditions (as the case may be) are reasonably satisfactory to Cradle and Bidder.

3.11 Scheme voted down

If the Scheme is not approved by Cradle Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test then Cradle must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as Counsel engaged by Cradle to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Act by making an order to disregard the Headcount Test.

3.12 Option to extend End Date

If a party is not in breach of this agreement, that party has the option to issue a written notice to the other party in the one month period prior to the date which is 6 months from the date of this agreement to extend the End Date under this agreement to the date which is 7 months from the date of this agreement.

4 Outline of Scheme

4.1 Scheme

Subject to clause 3.1, on the Implementation Date:

- (a) all of the Scheme Shares will be transferred to Bidder; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration in accordance with the terms of the Scheme.

4.2 Scheme Consideration

Bidder covenants in favour of Cradle (in its own right and on behalf of each Scheme Participant) that in consideration of the transfer to Bidder of each Scheme Share, on the Implementation Date, Bidder will pay to Cradle (as agent for each Scheme Participant) the Scheme Consideration for each Scheme Share in accordance with the terms of the Scheme.

4.3 Undertakings held as agent

Cradle acknowledges that the undertakings by Bidder in clause 4.2 are given to Cradle in its capacity as agent for each Scheme Participant.

4.4 Payment to Scheme Participants

Cradle must:

- (a) receive in a trust account in accordance with the Scheme and this agreement and as agent for each Scheme Participant, the Scheme Consideration;
- (b) pay to each Scheme Participant such moneys as each Scheme Participant is entitled to receive in accordance with the Scheme; and
- (c) otherwise comply with its obligations under the Scheme.

5 Treatment of Options and Performance Rights

5.1 Options

Cradle must make an offer to each Optionholder to enter into, and ensure that such Optionholders enter into an Optionholder Deed prior to the Second Court Date.

5.2 Option Consideration

Bidder covenants in favour of Cradle (in its own right and as trustee for each Optionholder) that in consideration of the cancellation of each Option held by an Optionholder, Bidder will, on the Implementation Date, provide Cradle with sufficient funds to pay, or at the direction of Cradle pay, to each Optionholder the Option Consideration payable under the terms of each Optionholder Deed.

5.3 Treatment of Performance Rights

The Cradle Board must take all steps in accordance with the plan rules governing the Performance Rights to give notice to the holders of the Performance Rights before the Second Court Date that their Performance Rights have become vested (on such terms and conditions as the Cradle Board may determine, after obtaining Bidder's consent, such consent not to be unreasonably withheld), and issue Cradle Shares to those holders by no later than the Record Date.

5.4 Treatment of Thurwan Limited Options

Cradle must use its best endeavours to ensure that prior to the Second Court Date Thurwan Limited gives notice under the Consulting Agreement between Thurwan Limited and Cradle dated on or about 10 August 2016 to elect that Cradle pay Thurwan Limited the net cash value of 1,000,000 unissued Options (exercise price A\$0.25 and expiring on 31 October 2018) pursuant to and in accordance with that Consulting Agreement, such net cash value being equal to the Scheme Consideration less A\$0.25 per Option.

5.5 ASX waiver

Cradle will apply for, and use its best endeavours to procure, any ASX waiver necessary to give effect to the treatment of the Options and the Performance Rights contemplated in this clause 5.

5.6 Escrowed Cradle Shares

As soon as practicable after the date of this agreement, Cradle must use its best endeavours to ensure that it agrees with RECB Limited and PHT, and takes necessary steps, to release the 3,100,000 Cradle Shares held by RECB Limited from escrow with effect prior to the Second Court Date.

6 Co-operation and timing

6.1 General obligations

The parties must each:

- (a) use all reasonable endeavours and commit all reasonably necessary resources (including reasonably necessary management and corporate relations resources and the resources of external advisers); and

- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending such meetings and by providing such information as in each case may reasonably be required),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

6.2 Access to people and information

Between the date of this agreement and the earlier of 5.00pm on the Business Day immediately before the Second Court Date and the date this agreement is terminated, Cradle must:

- (a) as soon as reasonably practicable provide Bidder and its Representatives with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them; and
- (b) provide Bidder and its Representatives with reasonable access to Cradle's officers, advisers and properties which Bidder reasonably requires for the purposes of:
 - (i) understanding Cradle's financial position (including its cashflow and working capital position), trading performance and management control systems;
 - (ii) applying for all relevant Regulatory Approvals;
 - (iii) implementing the Scheme;
 - (iv) preparing for carrying on the business of Cradle following implementation of the Scheme; and
 - (v) any other purpose which is agreed in writing between the parties,

provided in every case that such access is reasonably necessary to Bidder and does not place an unreasonable burden on the ability of Cradle to run its business.

6.3 Right to separate representation

Bidder is entitled to separate representation at all Court proceedings relating to the Scheme. Nothing in this agreement is to be taken to give Cradle any right or power to make or give undertakings to the Court for or on behalf of Bidder.

7 Implementation obligations of the parties

7.1 Cradle's obligations

Cradle must comply with the obligations of Cradle set out in Schedule 4 and take all reasonable steps to implement the Scheme as soon as is reasonably practicable having regard to the Timetable and in any event prior to the End Date.

7.2 Bidder's obligations

Bidder must comply with the obligations of Bidder set out in Schedule 5 and take all reasonable steps to assist Cradle to implement the Scheme as soon as reasonably practicable having regard to the Timetable and in any event prior to the End Date.

7.3 ISA

- (a) From the date of this agreement until the earlier of the Implementation Date and the date on which this agreement is terminated, if recommended by the PHT directors nominated by Bidder, Cradle agrees to promptly instruct its nominee PHT directors to act and vote on any resolution proposed at meetings of the board of PHT under the ISA to approve the matters referred to in this clause 7.3(a) in accordance with the recommendations of the PHT directors nominated by Bidder:
 - (i) the approval, appointment and selection of a preferred EPCM contractor (which, for the avoidance of doubt, does not include execution of any binding EPCM contract with the preferred EPCM contractor) provided the appointment of the EPCM contractor can be terminated (without penalty) upon reasonable notice and all costs incurred by PHT pursuant to the appointment (but not the performance of the EPCM contract) are Bidder Sole Funded;
 - (ii) undertaking preliminary works for the Project, provided all costs incurred by PHT are Bidder Sole Funded; and
 - (iii) the purchase of long lead time items for the Project, provided all costs incurred by PHT are Bidder Sole Funded.
- (b) If this agreement is terminated pursuant to a Cradle Clause and the termination is not as a result of a breach or repudiation of this agreement by Bidder, then:
 - (i) at Bidder's request, Cradle must promptly instruct its nominee PHT directors to act or vote on any PHT board resolution as recommended by the PHT directors nominated by Bidder to approve a termination or non-termination (as the case may be) of the agreements or arrangements referred to in clause 7.3(a)(i) to 7.3(a)(iii); and
 - (ii) Cradle (and the Cradle nominee directors of PHT) are deemed to agree that the definitive feasibility study produced by PHT and previously provided to the PHT Board on or about 25 June 2016 is a completed DFS within the meaning of clause 14.1 of the ISA and has been provided to the shareholders of PHT pursuant to clause 14.1(a) of the ISA effective from the date of termination of this agreement.
- (c) If this agreement is terminated for any other reason (other than termination due to the circumstances described in clause 7.3(b)), then at Cradle's request PHT must terminate some or all of the agreements or arrangements referred to in clause 7.3(a)(i) and Bidder will instruct its nominee PHT directors to act and vote on any resolution proposed at meetings of the board of PHT to give effect to the termination of these agreements or arrangements.
- (d) From the date of this agreement until the earlier of the Implementation Date and the date on which this agreement is terminated, Cradle and Bidder agree that:

- (i) no “Decision to Mine” will be made or proposed by PHT under clause 14 of the ISA; and
- (ii) other than cash calls on Cradle up to US\$375,000 made in accordance with the PHT budget as of the date of this agreement, PHT will not make any cash calls on Cradle.
- (e) Nothing in this agreement constitutes the relationship of a partnership or a joint venture between the parties.
- (f) Subject to clause 7.3(b)(ii), nothing in this agreement affects the rights, obligations or claims of the parties under or in connection with the ISA arising out of events or circumstances which occurred prior to the date of this agreement.

7.4 Appointment/retirement of Cradle directors

As soon as practicable after:

- (a) the Second Court Date, Cradle must use its reasonable endeavours to cause the appointment to the Cradle Board of a maximum of four persons as Bidder may nominate (if any), subject to those persons providing a consent to act as a director of Cradle; and
- (b) the Implementation Date, procure:
 - (i) the retirement of such Cradle Directors and directors and officers of any member of Cradle Group as Bidder may nominate (if any); and
 - (ii) the provision of written resignation notices by retiring directors and officers of Cradle Group members including to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against any member of the Cradle Group.

8 Scheme Booklet

8.1 Preparation

Without limiting clauses 7.1 or 7.2:

- (a) **(preparation):** Cradle is generally responsible for the preparation of the Scheme Booklet (other than the Bidder Information and the Independent Expert’s report) but will provide drafts to and consult with Bidder in accordance with clause 8.2; and
- (b) **(compliance)** Bidder and Cradle must take all necessary steps to endeavour to ensure that the Scheme Booklet:
 - (i) complies with the requirements of:
 - (A) the Corporations Act and the Corporations Regulations;
 - (B) applicable ASIC Regulatory Guides;
 - (C) the Listing Rules; and

- (ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).

8.2 Content of the Scheme Booklet

Cradle must:

- (a) **(consult Bidder):**
 - (i) provide to Bidder a draft of the Scheme Booklet for the purpose of enabling Bidder to review and comment on that draft document;
 - (ii) take the comments made by Bidder into account in good faith when producing a revised draft of the Scheme Booklet; and
 - (iii) provide to Bidder a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable Bidder to review the Regulator's Draft at least 5 Business Days before its submission;
- (b) **(amend the Scheme Booklet)** implement such changes to those parts of the Scheme Booklet relating to Bidder which are provided in accordance with clause 8.2(a) as reasonably requested by Bidder and prior to finalising the Regulator's Draft;
- (c) **(Regulatory Review Period)** during the Regulatory Review Period:
 - (i) promptly provide to Bidder, and include in a revised draft of the Scheme Booklet, any new information not included in the Regulator's Draft which is required by the Corporations Act, Corporations Regulations, applicable ASIC Regulatory Guides or the Listing Rules to be included in the Scheme Booklet; and
 - (ii) keep Bidder informed of any matters raised by ASIC in relation to the Scheme Booklet and provide Bidder with copies of material correspondence received from ASIC in respect of the Scheme as soon as practicable following receipt and use all reasonable endeavours, in co-operation with Bidder, to resolve any such matters;
- (d) **(Bidder Information)** obtain approval from Bidder for the form and context in which the Bidder Information appears in the Scheme Booklet.

8.3 Bidder information

- (a) Bidder consents to the inclusion of the Bidder Information in the Scheme Booklet in a form acceptable to Bidder acting reasonably.
- (b) Bidder acknowledges that:
 - (i) it is responsible for ensuring that the Bidder Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that Cradle will not verify or edit that information in the Scheme Booklet; and
 - (ii) the Scheme Booklet will state that Bidder is responsible for the Bidder Information.

8.4 Disagreement on content

If Bidder and Cradle disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of the Bidder Information contained in the Scheme Booklet, Cradle will make such amendments as Bidder reasonably requires; and
- (b) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Cradle Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

8.5 Verification

- (a) Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet.
- (b) Each party must make available to the other party on request their verification material in relation the parts of the Scheme Booklet the party is responsible for under this agreement.

9 Conduct of business

9.1 Overview

From the date of this agreement up to and including the Implementation Date, Cradle must conduct, and must procure that each member of the Cradle Group conducts, its business:

- (a) in the usual, ordinary and proper course and materially in accordance with applicable laws;
- (b) consistent with the most recent business plans and budgets made public or disclosed to Bidder prior to the date of this agreement; and
- (c) in substantially the same manner as previously conducted and must regularly consult with Bidder on the manner of conduct of the business,

except:

- (d) as required to give effect to this agreement;
- (e) as approved otherwise in advance by Bidder in writing; or
- (f) to reasonably and prudently respond to an emergency or disaster (including a situation giving rise to a risk of personal injury or damage to property).

9.2 Specific obligations

Without limiting clause 9.1 and other than with the prior approval of Bidder (which approval must not be unreasonably withheld or delayed) or as required by this agreement, Cradle must, during the period contemplated by clause 9.1, use all reasonable endeavours to:

- (a) **(business and assets)** maintain the condition of its business and assets materially in the manner maintained prior to the date of this agreement;

- (b) **(officers and employees)** keep available the services of its officers and employees;
- (c) **(relationships)** preserve its relationships with customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings, including using reasonable endeavours to obtain consents from third parties to the completion of the Scheme and any related transactions which Bidder reasonably requests;
- (d) **(property rights)** maintain all of its Mineral Rights, surface rights and other property rights in force;
- (e) **(standstill agreements)** enforce all standstill obligations under any agreements to which any member of the Cradle Group is a party (and not waive compliance with any of those standstill obligations);
- (f) **(change of control provisions):**
 - (i) ensure that any material contracts entered into by a member of the Cradle Group after the date of this agreement do not contain any change of control or similar provisions or, where they do contain such provisions, that consent to the change of control that will result from the Transaction is provided by the counterparty concurrently with the relevant contract being entered into;
 - (ii) identify any change of control or similar provisions in any Material Contracts entered into after the date of this agreement or any joint venture documentation; and
 - (iii) request the consents of relevant persons who have rights in respect of those material contracts as requested by Bidder to the transactions contemplated by the Transaction;
- (g) **(cash)** ensure there is no material decrease in the amount of cash in Cradle other than as used in the ordinary course of business and consistent with the Cash Budget;
- (h) **(proxies)** advise Bidder on at least a daily basis on each of the 10 Business Days preceding the Scheme Meeting as to the aggregate tally of the proxies received in respect of the approval of the Scheme;
- (i) **(consultation)** consult with Bidder with respect to any material decisions regarding its business and operations or concerning the Project, other than decisions in the normal course of business consistent with past practice, and no material decisions with respect to the development of the Project shall be made without first having obtained the prior written authorisation of Bidder; and
- (j) **(insurance)** maintain the insurance policies and indemnities provided to the directors and officers of the Cradle Group in accordance with clause 9.4.

9.3 Prohibited actions

Other than with the prior approval of Bidder or as required by this agreement Cradle must not, and must procure that each member of the Cradle Group does not, during the period referred to in clause 9.1:

- (a) **(no new Cradle Shareholders)** issue any new Cradle Shares other than on conversion of Options issued, or Performance Rights granted, prior to the date of this agreement in accordance with clause 5;
- (b) **(Material Contracts)** enter into or terminate a Material Contract;
- (c) **(employment agreements)** increase the remuneration of or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors or employees;
- (d) **(accelerate rights)** other than in respect of Performance Rights on issue as at the date of this agreement for the purposes of clause 5.3, accelerate the rights of any of its directors or employees to benefits of any kind;
- (e) **(termination payments)** pay a director, executive or employee a termination payment, other than as provided for in an existing employment contract in place as at the date of this agreement and a copy of which has previously been provided to Bidder;
- (f) **(financial arrangements)** amend in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this agreement;
- (g) **(dividends)** announce, declare or pay any dividends or other distributions to its shareholders;
- (h) **(Prescribed Event)** take any action which is, or would be reasonably expected to give rise to, a Prescribed Event or a Material Adverse Change;
- (i) **(information technology)** take any action in respect of its information technology systems which would have a material impact on those systems; or
- (j) **(agreement)** agree to do any of the matters set out above.

9.4 Deeds of access, indemnity and insurance

- (a) Subject to the Scheme becoming Effective, Bidder must:
 - (i) for a period of 7 years from the Implementation Date, ensure that the constitutions of each member of the Cradle Group continue to contain such rules as are contained in those constitutions at the date of this agreement that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than Bidder or its Related Bodies Corporate; and
 - (ii) procure that member of the Cradle Group complies with any deeds of indemnity, access and insurance as at the date of this agreement.
- (b) Bidder acknowledges that, notwithstanding any other provision of this agreement, Cradle may, prior to the Implementation Date, enter into a run-off insurance policy in respect of any Cradle Group directors and officers for a 7 year period from their respective retirement dates and that any actions to facilitate that insurance or in connection therewith (including paying any amounts to ensure such maintenance upfront) will

not be a Prescribed Event or breach any provision of this agreement, provided that Cradle has not acted unreasonably and has consulted with Bidder in respect of the entry into any such policy.

- (c) Without limiting Bidder's rights under this agreement, Bidder acknowledges that as at the date of this agreement it is not aware of any information giving rise to, and, if the Scheme becomes effective, it has no intention of making, a Claim against any past or present director or employee of the Cradle Group in relation to any circumstances or events which occurred prior to the date of this agreement.
- (d) The undertakings contained in this clause 9.4 are subject to any restriction at law, under the Corporations Act or any other applicable legislation and will be read down accordingly. Cradle receives and holds the benefit of this clause 9.4, to the extent it relates to the directors and officers of Cradle and other members of the Cradle Group, as trustee for them.
- (e) The undertakings contained in this clause 9.4 are given until the earlier of the end of the relevant period specified in that clause or the relevant member of the Cradle Group ceasing to be a Subsidiary of Bidder.

10 Exclusivity

10.1 No existing discussions

Cradle represents and warrants that, other than the discussions with Bidder in respect of the Scheme, it is not currently in negotiations or discussions in respect of any Competing Transaction with any person.

10.2 No-shop

During the Exclusivity Period, Cradle must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction or which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise, the completion of the Transaction.

Nothing in this clause 10.2 prevents Cradle from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Scheme or its business generally.

10.3 No-talk

Subject to clause 10.6, during the Exclusivity Period, Cradle must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions with any other person regarding,

a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by Cradle or any of its Related Bodies Corporate or Representatives or the person has publicly announced the Competing Transaction or any offer, proposal or expression of interest from any person in relation which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise, the completion of the Transaction.

10.4 No due diligence

During the Exclusivity Period, Cradle must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

- (a) solicits, invites, initiates, encourages, or permits any other person other than Cradle and their Representatives to undertake due diligence investigations on Cradle or any of its Related Bodies Corporate; or
- (b) subject to clause 10.6, makes available to any other person, or permits any other person to receive, other than Cradle and its Representatives (in the course of due diligence investigations or otherwise) any non-public information relating to Cradle or any of its Related Bodies Corporate or permit access to Cradle's employees or officers to any other person (or that person's Representatives) who might reasonably be expected to submit, a proposal for a transaction which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise the completion of the Transaction or which may result in a Competing Proposal.

10.5 Notice of unsolicited approach

During the Exclusivity Period, Cradle must promptly inform Bidder if it or any of its Related Bodies Corporate or Representatives:

- (a) receives any unsolicited approach with respect to any Competing Transaction and must disclose to Bidder all material details of the Competing Transaction, including details of the proposed bidder or acquirer;
- (b) receives any request for information relating to Cradle or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of Cradle or any of its Related Bodies Corporate, which Cradle has reasonable grounds to suspect may relate to a current or future Competing Transaction; and
- (c) provides any information relating to Cradle or any of its Related Bodies Corporate or any of their businesses or operations to any person in connection with or for the purposes of a current or future Competing Transaction.

10.6 Exceptions to no-talk and no due diligence

Clauses 10.3 and 10.4(b) do not apply to the extent they restrict Cradle or the Cradle Board from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not solicited, invited, facilitated, encouraged or initiated by Cradle in contravention of clause 10.2) provided that the Cradle Board has determined, in good faith and acting reasonably that:

- (a) after consultation with its financial advisors, such a bona fide Competing Transaction could reasonably be considered to become a Superior Proposal; and

- (b) after receiving written advice from Queen's Counsel or Senior Counsel, that failing to respond to such a bona fide Competing Transaction would constitute a breach of the Cradle Board's fiduciary or statutory obligations.

10.7 Matching right

- (a) During the Exclusivity Period, Cradle:
 - (i) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a third party or Cradle proposes to undertake or give effect to a Competing Transaction; and
 - (ii) must use its best endeavours to procure that none of its directors change their recommendation in favour of the Scheme to publicly recommend a Competing Transaction,

unless

 - (iii) the Cradle Board acting in good faith determines that the Competing Transaction would or is likely to be a Superior Proposal;
 - (iv) Cradle has provided Bidder with the material terms and conditions of the Competing Transaction, including price and the identity of the party making the proposal; and
 - (v) Cradle has given Bidder 5 Business Days after the provision of the information referred to in clause 10.7(a)(iv) to provide a matching or superior proposal (**Matching Offer**) to the terms of the Competing Transaction. Bidder shall have the opportunity, but not the obligation, to provide a Matching Offer.
- (b) This clause 10.7 has repeating applications so that if any further proposal which constitutes a Competing Transaction is made after Bidder has made a Matching Offer, Cradle must comply with paragraph (a)(i) and (a)(ii) of this clause in respect of any new Competing Transaction, unless paragraphs (a)(iii) to (a)(v) (inclusive) apply.
- (c) The Cradle Board must consider the Matching Offer and if it determines, acting in good faith, that the Matching Offer would provide an outcome that is at least as favourable to Cradle Shareholders as the relevant Competing Transaction, Cradle and Bidder must use their best endeavours to agree any amendments to this agreement and the contents of the Scheme Booklet (if applicable), which are reasonably necessary to reflect the Matching Offer, and to enter into an appropriate amending agreement to give effect to those amendments and to implement the Matching Offer, in each case, as soon as reasonably practicable.
- (d) If any part of the consideration proposed under the Competing Transaction is non-cash, then that consideration proposed will be valued for the purposes of this clause 10.7 at 90% of its prevailing market value at the close of business on the date that such Competing Transaction is first notified to Bidder.

10.8 Legal advice

Cradle acknowledges that it has received legal advice on this agreement and the operation of this clause 10.

11 Reimbursement of costs

11.1 Background

This clause 11 has been agreed in circumstances where:

- (a) Bidder and Cradle believe that the Scheme will provide significant benefits to Bidder, Cradle and Cradle Shareholders, and Bidder and Cradle acknowledge that, if they enter into this agreement and the Scheme is subsequently not implemented, Bidder will incur significant costs;
- (b) the parties have agreed that provision be made for the payments outlined in clause 11.2, without which Bidder would not have entered into this agreement;
- (c) the parties believe that it is appropriate for both parties to agree to the payment referred to in this clause 11 to secure Bidder's participation in the Transaction; and
- (d) both parties have received legal advice on this agreement and the operation of this clause 11.

11.2 Payment by Cradle to Bidder

Cradle agrees to pay to Bidder US\$750,000 if the Scheme does not proceed and:

- (a) **(Competing Transaction)** on or before the End Date:
 - (i) Cradle enters into a legally binding agreement to undertake a Competing Transaction;
 - (ii) any member of the Cradle Board recommends a Competing Transaction;
 - (iii) the Cradle Board announces that a Competing Transaction is a Superior Proposal; or
 - (iv) a Competing Transaction is announced or is open for acceptance and is reasonably capable of being completed and is more favourable to Scheme Participants;
- (b) **(change of recommendation)** any member of the Cradle Board fails to recommend the Scheme or withdraws their recommendation except:
 - (i) if a member of the Cradle Board changes his or her recommendation following the receipt of the report of the Independent Expert (or any update of, or revision, amendment or addendum to, that report) where that report states that in the opinion of the Independent Expert the Scheme is not in the best interests of Cradle Shareholders. (This exception does not apply where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this agreement); or
 - (ii) where Cradle is entitled to terminate this agreement pursuant to clause 14.1(b)(ii) and has given the appropriate termination notice to Bidder;

- (c) **(material breach)** Bidder validly terminates this agreement in accordance with clause 14.1(b)(ii);
- (d) **(breach of exclusivity)** Cradle is in breach of clause 10 and does not cease the conduct which caused the breach within one Business Day following written notice from Bidder outlining the nature of the breach; or
- (e) **(Prescribed Event or Material Adverse Change)** all of the following are satisfied:
 - (i) a Prescribed Event or a Material Adverse Change occurs prior to 8.00am on the Second Court Date; and
 - (ii) this agreement is validly terminated in accordance with clause 14; and
 - (iii) all of the following apply in relation to the Prescribed Event or the Material Adverse Change:
 - (A) the prevention of the Prescribed Event or Material Adverse Change was within the control of Cradle; and
 - (B) had the Prescribed Event or Material Adverse Change occurred prior to the date of this agreement, the Prescribed Event or Material Adverse Change might reasonably be expected to have resulted in Bidder not entering into this agreement; and
 - (C) Cradle has failed to rectify the Prescribed Event or Material Adverse Change within 10 Business Days after receipt of notice from Bidder requiring Cradle to do so.

11.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event under clause 11.2 no amount is payable under clause 11.2 if the Scheme becomes Effective.

11.4 Timing of payment

Cradle must pay Bidder the amount referred to in clause 11.2 within 10 Business Days of receipt by Cradle of a demand for payment from Bidder. The demand may only be made:

- (a) after the occurrence of an event referred to in clauses 11.2(a), 11.2(b), 11.2(c) or 11.2(d); or
- (b) all of the circumstances referred to in clause 11.2(e) occurring.

11.5 Nature of payment

The amount payable by Cradle to Bidder under clause 11.2 is an amount to compensate Bidder for:

- (a) advisory costs (including costs of advisers other than success fees);
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses; and
- (d) reasonable opportunity costs incurred by Bidder in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic

initiatives which Bidder could have developed to further its business and objectives,

but is without prejudice to and does not limit any rights which Bidder, any Bidder Indemnified Party or any Bidder shareholder may have against Cradle.

11.6 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the amount payable under clause 11.2:

- (a) is unlawful;
- (b) involves a breach of the duties of the Cradle Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then Cradle's obligation to pay the amount payable under clause 11.2 does not apply and if Bidder has received any part of the payment due under clause 11.2 it must refund it within ten Business Days of such final determination.

11.7 Survival

Any accrued obligations under this clause survive termination of this agreement.

12 Representations and warranties

12.1 Cradle's representations and warranties

Cradle represents and warrants to Bidder that each of the statements set out in Schedule 6 is true and correct and not misleading or deceptive in all material respects as at the date of this agreement and as at 5.00pm on the Business Day immediately prior to the Second Court Date.

12.2 Cradle's indemnity

Cradle indemnifies the Bidder Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 12.1 not being true and correct.

12.3 Cradle warranty certificate

Cradle must provide to Bidder by 5.00pm on the Business Day immediately prior to the Second Court Date a certificate signed by a director of Cradle and made in accordance with a resolution of the Cradle Board stating, as at that date, that the representations or warranties given by Cradle in clause 12.1 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

12.4 Qualifications to Cradle's representations and warranties

The Cradle representations and warranties under clause 12.1 and Schedule 6 are each subject to matters:

- (a) Fairly Disclosed in the Data Room or responses to the Bidder Request List;

- (b) which were Fairly Disclosed in a document lodged with ASIC, given to ASX for public release or available from the registers maintained by the High Court and the Federal Courts of Australia, the Supreme Courts of Western Australia and the PPSR, in the 2 years prior to the date of this agreement; and
- (c) actually known to Bidder (other than matters known by representatives of professional advisers to the extent those representatives are not involved with the Transaction).

12.5 Bidder's representations and warranties

Bidder represents and warrants to Cradle that each of the statements set out in Schedule 7 is true and correct and not misleading or deceptive in all material respect as at the date of this agreement and as at 5.00pm on the Business Day immediately prior to the Second Court Date.

12.6 Bidder's indemnity

Bidder indemnifies the Cradle Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 12.5 not being true and correct.

12.7 Bidder warranty certificate

Bidder must provide to Cradle by 5.00pm on the Business Day immediately prior to the Second Court Date a certificate signed on behalf of Bidder stating, as at that date, that the representations and warranties given by Bidder in clause 12.5 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

12.8 Liability of directors and officers

- (a) If the Scheme becomes Effective, each party releases its rights against, and will not make or commence any Claim against, any past or present director or employee of the other party in relation to information provided to it by the other party in connection with the Transaction containing any statement which is false or misleading to the extent that the past or present director or employee of the other party has not engaged in wilful misconduct or fraud. In this clause 12.8(a), the reference to any past or present director or employee of the other party refers to any past or present director or employee of Bidder or the Cradle Group.
- (b) Each party holds the releases in clause 12.8(a) in respect of its directors and employees as trustee for its past and present directors and employees.
- (c) This clause 12.8 is subject to any restriction at law (including the Corporations Act) and will be read down accordingly.

13 Court proceedings

13.1 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, Bidder and Cradle must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties otherwise agree in writing; or
- (b) Queen's Counsel or Senior Counsel representing that party in relation to the Scheme indicates in writing that, in their opinion, an appeal would likely have less than a reasonable prospect of success;
- (c) there is, in the bona fide view of the Cradle Board, a Superior Proposal which should be recommended in preference to the Scheme; or
- (d) the first attempted appeal to the initial Court refusal to make orders convening the Scheme Meeting or approving the Scheme does not overturn the initial Court's decision,

in which case either party may terminate this agreement. A party will not be entitled to terminate this agreement pursuant to this clause 13.1 if the Court's refusal to make the orders was the result of a breach of this agreement by that party.

13.2 Defence of proceedings

- (a) Subject to clause 13.2(b), each of Bidder and Cradle must vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Subsidiaries) challenging this agreement or the completion of the Transaction. Neither Bidder nor Cradle will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought in connection with this agreement without the prior written consent of the other, such consent not to be unreasonably withheld.
- (b) The obligations in clause 13.2(a) do not apply to Cradle during a Superior Proposal Period. For the avoidance of doubt, if the Superior Proposal that gave rise to the commencement of the Superior Proposal Period is withdrawn, terminated, rejected, expires or is otherwise concluded and this agreement remains on foot, the obligations in clause 13.2(a) will once again apply.

13.3 Costs

Any costs incurred as a result of the operation of this clause 13 will be borne equally by each party.

14 Termination

14.1 Termination events

Without limiting any other provision of this agreement (including clauses 3.9 and 13.1), this agreement may be terminated at any time prior to 8.00am on the Second Court Date:

- (a) **(End Date)** by either Bidder or Cradle, if the Scheme has not become Effective on or before the End Date, unless the Scheme has not become Effective due to a breach by such party of its obligations under this agreement; or
- (b) **(lack of support or breach):**
 - (i) by Bidder, if:
 - (A) any Cradle director changes or withdraws their recommendation to the Scheme Participants that they

- vote in favour of the Scheme, or makes any adverse modification or qualification to their recommendation, or otherwise makes a public statement indicating that they no longer support the Transaction; or
- (B) any Cradle director qualifies or withdraws their voting intention to vote the Cradle Shares in which they have a Relevant Interest in favour of the resolution to approve the Scheme, in the absence of a Superior Proposal;
- (ii) by either Bidder or Cradle if the other is in material breach of any clause of this agreement (including a representation or warranty), taken in the context of the Transaction as a whole, where the loss to the non-defaulting party that could reasonably be expected to follow from such a breach would exceed \$1,000,000 provided that either Bidder or Cradle, as the case may be, has, if practicable, given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist 10 Business Days (or any shorter period ending at 10:00 pm on the day before the Second Court Date) after the time such notice is given;
- (c) **(Scheme not approved)** by either Bidder or Cradle, if the resolution submitted to the Scheme Meeting is not approved by the requisite majority;
- (d) **(competing interest)** by Bidder, if a person has a Relevant Interest in more than 20% of Cradle Shares (other than Bidder and its Associates or any person who had a Relevant Interest in more than 20% of Cradle Shares as at the date of this agreement);
- (e) **(restraint)** by either Bidder or Cradle, if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;
- (f) **(consultation or appeal failure)** in accordance with and pursuant to:
- (i) clause 3.9(a);
- (ii) clause 3.9(b); or
- (iii) clause 13.1;
- (g) **(Material Adverse Change)** by Bidder, if a Material Adverse Change or Prescribed Event occurs prior to 8.00am on the Second Court Date;
- (h) **(Insolvency)** by either Bidder or Cradle, if the other party or, in the case of Cradle, any of its Related Bodies Corporate, becomes Insolvent; or
- (i) **(Material Contract)** by Bidder, if a Material Contract is terminated and the loss to Bidder that could reasonably be expected to follow from such termination of the Material Contract would exceed \$1,000,000.

14.2 Termination

Where a party has a right to terminate this agreement, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this agreement.

14.3 Effect of termination

In the event that a party terminates this agreement, or if this agreement otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this agreement, other than the obligations and rights set out in clauses 7.3(b), 7.3(c), 7.3(e), 7.3(f), 11, 12.8, 13.3, 16, 18 and 19, will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause 14.3 releases any party from liability for any pre-termination breach of this agreement.

14.4 Damages

- (a) In addition to the rights of termination under clause 14.1 but subject to clause 14.4(b), where there is no appropriate remedy for the breach in the agreement (other than termination), the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this agreement.
- (b) Despite any other provision in this agreement, where an amount becomes payable to Bidder under clause 11.2 and is actually paid to Bidder (or is payable, but no demand is made under clause 11.2), Bidder cannot make any Claim (other than a Claim under clause 11) against Cradle which relates to the event that gave rise to the right to make a demand under clause 11.2.

15 Public announcements

15.1 Public announcement of Scheme

Immediately after signing this agreement, Cradle will issue a public announcement of the Transaction in the form agreed between Cradle and Bidder.

15.2 Required disclosure

Where a party is required by law, the Listing Rules or a memorandum of understanding with a Regulatory Authority to make any announcement or make any disclosure relating to a matter the subject of the Transaction or the Project, it may do so only after it has given the other party as much notice as possible and has consulted to the fullest extent possible in the circumstances with the other party and its legal advisers.

15.3 Other announcements

Subject to clauses 15.1 and 15.2, no party may make any public announcement or disclosure in connection with the Transaction or the Project (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

16 Confidential Information

Each party acknowledges and agrees that it continues to be bound by the Confidentiality Agreement in respect of all information received by it from the other party on, before or after the date of this agreement.

17 Notices and other communications

17.1 Form - all communications

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (c) marked for the attention of the person identified in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).

17.2 Form - communications sent by email

Communications sent by email need not be marked for attention in the way stated in clause 17.1. The email must state the first and last name of the sender.

Communications sent by email are taken to be signed by the named sender.

17.3 Delivery

Communications must be:

- (a) sent by email to the address set out or referred to in the Details; or
- (b) if email communication is not practicable, sent by express overnight courier to the address set out or referred to in the Details.

However, if the intended recipient has notified a changed address or email address, then communications must be to that address or email address.

17.4 When effective

Communications take effect from the time they are received or taken to be received under clause 17.5 (whichever happens first) unless a later time is specified.

17.5 When taken to be received

Communications are taken to be received:

- (a) if sent by courier, 1 day after posting (or 2 days after posting if sent from one country to another); or
- (b) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) when the sender receives a reply message from the recipient confirming receipt,

whichever happens first.

17.6 Receipt outside business hours

Despite clauses 17.4 and 17.5, if communications are received or taken to be received under clause 17.5 after 10.00pm or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

18 Goods and services tax (GST)

18.1 Consideration GST exclusive

Unless expressly stated otherwise in this agreement, all amounts payable or consideration to be provided under this agreement are exclusive of GST.

18.2 Payment of GST

If GST is payable on any supply made under this agreement, for which the consideration is not expressly stated to include GST, the recipient agrees to pay to the supplier an additional amount equal to the GST payable at the same time that the consideration for the supply, or the first part of the consideration for the supply (as the case may be), is to be provided. However:

- (a) the recipient need not pay the additional amount until the supplier gives the recipient a tax invoice or an adjustment note;
- (b) if an adjustment event arises in respect of the supply, the additional amount must be adjusted to reflect the adjustment event and the recipient or the supplier (as the case may be) must make any payments necessary to reflect the adjustment; and
- (c) this clause 18.2 does not apply to the extent that the GST on the supply is payable by the recipient under Division 84 of the GST Act.

18.3 Reimbursements

If a party is required under this agreement to indemnify another party, or pay or reimburse costs of another party, that party agrees to pay the relevant amount less any input tax credits to which the other party (or to which the representative member for a GST group of which the other party is a member) is entitled.

18.4 Calculation of payments

If an amount payable under this agreement is to be calculated by reference to:

- (a) the price to be received for a taxable supply then, for the purposes of that calculation, the price is reduced to the extent that it includes any amount on account of GST; and
- (b) the price to be paid or provided for an acquisition then, for the purposes of that calculation, the price is reduced to the extent that an input tax credit is available for the acquisition.

18.5 Interpretation

For the purposes of this clause 18:

- (a) a term which has a defined meaning in the GST Act has the same meaning when used in this clause 18;

- (b) **GST Act** means the A New Tax System (Goods and Services Tax) Act 1999 (Cwlth); and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as though it is a separate supply.

19 Miscellaneous

19.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

19.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

19.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

19.4 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

19.5 Conflict of interest

The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

19.6 Remedies cumulative

The rights and remedies in this agreement are in addition to other rights and remedies given by law independently of this agreement.

19.7 Variation and waiver

A provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

19.8 No merger

The warranties, undertakings and indemnities in this agreement do not merge on the Implementation Date.

19.9 Indemnities

The indemnities in this agreement are continuing obligations, independent from the other obligations of the parties under this agreement and continue after this agreement ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this agreement.

19.10 Enforceability

For the purpose of this agreement:

- (a) Cradle is taken to be acting as agent and trustee on behalf of and for the benefit of all Cradle Indemnified Parties; and
- (b) Bidder is taken to be acting as agent and trustee on behalf of and for the benefit of all Bidder Indemnified Parties,

and all of those persons are to this extent taken to be parties to this agreement.

19.11 Further steps

Each party agrees, at its own expense, to do anything the other party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the party and any other person intended to be bound under this agreement; or
- (b) to show whether the party is complying with this agreement.

19.12 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

19.13 Costs

Subject to clause 11, the parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this agreement and other related documentation except for stamp duty.

19.14 Stamp duty

Bidder agrees to pay all stamp duty (including fines and penalties) payable and assessed on this agreement or the Scheme and in respect of a transaction evidenced by this agreement or the Scheme.

19.15 Entire agreement

Except for the Confidentiality Agreement, this agreement constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

19.16 Assignment

A party may not assign or otherwise deal with its rights under this agreement or allow any interest in them to arise or be varied in each case, without the consent of the other party.

19.17 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement;

- (b) it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement; and
- (c) paragraphs 19.17(a) and 19.17(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

19.18 Governing law

This agreement is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

19.19 Counterparts

This agreement may consist of a number of copies, signed by one or more parties to the agreement. If so, the signed copies are treated as making up the one document. This agreement will take effect when all counterparts are received (whether by email or otherwise) by Bidder at its address listed in the Details.

19.20 Severability

If the whole or any part of a provision of this agreement is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this agreement has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this agreement or is contrary to public policy.

EXECUTED as an agreement

Schedule 1 Prescribed Events

- 1 **(Conversion)** Cradle converts all or any of its shares into a larger or smaller number of shares.
- 2 **(Reduction of share capital)** Cradle resolves to reduce its share capital in any way or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its shares.
- 3 **(Buy-back)** Cradle:
 - (a) enters into a buy-back agreement; or
 - (b) resolves to approve the terms of a buy-back agreement under the Corporations Act.
- 4 **(Distribution)** Cradle makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).
- 5 **(Issuing or granting shares or options)** Cradle or any of its Subsidiaries:
 - (a) issues shares;
 - (b) grants an option over its shares; or
 - (c) agrees to make such an issue or grant such an option,

in each case to a person outside the Cradle Group other than as disclosed by Cradle to Bidder before the date of this agreement or pursuant to the exercise of conversation of any Options or Performance Rights on issue prior to the date of this agreement.
- 6 **(Securities or other instruments)** Cradle or any of its Subsidiaries:
 - (a) issues securities or other instruments convertible into shares or debt securities; or
 - (b) agrees to issue securities or other instruments convertible into shares or debt securities,

in each case to a person outside the Cradle Group other than as disclosed by Cradle to Bidder before the date of this agreement.
- 7 **(Constitution)** Cradle adopts a new constitution or modifies or repeals its constitution or a provision of it.
- 8 **(Disposals)** Cradle or any of its Subsidiaries disposes, or agrees to dispose of the whole or a substantial part of the Cradle Group's business or property.
- 9 **(Acquisitions, disposals or tenders)** Cradle or any of its Subsidiaries:
 - (a) acquires or disposes of;
 - (b) agrees to acquire or dispose of;

- (c) offers, proposes, announces a bid or tenders for (other than client bids or tenders in the ordinary course of Cradle's business),
- any business, assets, entity or undertaking the value of which exceeds \$1 million.
- 10 **(Encumbrances)** other than in the ordinary course of business and consistent with past practice Cradle or any of its Subsidiaries creates, or agrees to create, any Encumbrance over the whole or a substantial part of its business or property.
- 11 **(Employment arrangements)** other than in the ordinary course of business and consistent with past practice Cradle or any of its Subsidiaries:
- (a) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees;
- (b) other than in respect of Performance Rights on issue as at the date of this agreement for the purposes of clause 5.3, accelerates the rights of any of its directors or employees to compensation or benefits or any kind (including under any Cradle executive or employee share plans); or
- (c) pays any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this agreement).
- 12 **(Commitments and settlements)** Cradle or any of its Subsidiaries:
- (a) enters into or agrees to enter into a Material Contract;
- (b) terminates or amends in a material manner a Material Contract or amends any other contract in such a manner that it becomes a Material Contract;
- (c) waives any material third party default in any Material Contract; or
- (d) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$50,000) less than the full compensation due to Cradle or a Subsidiary of Cradle.
- 13 **(Financial advisors)** a member of the Cradle Group amending in any material respect any arrangement with a financial advisor, or entering into arrangements with a new financial advisor, in respect of the Transaction or a Competing Proposal (except in the case of a Competing Proposal a member of the Cradle Group may enter arrangements in relation to a Competing Proposal provided the arrangements are on terms consistent with those in the market generally).
- 14 **(Insolvency)** Cradle or any of its Related Bodies Corporate becomes Insolvent.

Schedule 2 Conditions Precedent

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Condition	Party entitled to benefit
between the relevant Optionholder and Cradle, as contemplated in clause 5.1.	
4 Performance Rights	Bidder
Before the Second Court Date, all outstanding Performance Rights are vested and the relevant resultant Cradle Shares are issued or agreed to be issued before the Record Date.	
5 Thurwan Limited Options	Bidder
Before the Second Court Date, Thurwan Limited gives notice under the Consulting Agreement between Thurwan Limited and Cradle dated on or about 10 August 2016 to elect that Cradle pay Thurwan Limited the net cash value of 1,000,000 unissued Options (exercise price A\$0.25 and expiring on 31 October 2018) pursuant to and in accordance with that Consulting Agreement, such net cash value being equal to the sum of the Scheme Consideration less A\$0.25 per Option.	
6 Court approval	Cannot be waived
The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	
7 Independent Expert Report	Cradle
The Independent Expert provides a report to Cradle that concludes that the Scheme is in the best interests of Cradle Shareholders and the Independent Expert not withdrawing or adversely modifying that conclusion before 8.00am on the Second Court Date.	
8 Third party consents	Both
Before 8.00am on the Second Court Date, all other approvals of a third party which Bidder and Cradle agree are necessary or desirable to implement the Scheme (including any counterparty consents under Material Contracts to the change of control that would be caused by the Transaction) are obtained.	
9 No Prescribed Event	Bidder
No Prescribed Event occurs between the date of this agreement and 8.00am on the Second Court Date.	
10 No Material Adverse Change	Bidder
No Material Adverse Change occurs or becomes apparent between the date of this agreement and 8.00am on the Second Court Date.	
11 No termination	Both
This agreement has not been terminated in accordance with clause 14.	
12 Index decline	Bidder

Condition	Party entitled to benefit
After the Announcement Date the Bloomberg Commodity Index does not fall to a level that is 80% or less of the level as at the close of trading on the Announcement Date and remains at or below that 80% level for at least 3 Business Days or until the date immediately before the Second Court Date.	
13 New information	Bidder
Between the date of this agreement and 8.00am on the Second Court Date Cradle does not become aware of any information which: (a) Cradle would be obliged to tell ASX immediately pursuant to ASX Listing Rule 3.1 if it was not relying upon the exception in ASX Listing Rule 3.1A; or (b) if the Transaction were proceeding by way of a takeover bid pursuant to Chapter 6 of the Corporations Act, it would be required to include in a target's statement pursuant to section 638 of the Corporations Act, where that information would, or would be reasonably likely to, result in a Material Adverse Change in relation to Cradle after the date of this agreement.	
14 Deed Poll	Cradle
Simultaneous with the execution of this agreement, Bidder signs and delivers the Deed Poll.	
15 Escrowed Cradle Shares	Bidder
Prior to the Second Court Date, any escrowed Cradle Shares are released from escrow so that they may transferred to Bidder in accordance with the Scheme.	

Scheme Implementation Agreement

Schedule 3 Timetable

Event	Date
Lodge Scheme Booklet with ASIC and ASX	10 April 2017
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	11 April 2017
First Court Date	4 May 2017
Printing and despatch of Scheme Booklet	9 May 2017
Scheme Meeting held	8 June 2017
Second Court Date	15 June 2017
Lodge Court order with ASIC (Effective Date)	16 June 2017
Record Date	23 June 2017
Implementation Date	30 June 2017

Schedule 4 Cradle's obligations

- 1 **(Cradle Information)** ensure that the Cradle Information included in the Scheme Booklet complies with applicable law, the Listing Rules and applicable ASIC Regulatory Guides.
- 2 **(Further Cradle Information)** provide to Bidder and Scheme Participants such further or new Cradle Information as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting as may be necessary to ensure that the Cradle Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
- 3 **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet.
- 4 **(Provide a copy of the report)** on receipt, provide Bidder with a copy of any draft or final report received from the Independent Expert.
- 5 **(Cradle Board recommendation)** state in the Scheme Booklet and the public announcement contemplated by clause 15.1 (on the basis of statements made to Cradle by each member of the Cradle Board) that each member of the Cradle Board recommends that the Scheme Participants vote in favour of the Scheme in the absence of a Superior Proposal, unless:
 - (a) the Independent Expert opines that the Scheme is not in the best interest of Cradle Shareholders; or
 - (b) in relation to matters occurring after the date of this agreement, the Cradle Board obtains written advice from Queen's Counsel or Senior Counsel that compliance or continued compliance with this clause would involve a breach of their fiduciary duties or would be unlawful on any other basis.
- 6 **(Directors' voting intentions)** ensure that the Scheme Booklet states the voting intention of each Cradle director in respect of the Scheme at the time of the Scheme Booklet.
- 7 **(Registry details)** subject to the terms of the Scheme:
 - (a) provide all necessary information about the Scheme Participants to Bidder which Bidder requires in order to assist Bidder to solicit votes at the Scheme Meeting; and
 - (b) provide all necessary directions to the Registry to promptly provide any information that Bidder reasonably requests in relation to the Register, including any sub-register, and, where requested by Bidder Cradle must procure such information to be provided to Bidder in such electronic form as is reasonably requested by Bidder.
- 8 **(Proxies)** except to the extent that Cradle would be in breach of Australian privacy laws, cause the Registry to report to Cradle and Bidder on the status of proxy forms received by the Registration for the Scheme Meeting:
 - (a) on the day that is 10 Business Days before the Scheme Meeting;

- (b) on each Business Day following the day that is 10 Business Days before the Scheme Meeting, up to the deadline for receipt of proxy forms; and
 - (c) immediately following such deadline,
- and to provide such other information as it may receive concerning the voting intentions of Cradle Shareholders to Bidder.
- 9 **(Section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.
 - 10 **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing Cradle to convene the Scheme Meeting.
 - 11 **(Registration of explanatory statement)** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act.
 - 12 **(Send Scheme Booklet)** send the Scheme Booklet to Cradle Shareholders as soon as practicable after the Court orders Cradle to convene the Scheme Meeting.
 - 13 **(Scheme Meeting)** convene the Scheme Meeting in accordance with any such orders made by the Court and seek the approval of Cradle Shareholders for the Scheme and, for this purpose, the directors of Cradle must participate in reasonable efforts to promote the merits of the Scheme, including meeting with key Scheme Participants at the reasonable request of Bidder. Cradle shall not seek to adjourn or otherwise change the timing of the Scheme Meeting (or actually do so) without the prior written consent of Bidder.
 - 14 **(Court order)** apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act.
 - 15 **(Lodge)** lodge with ASIC an office copy of any such Court order approving the Scheme as approved by the Cradle Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act.
 - 16 **(Registration)** register all transfers of Scheme Shares to Bidder on the Implementation Date in accordance with the Scheme.
 - 17 **(Listing)** take all reasonable steps to maintain Cradle's listing on ASX, notwithstanding any suspension of the quotation of Cradle Shares, up to and including the Implementation Date, including making appropriate applications to ASX and ASIC.
 - 18 **(Other steps)** do all other things necessary to give effect to the Transaction and the orders of the Court approving the Scheme and take all actions within its power to give effect to this agreement.

Scheme Implementation Agreement

Schedule 5 Bidder's obligations

- 1 **(Bidder Information)** provide to Cradle for inclusion in the Scheme Booklet such Bidder Information as Cradle reasonably requires to prepare and issue the Scheme Booklet (including any information required under the Corporations Act, Corporations Regulations, or applicable ASIC Regulatory Guides).
- 2 **(Board approval of Scheme Booklet)** review drafts of the Scheme Booklet and after finalisation of the Scheme booklet, procure that a meeting of the directors of Bidder approves those sections of the Scheme Booklet which include the Bidder Information as being in a form appropriate for provision to ASIC for review and complies with the requirements of the Corporations Act, Corporations Regulations, or applicable ASIC Regulatory Guides in respect of the Bidder Information.
- 3 **(Further Bidder Information)** provide to Cradle such further or new Bidder Information as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting as may be necessary to ensure that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
- 4 **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's report to be included in the Scheme Booklet.
- 5 **(Deed Poll)** simultaneous with the execution of this agreement, sign and deliver the Deed Poll.
- 6 **(Court documents)** provide to Cradle any affidavits from Bidder or their Representative reasonably required for the purposes of each Court hearing, including an opinion from a suitably qualified and reputable Mauritius lawyer opining on the due execution of the Deed Poll and enforceability under the laws of Mauritius.
- 7 **(Scheme consideration)** if the Scheme becomes Effective, procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.2, the Scheme and the Deed Poll.
- 8 **(Share transfer)** if the Scheme becomes Effective, accept a transfer of the Scheme Shares as contemplated by clause 4.1(a).
- 9 **(Other steps)** do all things necessary to give effect to the Transaction and the orders of the Court approving the Scheme.

Schedule 6 Cradle's representations and warranties

- 1 **(Incorporation)** Cradle and each of its Subsidiaries is a valid existing corporation registered under the laws of its place of incorporation.
- 2 **(Execution and corporate power)** the execution and delivery of this agreement by Cradle has been properly authorised by all necessary corporate actions of Cradle. Cradle has full corporate power and lawful authority to execute and deliver this agreement and to consummate and perform or cause to be performed its obligations under this agreement in accordance with its terms.
- 3 **(No contravention or impediment)** this agreement and performance by Cradle of its obligations under this agreement do not contravene the constitution of any member of the Cradle Group or any law by which any member of the Cradle Group is bound and does not result in:
 - (a) any monies borrowed by any member of the Cradle Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (b) any agreement or other instrument to which any member of the Cradle Group is party being terminated or modified or any action being taken or arising thereunder; or
 - (c) the interest of Cradle in any Subsidiary or PHT being terminated or modified.
- 4 **(Binding obligations)** (subject to laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on Cradle.
- 5 **(Cradle Information)** the Cradle Information provided in accordance with this agreement and included in the Scheme Booklet, as at the date of the Scheme Booklet, will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC.
- 6 **(Advisors)** Cradle has provided complete and accurate information regarding fees in all retainers and mandates with financial advisers and fee estimates for other advisors in relation to the Transaction and any Competing Proposal or any other transaction where such retainer or mandate is current, or under which the Cradle Group still has obligations and will be no outstanding payment obligations as at 5.00pm on the day immediately prior to the Second Court Date.
- 7 **(Reliance)** the Cradle Information contained in the Scheme Booklet will be included in good faith and on the understanding that Bidder and its directors will rely on that information for the purposes of considering and approving the Bidder Information in the Scheme Booklet before it is despatched, approving the entry into the Deed Poll and implementing the Scheme.
- 8 **(Further information)** Cradle will, as a continuing obligation, provide to Bidder all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure

that there would be no breach of the warranty in paragraph 5 if it applied as at the date upon which that information arose.

- 9 **(Disclosure)** Cradle has Fairly Disclosed to Bidder all information known to it (having made reasonable enquiries) as at the date of this agreement regarding matters affecting or relating to it:
 - (a) which is not already in the public domain; and
 - (b) the disclosure of which might reasonably be expected to have resulted in Bidder not entering into this agreement at all or only entering into this agreement on materially different terms.
- 10 **(Continuous disclosure)** Cradle is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure.
- 11 **(Complete and accurate)** all the information provided to Bidder by Cradle in connection with the Bidder Request List, whether under due diligence or not, is complete and accurate and is not misleading, whether by way of omission or otherwise.
- 12 **(Opinions)** any statement of opinion or belief contained in the Cradle Information is honestly held and there are reasonable grounds for holding the opinion or belief.
- 13 **(Provision of information to Independent Expert)** all information provided by or on behalf of Cradle to the Independent Expert to enable the Independent Expert's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's report.
- 14 **(Compliance)** Cradle, its Subsidiaries and their officers and employees have complied in all material respects with all Australian and foreign laws and regulations applicable to them (including in relation to anti-bribery and corruption) and orders of Australian and foreign governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted.
- 15 **(Mineral Rights)** to the best of knowledge and belief of the directors of Cradle and Grant Davey (after having made reasonable enquiries):
 - (a) PHT holds all of the beneficial and legal interest in the Mineral Rights and no other person has any rights of whatsoever nature in respect of the Mineral Rights;
 - (b) the Mineral Rights are not liable to cancellation or forfeiture for any reason and there is no proceeding or dispute of any nature, affecting, or likely to affect, the Mineral Rights;
 - (c) PHT has complied with all provisions of the Mineral Rights, the Mining Act and other relevant laws in so far as they apply to the Mineral Rights;
 - (d) the Mineral Rights are valid and currently in good standing, including (but not limited to) all taxes and fees (if any), rents, expenditures and other outgoings having been paid and all returns (if any) having been submitted;
 - (e) the Mineral Rights are free from all encumbrances, validly subsisting, and in full force and effect pursuant to and in accordance with the Mining Act;
 - (f) there are no unsatisfied writs of execution relating to the Mineral Rights;

- (g) there are no environmental liabilities relating to or affecting the Mineral Rights nor are there any circumstances relating to the Mineral Rights which may reasonably be expected to give rise to future environmental liabilities and no environmental bonds are required to be lodged in relation to the Project;
 - (h) no person has any agreement, option or right capable of becoming an agreement, option or right for the acquisition of the Mineral Rights or any part thereof or any interest therein; and
 - (i) the Transaction does not result in the Mineral Rights becoming subject to forfeiture, suspension or cancellation or other adverse action or conditions being imposed on the Mineral Rights.
- 16 **(No default)** neither it nor any of its Subsidiaries:
- (a) is in default under any document, agreement or instrument binding on it or its assets; nor
 - (b) has anything occurred which is or would with the giving of notice or lapse of time constitute an event of default, prepayment event or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such document or agreement with such an effect,
- in each case where such default, occurrence or event would result, or is reasonably likely to result in, a Material Adverse Change.
- 17 **(Contract information):**
- (a) it has disclosed to Bidder prior to the date of this agreement complete copies of all Material Contracts;
 - (b) no Cradle Group member is a party to any contract or commitment (other than a Material Contract) involving revenue or expenditure of more than \$50,000 over the term of the contract or commitment or a contract or commitment which has term of over 12 months; and
 - (c) to the extent copies of the contracts have not been provided to Bidder, none of those contracts to which the Cradle Group is a party contain provisions requiring (either expressly or so as to avoid a right of termination or other right adverse to the relevant members of the Cradle Group arising) Cradle to seek the counterparty's consent to the change of control that would be caused by the Transaction.
- 18 **(No Change of control):** other than as disclosed by Cradle to Bidder prior to the date of this agreement, no person has the right to exercise or purported to exercise, or has stated an intention to exercise, any rights under any law or provision of any agreement or other instrument to which Cradle or any Subsidiary of Cradle is a party, or by or to which Cradle or any Subsidiary of Cradle or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of Cradle or Cradle and its Subsidiaries taken as a whole, in:
- (a) any monies borrowed by Cradle or any Subsidiary of Cradle being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (b) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;

- (c) the interest of Cradle or any Subsidiary of Cradle in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (d) the Mineral Rights becoming subject to forfeiture, suspension or cancellation or other adverse action or conditions being imposed on the Mineral Rights; or
- (e) the business of Cradle or any Subsidiary of Cradle with any other person being adversely affected,

as a result of the acquisition of Cradle Shares by Bidder pursuant to the Scheme.

- 19 **(Securities)** Cradle's issued securities as at the date of this agreement are:

Number	Class
164,727,617	Ordinary shares
1,000,000	Options, exercise price 25c, expiry 30/4/18
3,250,000	Options, exercise price 25c, expiry 31/10/18
2,000,000	Options, exercise price 30c, expiry 30/6/18
787,500	Performance Rights

and Cradle has also agreed to issue to Thurwan Limited:

Number	Class
1,000,000	Options, exercise price 25c, expiry 31/10/18

Other than as identified above, none of the members of the Cradle Group has issued or agreed to issue any other securities or instruments which are still outstanding and which may convert into Cradle Shares or securities of any member of the Cradle Group.

- 20 **(No Encumbrances)** there is no Encumbrance over all or any of its or its Subsidiaries' assets or revenues other than as disclosed to Bidder prior to the date of this agreement.
- 21 **(Payments)** all material tax, levies, assessments, contributions, fees, rates, duties and other governmental or municipal charges or impositions including all material royalties (other than those that may still be paid without penalty or interest) for which any member of the Cradle Group are liable, including any penalty or interest, having been paid.
- 22 **(No claims)** other than as disclosed by Cradle to Bidder prior to the date of this agreement, as at the date of this agreement there are no existing or threatened claims, litigations, disputes or proceedings against any member of the Cradle Group or their directors and Cradle directors are not aware of any circumstances which could give rise to any such claims, litigations, disputes or proceedings.
- 23 **(Voting intentions)** as at the date of this agreement, each of Cradle directors has stated to Cradle that they intend to vote any Cradle Shares in which they have a Relevant Interest in favour of the Scheme, unless a Superior Proposal arises.

- 24 **(Insolvency)** Cradle and its Subsidiaries are not Insolvent.
- 25 **(shares in PHT and Subsidiaries)** Cradle is the full legal and beneficial owner of:
- (a) all of the issued shares in the capital of all of its Subsidiaries (other than PHT) (which are all fully paid ordinary shares); and
 - (b) 22,835,000 ordinary shares in the capital of PHT.
- 25 **(PHT)** to the best of knowledge and belief of the directors of Cradle and Grant Davey (after having made reasonable enquiries), warranties 1, 14, 16, 17, 18, 20, 21, 22 and 24 above are true and correct and not misleading or deceptive in all material respects as if they were also made about PHT.

Schedule 7 Bidder's representations and warranties

- 1 **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.
- 2 **(Execution)** the execution and delivery of this agreement has been properly authorised by all necessary actions of Bidder.
- 3 **(Power)** it has full power and lawful authority to execute and deliver this agreement and to consummate and perform or cause to be performed its obligations under this agreement in accordance with its terms.
- 4 **(Binding obligations)** (subject to laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it.
- 5 **(Reliance)** the Bidder Information provided to Cradle for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that Cradle and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the Corporations Act.
- 6 **(Bidder Information)** the Bidder Information provided in accordance with this agreement and included in the Scheme Booklet, as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements.
- 7 **(Insolvency)** it is not Insolvent.
- 8 **(Scheme Consideration)** it has access to the necessary funds to, if the Scheme becomes Effective, satisfy its payment obligations under the Scheme and the Deed Poll.

Schedule 8 Material Contracts

- 1 ISA
- 2 Letter agreement between Argonaut and Cradle Resources executed on 9 April 2015 as amended by an email dated 22 December 2016.
- 3 Sale of Mineral Rights Agreement between RECB Limited and Panda Hill Tanzania Ltd as amended on 24 September 2015 and each of the agreements entered into by the parties which are attached as schedules thereto
- 4 Panda Hill Option Agreement originally between Verona Capital Pty Ltd, RECB Limited and Panda Hill Mines Limited dated 28 May 2012 and each subsequent Deed of Amendment and Restatement
- 5 Letter agreement between Matador Capital Pty Ltd and Cradle dated 10 August 2016
- 6 Letter agreement between Thurwan Limited and Cradle dated 10 August 2016

Scheme Implementation Agreement

Signing page

DATED: 9 March 2017

EXECUTED by TREMONT INVESTMENTS LIMITED in accordance with the constituent documents in its place of incorporation:

[Signed "Brendon Howard Jones"]

.....
Signature of Authorised Signatory

[Brendon Howard Jones]

.....
Name of Authorised Signatory in full

[Signed "Pieter Rudolf Pretorius"]

.....
Signature of Authorised Signatory

[Pieter Rudolf Pretorius]

.....
Name of Authorised Signatory in full

EXECUTED by CRADLE RESOURCES LIMITED in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

[Signed "Ian Peter Middlemas"]

.....
Signature of director

[Ian Peter Middlemas]

.....
Name of director (block letters)

[Signed "Samuel Edward Smart"]

.....
Signature of ~~director~~/company secretary*
*delete whichever is not applicable

[Samuel Edward Smart]

.....
Name of ~~director~~/company secretary* (block letters)
*delete whichever is not applicable

Scheme Implementation Agreement

Annexure A - Scheme

Scheme - Not reproduced here. Refer to Annexure 3 of the Scheme Booklet.

Scheme Implementation Agreement

Annexure B - Deed Poll

Deed Poll - Not reproduced here. Refer to Annexure 4 of the Scheme Booklet.

Annexure 3 – Scheme



Scheme of Arrangement

Dated 2017

Cradle Resources Limited (ACN 149 637 016) (**Cradle**)

Scheme Participants

King & Wood Mallesons

Level 30
QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia
T +61 8 9269 7000
F +61 8 9269 7999
DX 210 Perth
www.kwm.com

Scheme of Arrangement

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Scheme of Arrangement

Details

Parties	Cradle and Scheme Participants	
Cradle	Name	Cradle Resources Limited
	ACN	149 637 016
	Address	Level 7, 1008 Hay Street Perth WA 6000 Australia
	Fax	+61 8 9389 2099
	Attention	Company Secretary
Scheme Participants	Name	Each person registered as a holder of Cradle Shares as at 5.00pm on the Record Date (other than Excluded Shareholders)
Governing law	Western Australia	

General terms

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691), Australian Securities Exchange, as appropriate.

Bidder means Tremont Investments Limited, a company incorporated in Mauritius.

Business Day means a business day as defined in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System managed by ASX.

Corporations Act means the *Corporations Act 2001* (Cwlth).

Court means the Federal Court of Australia, or the Supreme Court of Western Australia, to be agreed by Bidder and Cradle.

Cradle Share means a fully paid ordinary share in the capital of Cradle.

Cradle Shareholder means each person registered in the Register as a holder of Cradle Shares.

Deed Poll means the deed poll dated 9 March 2017 executed by Bidder substantially in the form of Annexure B of the Scheme Implementation Agreement, under which Bidder covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement having the same effect.

End Date means the date that is 6 months from the date of the Scheme Implementation Agreement or such other date as determined in accordance with the terms of the Scheme Implementation Agreement.

Excluded Share means a Cradle Share held by an Excluded Shareholder as at the Record Date.

Excluded Shareholder means Bidder and its Associates.

Immediately Available Funds means electronic funds transfer or other form of cleared funds acceptable to Cradle.

Implementation Date means the fifth Business Day following the Record Date or such other date as is agreed in writing by Bidder and Cradle.

Listing Rules means the Listing Rules of the ASX.

Option means any option issued by Cradle in respect of Cradle Shares, whether vested or unvested.

Performance Rights means any performance rights issued by Cradle in respect of Cradle Shares, whether vested or unvested.

Record Date means 5.00pm on the fifth Business Day following the Effective Date or such other date as Cradle and Bidder agree in writing.

Register means the share register of Cradle and **Registry** has a corresponding meaning.

Registered Address means, in relation to a Cradle Shareholder, the address shown in the Register.

Regulatory Authority means:

- (a) ASX and ASIC;
- (b) the Takeovers Panel;
- (c) a government or governmental, semi-governmental or judicial entity or authority;
- (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (e) any regulatory organisation established under statute,

including, in Australia, Mauritius and Tanzania.

Scheme means this scheme of arrangement between Cradle and Scheme Participants under which all of the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act as described in clause 5.2 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Cradle and Bidder in accordance with clause 8.2 of this Scheme.

Scheme Consideration means \$0.33 for each Scheme Share.

Scheme Implementation Agreement means the scheme implementation agreement dated 9 March 2017 between Cradle and Bidder under which, amongst other things, Cradle has agreed to propose this Scheme to Cradle Shareholders, and each of Bidder and Cradle has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting of Cradle Shareholders ordered by the Court to be convened pursuant to section 411(a) of the Corporations Act at which Cradle Shareholders will vote on this Scheme.

Scheme Participant means each person registered as a Cradle Shareholder at the Record Date, other than an Excluded Shareholder.

Scheme Share means a Cradle Share on issue as at the Record Date other than an Excluded Share.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme.

Share Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Takeovers Panel means the review body continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 of the Corporations Act.

Trust Account means the trust account operated by or on behalf of Cradle to hold the Scheme Consideration on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.3 of this Scheme, as nominated by Cradle at least 5 Business Days prior to the Implementation Date.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) **(variations or replacement)** a document, agreement (including this document) or instrument is a reference to that document, agreement or instrument as amended, consolidated, supplemented, novated or replaced;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(party)** a party means a party to this Scheme;
- (g) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;

- (h) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (m) **(time of day)** time is a reference to Perth, Western Australia time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Cradle

- (a) Cradle is a public company limited by shares incorporated in Australia and registered in Western Australia.
- (b) Cradle is admitted to the official list of the ASX and Cradle Shares are officially quoted on the stock market conducted by ASX.

2.2 Bidder

Bidder is a private company limited by shares and is incorporated in Mauritius.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to Bidder, Cradle will procure Bidder to provide the Scheme Consideration to Cradle on behalf of each Scheme Participant in accordance with the terms of this Scheme and the Deed Poll;
- (b) all Scheme Shares, and all the rights and entitlements attaching to them, will be transferred to Bidder on the Implementation Date; and
- (c) Cradle will enter the name of Bidder in the Register in respect of all Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

By executing the Scheme Implementation Agreement, Cradle and Bidder have agreed to implement the terms of this Scheme.

2.5 Deed Poll

Bidder has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to pay the Scheme Consideration.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;
- (b) all of the conditions precedent in schedule 2 of the Scheme Implementation Agreement having been satisfied or waived (other than the condition precedent relating to the approval of the Court in item 6) in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Cradle and Bidder having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act and any such conditions having been satisfied or waived; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clauses 5 and 6

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clauses 5 and 6 of this Scheme.

3.3 Certificate in relation to conditions precedent

Cradle and Bidder must each provide to the other by 8:00am on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificates referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless Cradle and Bidder otherwise agree in writing.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

Cradle must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Bidder and Cradle agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the payment of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 and 6.5 of this Scheme and Bidder having provided Cradle with written confirmation thereof:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder without the need for any further act by any Scheme Participant (other than acts performed by Cradle as attorney and agent for Scheme Participants under clause 8.1 of this Scheme) by:
 - (i) Cradle delivering to Bidder a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
 - (ii) Bidder duly executing the Share Scheme Transfer and delivering it to Cradle for registration; and
- (b) immediately following receipt of the duly executed Share Scheme Transfer, Cradle must enter the name of Bidder in the Register in respect of all Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in Scheme Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date, Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Cradle of Bidder in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to Bidder and is deemed to have authorised Cradle to warrant to Bidder as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Bidder under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder under the Scheme.

5.7 Transfer free of encumbrances

To the extent permitted by law, all Cradle Shares (including any rights and entitlements attaching to those shares) which are transferred to Bidder under this Scheme will, at the date of the transfer of them to Bidder, vest in Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of Bidder as sole proxy

Subject to the payment of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date until Cradle registers Bidder as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

- (a) irrevocably appoints Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)); and
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as Bidder directs; and
- (c) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 5.8(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

6 Scheme Consideration

6.1 Consideration under the Scheme

Cradle and Bidder must pay (or procure the payment of) the Scheme Consideration to the Scheme Participants in accordance with this clause 6.

6.2 Satisfaction of obligations

Bidder must, and Cradle must use its best endeavours to procure that Bidder does, no later than two Business Days before the Implementation Date, deposit (or procure the deposit) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to Bidder's account).

6.3 Payment of Scheme Consideration

On the Implementation Date, subject to receipt of the Scheme Consideration from Bidder in accordance with clause 6.2 of this Scheme, Cradle must pay or procure payment to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to Bidder on the Implementation Date by that Scheme Participant, whereby the amounts referred to in this clause 6.3 of this Scheme must be paid by:

- (a) where a Scheme Participant before the Record Date has made an election in accordance with the requirements of the Register to receive dividend payments from Cradle by electronic funds transfer to a bank account nominated by the Scheme Participant, paying by direct credit to the nominated bank account; or
- (b) where a Scheme Participant has not made an election referred to in clause 6.3(a), sending a cheque drawn on an Australian bank in Australian currency to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date (or in the case of joint holders, in accordance with the procedures set out in clause 6.6).

6.4 Unclaimed monies

Cradle may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

- (a) is returned to Cradle; or
- (b) has not been presented for payment within six months after the date on which the cheque was sent.

During the period of one year commencing on the Implementation Date, on a written request from a Scheme Participant, Cradle must reissue a cheque that was previously cancelled under this clause 6.4. Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

The *Unclaimed Money Act 1990* (WA) will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined under the *Unclaimed Money Act 1990* (WA)).

6.5 Orders of a court

In the case of notice having been given to Cradle (or the Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then Cradle shall procure that payment is made in accordance with that order; or
- (b) which would prevent Cradle from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme,

Cradle will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

6.6 Joint holders

In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Participants by Bidder must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by Cradle if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

7.2 Register

Cradle must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

7.3 No disposals after Record Date

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

Cradle will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title) or received prior to the Record Date but not in registrable or actionable form.

7.4 Maintenance of Cradle Register

For the purpose of determining entitlements to the Scheme Consideration, Cradle will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been paid to the Scheme Participants and Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to Bidder contemplated in clauses 5.2 and 6.3 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Bidder, its Associates and their successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date (other than entries in respect of Bidder, its Associates or their successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within 2 Business Days after the Record Date, Cradle will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to Bidder in such form as Bidder reasonably requires.

7.7 Quotation of Cradle Shares

- (a) Cradle will apply to ASX to suspend trading on ASX in Cradle Shares with effect from the close of trading on ASX on the Effective Date.
- (b) After the Scheme has been fully implemented, Cradle will apply:
 - (i) for termination of the official quotation of Cradle Shares on ASX; and
 - (ii) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints Cradle and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;
- (b) enforcing the Deed Poll against Bidder,

and Cradle accepts such appointment. Cradle as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.2 Variations, alterations and conditions

Cradle may, with the consent of Bidder (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose. Each Scheme Participant agrees to any such variation, alteration or condition.

8.3 Further action by Cradle

Cradle will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Participants:

- (a) irrevocably consents to Cradle and Bidder doing all things and executing all deeds, instruments, transfers or other documents necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Scheme binds Cradle and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at the Scheme Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Cradle.

8.5 No liability when acting in good faith

Neither Cradle nor Bidder, nor any of their respective directors, officers, employees and advisors (as applicable), will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.6 Enforcement of Deed Poll

Cradle undertakes in favour of each Scheme Participant to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Participants.

8.7 Stamp duty

Bidder will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

8.8 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Cradle, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Cradle's registered office or at the office of the registrar of Cradle Shares.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Cradle Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9 Governing law and jurisdiction

This Scheme is governed by the law in force in Western Australia. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place and waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

Annexure 4 – Deed Poll



Deed Poll

Dated 9 March 2017

Given by Tremont Investments Limited (**Bidder**)

In favour of **Scheme Participants**

King & Wood Mallesons

Level 30
QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia
T +61 8 9269 7000
F +61 8 9269 7999
DX 210 Perth
www.kwm.com

Deed Poll

Details

Parties	Bidder	
Bidder	Name	Tremont Investments Limited
	Incorporated in	Mauritius
	Address	C2-202, Level 2, Office Block C, La Croisette, Grand Baie, 30517, Mauritius
	Attention	Directors
In favour of	Each person registered as a holder of Cradle Shares as at 5.00pm on the Record Date (other than Excluded Shareholders)	
Recitals	A	Cradle and Bidder have entered into the Scheme Implementation Agreement.
	B	In the Scheme Implementation Agreement, Bidder agreed (amongst other things) to pay the Scheme Consideration to Cradle on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.
	C	Bidder is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.
Governing law	Western Australia	
Date of Deed Poll	See Signing page	

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

In this deed poll (unless the context otherwise requires):

Authorised Officer means:

- (a) in respect of Bidder, each of its directors, or any other person nominated by Bidder to act as an Authorised Officer under this deed poll and notified to Cradle in writing; and
- (b) in respect of Cradle, each of its directors, or any other person nominated by Cradle to act as an Authorised Officer under this deed poll and notified to Bidder in writing.

Details means the section of this agreement headed “Details”.

Scheme means the proposed scheme of arrangement between Cradle and Scheme Participants under which all the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Bidder and Cradle, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Cradle and Bidder.

Scheme Implementation Agreement means the scheme implementation agreement dated 9 March 2017 between Cradle and Bidder under which, amongst other things, Cradle has agreed to propose the Scheme to Cradle Shareholders, and each of Bidder and Cradle has agreed to take certain steps to give effect to the Scheme.

All other words and phrases used in this deed poll have the same meaning as given to them in the Scheme.

1.2 Interpretation

Clause 1.2 of the Scheme applies to the interpretation of this deed poll except that references to “this Scheme” in that clause are to be read as references to “this deed poll”.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed poll.

1.4 Nature of deed poll

Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and

- (b) under the Scheme, Cradle undertakes to enforce this deed poll against Bidder on behalf of and as agent and attorney for each Scheme Participant.

2 Conditions precedent and termination

2.1 Conditions precedent

Bidder's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

Bidder's obligations under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms,

unless Bidder and Cradle otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) Bidder is released from its obligations to further perform this deed poll except those obligations contained in clause 7.1; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against Bidder in respect of any breach of this deed poll which occurs before it is terminated.

3 Performance of obligations generally

Bidder undertakes in favour of each Scheme Participant that it will fulfil its obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

4 Scheme Consideration

4.1 Provision of Scheme Consideration

Subject to clause 2, Bidder undertakes in favour of each Scheme Participant to pay or procure the payment of the Scheme Consideration to the trust account held by Cradle on behalf of each Scheme Participant subject to and in accordance with the terms of the Scheme.

4.2 Payment of Scheme Consideration

Bidder's obligation to provide the Scheme Consideration to Cradle on behalf of each Scheme Participant is satisfied by Bidder, no later than two Business Days before the Implementation Date, depositing in immediately available funds the aggregate amount of the Scheme Consideration payable to all Scheme

Participants into the trust account held by Cradle on behalf of each Scheme Participant (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to Bidder's account).

5 Representations and warranties

Bidder represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll is valid and binding upon Bidder and enforceable against Bidder in accordance with its terms.

6 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

7 General

7.1 Stamp duty

Bidder must:

- (a) pay all stamp duty (including fines, penalties and interest) payable and assessed on or in connection with this deed poll, the performance of this deed poll, or any instruments entered into under this deed poll and in respect of a transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify on demand each Scheme Participant against any liability arising from failure to comply with clause 7.1(a).

7.2 Notices

Unless expressly stated otherwise in this deed poll, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed poll must be in writing and sent to the address stated in the Details, or as otherwise advised by the party from time to time, and marked to the attention of the person stated in the details.

7.3 Waiver

- (a) A waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party giving the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
 - (i) a right arising from a breach of this deed poll; or
 - (ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,does not result in a waiver of that right, power, authority, discretion or remedy.
- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.

7.4 Variation

A provision of this deed poll or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by Cradle and Bidder in writing; and
- (b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event Bidder must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

7.5 Remedies cumulative

The rights, powers and remedies of Bidder and the Scheme Participants under this deed poll are cumulative and are in addition to, and do not exclude any, other rights, powers and remedies given by law independently of this deed poll.

7.6 Assignment

The rights and obligations of Bidder and each Scheme Participant under this deed poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of Bidder and Cradle.

7.7 Governing law and jurisdiction

This deed poll is governed by the law in force in Western Australia. Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place.

7.8 Further action

Bidder must execute all deeds and other documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this deed poll and the transactions contemplated by it.

7.9 Service of process

Without preventing any other mode of service, any document in a legal action, suit or other proceeding in the courts of Western Australia or courts of appeal from them (including any writ of summons or other originating process or any third or other party notice) may be served on Bidder by being delivered to or left for Bidder at the address shown in the Details.

EXECUTED as a deed poll

Deed Poll

Signing page

DATED: 9 March 2017

EXECUTED by TREMONT)
INVESTMENTS LIMITED in)
accordance with the constituent)
documents in its place of incorporation:)
[Signed "Brendon Howard Jones"])
.....)
Signature of Authorised Signatory)
[Brendon Howard Jones])
.....)
Name of Authorised Signatory in full

[Signed "Pieter Rudolf Pretorius"]
.....
Signature of Authorised Signatory
[Pieter Rudolf Pretorius]
.....
Name of Authorised Signatory in full

Deed Poll

Annexure A - Scheme

Scheme - Not reproduced here. Refer to Annexure 3 of the Scheme Booklet.

Annexure 5 – Notice of Scheme Meeting

CRADLE RESOURCES LIMITED
ACN 149 637 016

NOTICE OF GENERAL MEETING

By an order of the Court made on 24 May 2017 pursuant to section 411(1) of the Corporations Act, a meeting of Cradle Shareholders will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on 28 June 2017 at 10.00am (WST).

The Court has directed that Scott Gibson act as chairman of the Scheme Meeting or failing him Michael Bowen, and has directed the chairman to report the results of the Scheme Meeting to the Court.

Purpose of Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) the Scheme.

To enable you to make an informed voting decision, important information on the Scheme is set out in the Scheme Booklet. This Notice of Scheme Meeting should be read in conjunction with Scheme Booklet. Terms and abbreviations used in this Notice of Scheme Meeting are defined in the Scheme Booklet unless the context requires otherwise.

AGENDA

Approval of the Scheme

To consider and, if thought fit, to pass with or without amendment, the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Cradle and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which the Notice of Scheme Meeting forms part, is approved, and the directors of Cradle are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval by the Court, to implement the Scheme with any such alterations or conditions."

Dated: 24 May 2017

By order of the Court

Greg Swan

Company Secretary

EXPLANATORY NOTES

These notes should be read in conjunction with this Notice of Scheme Meeting.

1. REQUIRED VOTING MAJORITY

The Scheme Resolution must be passed at a meeting by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Cradle Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) at least 75% of the votes cast on the resolution.

The Court has the discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the Scheme Resolution but not by a majority in number of Cradle Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting.

Voting at the Scheme Meeting will be by poll rather than by a show of hands.

2. COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without alteration or conditions) is subject to approval of the Court. If the Scheme Resolution is approved by the Requisite Majority, and the relevant conditions of the Scheme (other than approval by the Court) are satisfied, or waived, by the time required under the Scheme, Cradle intends to apply to the Court for the necessary orders to give effect to the Scheme.

3. ENTITLEMENT TO VOTE

The Court has determined that, for the purposes of the Scheme Meeting, if you are a Cradle Shareholder (other than an Excluded Shareholder) as at 5.00pm (WST) on 26 June 2017, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting.

4. HOW TO VOTE

Cradle Shareholders entitled to vote at the Scheme Meeting can vote:

- (a) by attending the Scheme Meeting and voting in person; or
- (b) by appointing an attorney to attend the Scheme Meeting and vote on their behalf, or, in the case of corporate shareholders, a corporate representative to attend the Scheme Meeting and vote on its behalf; or
- (c) by appointing a proxy to attend the Scheme Meeting and vote on their behalf, using the Proxy Form.

A personalised Proxy Form accompanies the Scheme Booklet. The Proxy Form contains full details of how to appoint persons and how to sign and lodge the voting form.

To be valid, Proxy Forms must be received by 10.00am (WST) on 26 June 2017.

Voting in Person

Cradle Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the Scheme Meeting to allow for registration for the Scheme Meeting. Please bring your meeting registration forms with you to facilitate admission to the Scheme Meeting. The meeting registration form for the Scheme Meeting is the Proxy Form.

Voting by attorney or corporate representative

Cradle Shareholders who have appointed an attorney or corporate representative to attend and vote at the Scheme Meeting should ensure that their attorney or corporate representative arrives at the venue 30 minutes prior to the time designated for the Scheme Meeting to allow for registration for the Scheme Meeting. A person attending as an attorney should bring the original power of attorney or a certified copy, unless you have already provided a certified copy of the power of attorney to Cradle. A person attending as a representative of a corporate shareholder must present satisfactory evidence of his or her appointment to attend on behalf of that shareholder unless previously lodged with Cradle's Share Registry.

Voting by proxy

A Cradle Shareholder entitled to attend and vote at the Scheme Meeting may appoint a proxy. A member entitled to cast two or more votes may appoint not more than two proxies. Each proxy will have the right to vote on the resolution to be put to the Scheme Meeting and also to speak at the Scheme Meeting. The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the Cradle Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Cradle Shareholder.

If a proxy is not directed how to vote any item of business, the proxy may vote or abstain from voting, as that person thinks fit. If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on the poll, and the Cradle Shares the subject of the proxy appointment will not be counted in computing the required majority.

Cradle Shareholders who return their Proxy Form with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the Scheme Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Scheme Meeting, the chairman of the Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the company secretary of Cradle or any director of Cradle which do not contain a direction will be used to support the resolution to approve the Scheme.

Jointly held securities

If the Cradle Shares are jointly held, only one of the joint Cradle Shareholders is entitled to vote. If more than one Cradle Shareholder votes, only the vote of the Cradle Shareholder whose name appears first in the Register will be counted.

Completed Proxy Forms must be:

- posted in the envelope provided, hand delivered or faxing it to the Share Registry:

Mail to:
Cradle Resources Limited
C/- LINK Market Services Limited
Locked Bag A14, Sydney South NSW 1235

Hand deliver to:
Cradle Resources Limited
C/- LINK Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

Fax to:
+61 2 9287 0309

- lodged online at www.linkmarketservices.com.au, instructions as follows:

Select 'Investor & Employee Login' and enter Cradle Resources Limited or the ASX code CXX in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your Proxy Form), postcode and

security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

in each case so that they are received by no later than 10.00am on 26 June 2017. Proxy Forms received after this time will be invalid.

The Proxy Form must be signed by the Cradle Shareholder or the Cradle Shareholder's attorney. If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney under which the Proxy Form was signed must be received at the same time as the Proxy Form, unless you have already provided a certified copy of the power of attorney to Cradle. Proxies given by corporations must be executed in accordance with the Corporations Act.

If you complete and return a Proxy Form, you may still attend the Scheme Meeting in person, revoke the proxy and vote at the Scheme Meeting.

CORPORATE DIRECTORY

Directors

Mr Ian Middlemas – Chairman
Mr Robert Behets – Non-Executive Director
Mr Craig Burton – Non-Executive Director
Mr James Kelly – Executive Director

Company Secretary

Mr Greg Swan

Registered and Corporate Office

Level 7, 1008 Hay Street
Perth WA 6000

Tel: +61 8 9389 6322
Fax: +61 8 9389 2099

Independent Expert

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Technical Specialist

The MSA Group Pty Ltd
Henley House
Greenacres Office Park
Cnr Victory & Rustenburg Roads
Victory Park, 2195
Randburg, South Africa

Australian Legal Advisers

DLA Piper Australia
Central Park, Level 31
152-158 St Georges Terrace
Perth WA 6000

Tel +61 8 6467 6000

Fax +61 8 6467 6001

Share Registry

Link Market Services Limited
Level 12
250 St Georges Terrace
Perth WA 6000

Tel: +61 1300 554 474

Fax: +61 2 9287 0303

Stock Exchange Listing

Australian Securities Exchange
ASX Code: CXX



LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Cradle Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Cradle Resources Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am (WST) on Wednesday, 28 June 2017 at The Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain*

1 Scheme Resolution

☐ ☐ ☐


* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

CXX PRX1701A



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (WST) on Monday, 26 June 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Cradle Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**