

31 October 2017

ASX Release

ASX Code: CXX

September 2017 Quarterly Report

PERTH, Western Australia: Cradle Resources Limited (“Cradle” or “Company”) (ASX: CXX) presents its quarterly report for the period ended 30 September 2017.

During the quarter, the Tanzanian Government passed amendments to the legal framework governing the mining sector in Tanzania (“New Legislation”) which, amongst other things, entitles the Tanzanian Government to a 16% shareholding in all Tanzanian mining companies.

The New Legislation resulted in the termination of the scheme implementation agreement relating to the proposed scheme of arrangement (“Scheme”) pursuant to which Tremont Investments Limited (“Tremont”) would have acquired all of the issued shares of Cradle.

Notwithstanding this, the Board remains of the view that the Company’s Panda Hill Niobium Project (“Project”) in Tanzania is a world class asset and will be the first new niobium producer in over 40 years. The demand for niobium remains high due to its use in the production of quality steel.

Cradle’s current focus is on cost reduction whilst the Company and Tremont evaluate the impact of the New Legislation and work with the Tanzanian Government to clarify the position, given the uncertainty regarding the New Legislation.

Meanwhile, a number of work programs at the Project continued to be progressed during the quarter. The Company’s preferred Engineering, Procurement, Construction Management (“EPCM”) contractor, Hatch, continued with works for the proposed design and construction of the mine, including completion of draft gap analysis, draft site mobilisation plan, and draft processing design summary.

During the quarter, the Company appointed Mr. Grant Davey as Executive Director of the Company and Messrs. James Kelly and Robert Behets stepped down as Directors of the Company.

Contact Information

For further information, please contact:

Grant Davey, Executive Director
Tel: +61 8 6143 6730

Termination of Scheme with Tremont

During the quarter, the scheme implementation agreement relating to the proposed Scheme, pursuant to which Tremont would have acquired all of the issued shares of Cradle, was terminated.

The termination was a result of the New Legislation. There remains significant uncertainty regarding the implementation of the New Legislation, however it appears that some of the changes will apply to Cradle, including the Tanzanian Government's right to a 16% shareholding in all Tanzanian mining companies and the imposition of a 1% clearing fee on the value of all minerals exported from Tanzania.

As a result of the termination of the Scheme Implementation Agreement, the Scheme did not proceed. Cradle shareholders have retained their Cradle shares.

New Tanzanian Legislation

The New Legislation is contained in four bills which have been passed by the Tanzanian Parliament. The New Legislation appears to predominantly target the mining and export of precious metals and metal concentrates from existing operations in Tanzania that have been the focus of recent reviews conducted by Presidential Committees.

The New Legislation proposes to allow the Tanzanian Government ("Government") to renegotiate all existing Mine Development Agreements ("MDAs"). In addition, the New Legislation proposes mandatory beneficiation within the country and no licence or permit shall be issued for exportation of raw minerals and mineral concentrates.

Cradle owns 50% of Panda Hill Tanzania Limited ("PHT"), which owns 100% of the Project in Tanzania. PHT does not have an MDA with the Government. The Project consists of three standard Mining Licences which do not require MDAs, as opposed to the Special Mining Licences used by larger projects which are eligible for concessional tax arrangements via MDAs.

The Company continues to liaise with all levels of the Tanzanian Government to clarify the uncertainty surrounding the New Legislation. The Company understands that the Tanzanian Government plans to release new regulations to complement the New Legislation which may address a number of the Company's concerns with the New Legislation.

Board Changes

During the quarter, the Company appointed Mr. Grant Davey as Executive Director of the Company and Messrs. James Kelly and Robert Behets stepped down as Directors of the Company.

Mr. 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 acted as CEO for several ASX-listed exploration and mining projects.

Mr. Davey was instrumental in developing the Project in Tanzania, having previously been a Director of Cradle from April 2013 to November 2015. Mr Davey is also a Director of PHT, the 50/50 joint venture company between Cradle and Tremont Investments Limited.

The changes are being made as part of the Company's strategy to reduce costs which the Board considers prudent in light of the New Legislation and termination of the previously announced scheme of arrangement with Tremont.

Panda Hill Niobium Project

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

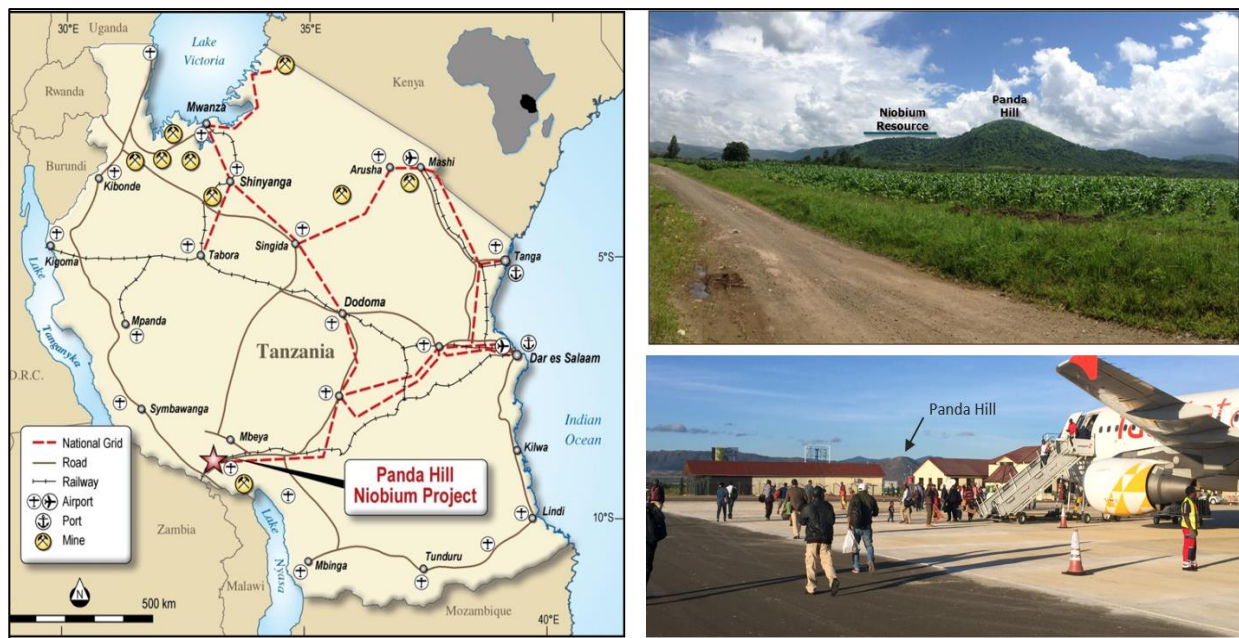


Figure 1: Location of the Panda Hill Niobium Project

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

Cradle owns 50% of PHT, which owns 100% of the Project. Cradle and Tremont have entered into an agreement in relation to PHT ("Shareholders Agreement").

In April 2016, Cradle announced to ASX the results of its own feasibility study on the Project which was never a definitive feasibility study within the meaning of the Shareholders Agreement and is not capable of enabling Cradle and Tremont to make a decision to proceed with the construction of a mine to carry out mining activities on the Project. Since that study, PHT's staff has undertaken more work to prepare a definitive feasibility study. However, Cradle considers this material does not constitute a definitive feasibility study within the meaning of the Shareholders Agreement and it has not been approved by the board of PHT as a definitive feasibility study. There is a dispute between Cradle and Tremont in relation to these matters, which, as previously advised, may give rise to certain decision to mine procedures. The parties are in the preliminary stages of the dispute resolution mechanism prescribed by the Shareholders Agreement.

Project Activities During the Quarter

The Company's preferred EPCM contractor, Hatch, continued with works for the proposed design and construction of the mine, including completion of draft gap analysis, draft site mobilisation plan, and draft processing design summary.

The SAG and Ball Mill bid package was completed and compilation of the detailed project schedule is continuing.

SLR completed the final design work for the Project's tailings storage facility ("TSF"), including detailed design construction drawings.

The permitting process continued with permit applications for the TSF, water storage dams, explosives storage, construction, and import duty exoneration all progressing.

The Company continued to liaise with all levels of the Tanzanian Government to clarify the uncertainty surrounding the New Legislation and to progress discussions on what project financiers would require so as to complete the financing of the project.

The Company also understands that the Tanzanian Government plans to release new regulations to accompany the New Legislation which may address some of the Company's concerns with the New Legislation.

Tenement Summary

As at 30 September 2017, PHT, the joint venture company owned 50% by Cradle and 50% by Tremont Investments Limited, held the following interests in tenements:

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

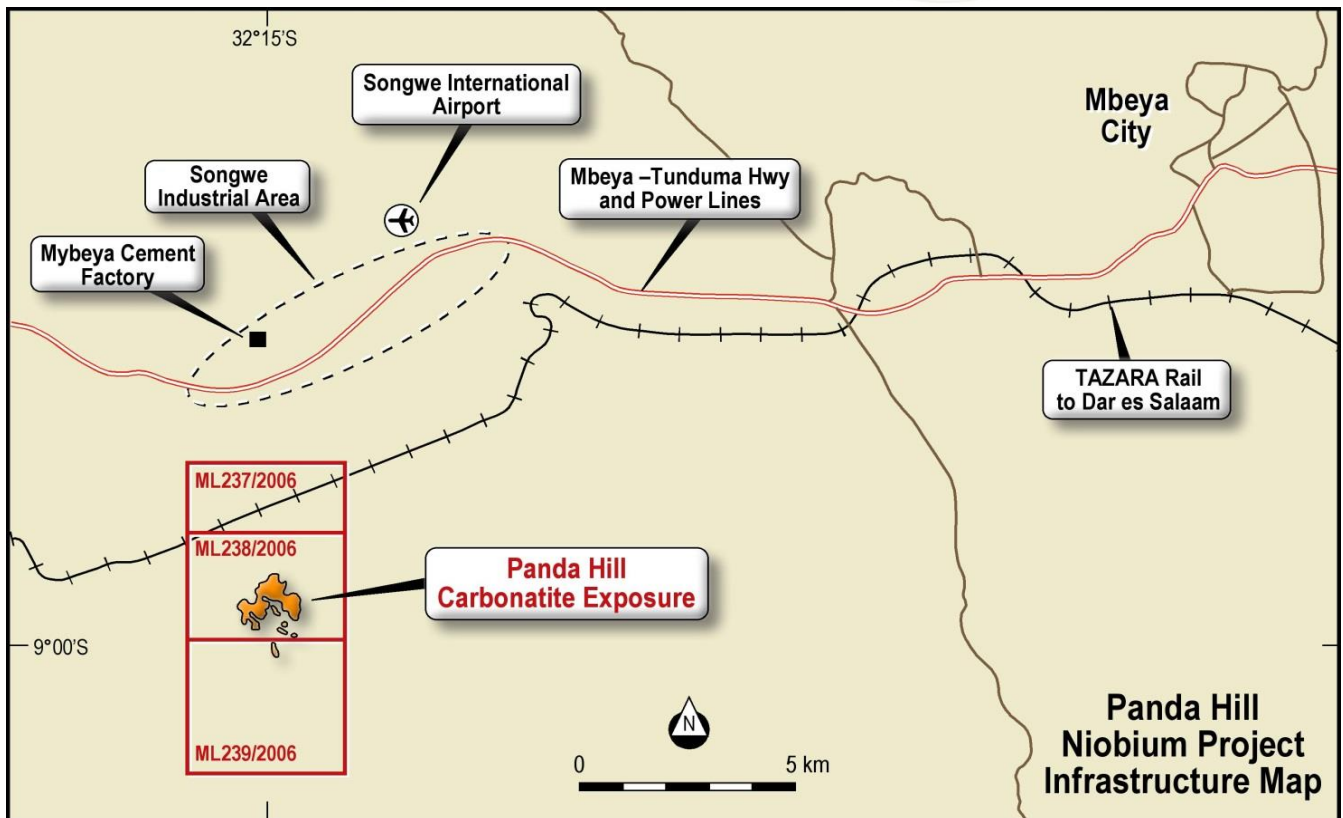


Figure 2: Mining Licences and Local Infrastructure

Competent Person's Statement

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

CRADLE RESOURCES LIMITED (ASX CODE: CXX)

ABN

60 149 637 016

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(19)	(19)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(69)	(69)
	(e) administration and corporate costs	(82)	(82)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material):		
	(a) scheme transaction costs	(169)	(169)
1.9	Net cash from / (used in) operating activities	(335)	(335)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

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

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(2)	(2)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Monies held for onsite cash spend)	-	-
3.10	Net cash from / (used in) financing activities	(2)	(2)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,411	1,411
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(335)	(335)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,074	1,074

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,074	1,411
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,074	1,411

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	65
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Directors' fees and superannuation.		

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available

Add notes as necessary for an understanding of the position

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

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

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

Nil

9. Estimated cash outflows for next quarter

\$A'000

9.1	Exploration and evaluation	(250)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	(200)
9.6	Other (provide details if material):	
	(a) Scheme transaction costs	(100)
9.7	Total estimated cash outflows	(550)

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

Compliance statement

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

Sign here:
(Company Secretary)

Date: 31 October 2017

Print name: Greg Swan

Notes

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