CRADLE RESOURCES LIMITED

2018 ANNUAL REPORT

ABN 60 149 637 016

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Corporate Directory

DIRECTORS

Mr Ian Middlemas	CHAIRMAN
Mr Grant Davey	EXECUTIVE DIRECTOR
Mr Craig Burton	NON-EXECUTIVE DIRECTOR

COMPANY SECRETARY

Mr Greg Swan

REGISTERED OFFICE

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STOCK EXCHANGE

Australian Securities Exchange
Home Branch – Perth
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Perth WA 6000

ASX CODE

CXX – Fully paid Ordinary Shares

SHARE REGISTRY

Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000
Tel: 1300 554 474
Int: +61 1300 554 474

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

BANKERS

Australia and New Zealand Banking Group Limited

SOLICITORS

DLA Piper

WEBSITE

www.cradleresources.com.au

The Directors of Cradle Resources Limited present their report on the Consolidated Entity consisting of Cradle Resources Limited ("Company" or "Cradle") and the entities it controlled at the end of, or during, the year ended 30 June 2018 ("Consolidated Entity" or "Group").

DIRECTORS

The names and details of the Company's Directors in office at any time during the financial year or since the end of the financial year are:

Mr Ian Middlemas – Chairman
Mr Grant Davey – Executive Director *(appointed 27 July 2017)*
Mr Craig Burton – Non-Executive Director
Mr James Kelly – Executive Director *(resigned 27 July 2017)*
Mr Robert Behets – Non-Executive Director *(resigned 27 July 2017)*

Unless otherwise stated, all Directors held their office from 1 July 2017 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *BCom, CA*
Chairman (Non-Executive)

Mr 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 with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 8 May 2016 and Chairman of the Company on 1 August 2016. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), Piedmont Lithium Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), and Syntonic Limited (April 2010 – June 2017).

Mr Grant Davey *BSc*
Executive Director

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

Mr Davey was appointed a Director of the Company on 27 July 2017. Mr Davey was also a Director of the Company from 15 April 2013 to 10 November 2015. During the three-year period to the end of the financial year, Mr Davey has held directorships in Graphex Mining Ltd (March 2016 – present) and Boss Resources Limited (January 2016 – present).

Mr Craig Burton *BJuris, LLB, MAICD*
Non-Executive Director

Mr 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 is also a Director of Panda Hill Tanzania Ltd, the 50/50 joint venture company between Cradle and Tremont Investments Limited.

Mr Burton was appointed a Director of the Company on 16 September 2013. Mr Burton also served as Chairman of the Company from 16 September 2013 to 1 August 2016. During the three-year period to the end of the financial year, Mr Burton has held directorships in Capital Drilling Limited (January 2009 – present), Atrum Coal Limited (January 2017 – August 2017), and Whitebark Energy Limited (August 2013 – October 2015).

Mr Greg Swan *BCom, CA, ACIS, AFin*
Company Secretary

Mr Swan is a Chartered Accountant and Chartered Secretary and is currently Company Secretary and Chief Financial Officer for several listed companies that operate in the resources sector. He commenced his career at a large international Chartered Accounting firm and has since been involved with a number of exploration and development companies, including Mantra Resources Limited, Papillon Resources Limited, and Paringa Resources Limited.

Mr Swan was appointed Company Secretary of the Company on 11 April 2017.

PRINCIPAL ACTIVITIES

The principal activities of Cradle during the financial year consisted of the exploration and development of mineral resource projects. No significant change in the nature of Cradle's activities occurred during the year.

OPERATING AND FINANCIAL REVIEW

Overview

During the financial year, the Group continued to focus on the development of its Panda Hill Niobium Project ("Project") located in Tanzania as well as considering new opportunities in the resources sector that could add value to shareholders.

In July 2017, 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 a 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 Panda Hill Niobium Project 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.

The Company continues to liaise with the Tanzanian Government to clarify the uncertainty surrounding new legislation governing the mining sector in Tanzania, and to progress discussions on what project financiers would require so as to complete the financing of the Project.

Meanwhile, a number of work programs at the Project continued to be progressed during the year. Hatch was selected as the preferred Engineering, Procurement, Construction Management ("EPCM") contractor for the proposed design and construction of the mine, following a competitive bidding process. Hatch has now completed all pre-construction activities at the Project.

During the financial year, 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.

During the financial year, the Company completed a share placement of 24.2 million shares at an issue price of $0.12 per share to institutional and sophisticated investors to raise gross proceeds of $2.9 million ("Placement"). Tremont, the Company's largest shareholder, participated in the placement. Proceeds from the Placement will be used to continue the advancement of the Project, and to consider other resource opportunities that have the potential to add value to shareholders.

During the financial year, the Company also held discussions regarding the potential acquisition of a new resource project, however the acquisition did not proceed. The Company will continue to consider all opportunities that could add value to shareholders.

Panda Hill Niobium Project

The Group owns 50% of Panda Hill Tanzania Limited ("PHT"), which owns 100% of the Panda Hill Niobium Project in Tanzania.

The Project is located in the Mbeya region in south western Tanzania, approximately 680km west of the capital Dar es Salaam (refer 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.

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

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

OPERATING AND FINANCIAL REVIEW (Continued)

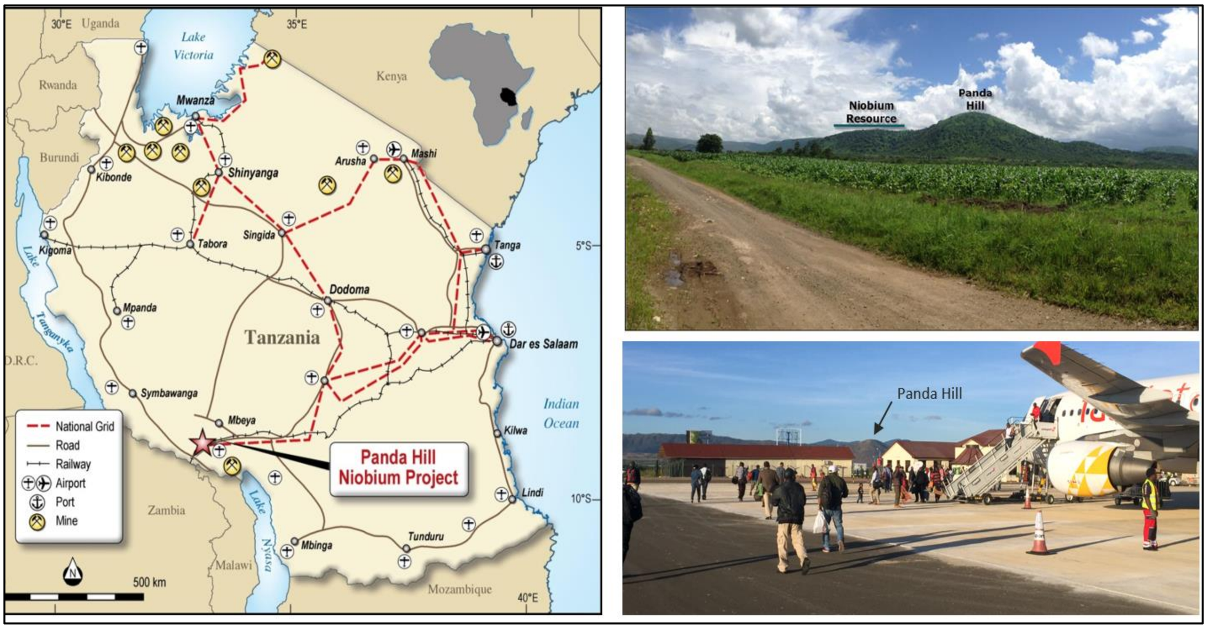

Figure 1: Location of the Panda Hill Niobium Project

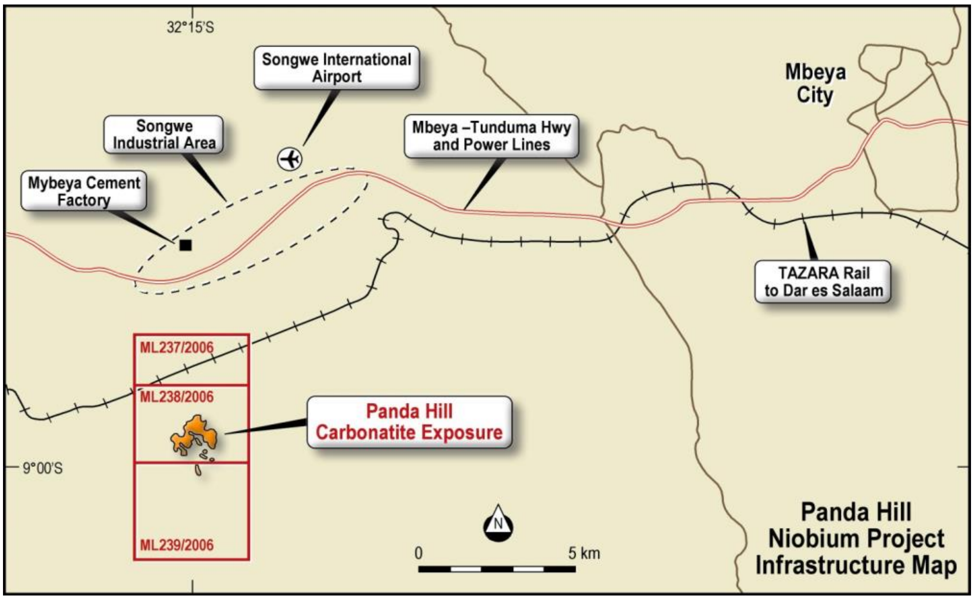

Figure 2: Mining Licences and Local Infrastructure

As previously advised, the Company and Tremont are in dispute regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration. The arbitration hearing which was scheduled for the first week of October 2018 has now been adjourned. The date for the adjourned arbitration has yet to be set. Cradle's position remains as set out previously. Subject to the outcome of the dispute, if the definitive feasibility study which has been presented is accepted as a definitive feasibility study within the meaning of the Shareholders Agreement the parties will then consider whether to proceed with construction of a mine to carry out mining activities on the Project ("Decision to Mine"). Any Decision to Mine on the Project will require Cradle to provide funding to PHT based on its pro-rata shareholding in PHT or dilute its interest in PHT based upon a value of such interest of US$20 million plus contributions made by Cradle since October 2015, which is currently approximately US$3.4 million.

OPERATING AND FINANCIAL REVIEW (Continued)

Project Activities During the Financial Year

During the financial year, the Company's preferred EPCM contractor, Hatch, continued with works for the proposed design and construction of the mine, including gap analysis, site mobilisation plan, processing design summary, and project execution schedule. Hatch has now completed all pre-construction activities at the Project.

The Company continued to liaise with all levels of the Tanzanian Government to clarify the uncertainty surrounding new legislation governing the mining sector in Tanzania and to progress discussions on what project financiers would require so as to complete the financing of the project.

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

Termination of Scheme with Tremont

During the previous financial year, 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 and Cradle shareholders retain their Cradle shares.

Tremont is Cradle's 50/50 joint venture partner in the Panda Hill Niobium Project, and is backed by Denham Capital, a leading energy and resources global private equity firm which sponsors experienced mining management teams.

Proposed 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 of minerals within the country and no licence or permit shall be issued for exportation of raw minerals and mineral concentrates.

Cradle owns 50% of PHT, which owns 100% of the Panda Hill Niobium 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 released a Definitive Feasibility Study ("DFS") on the Project in April 2016. The DFS was based on the Project upgrading its niobium concentrate to ferro-niobium on-site. Ferro-niobium is a final product that is sold directly to steel mills, with no further upgrading required.

Board Changes

In July 2017, 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.

OPERATING AND FINANCIAL REVIEW (Continued)

Operating Results

The net loss of the Consolidated Entity for the year ended 30 June 2018 was $926,670 (2017: $1,669,415).

Financial Position

At 30 June 2018, the Company had cash reserves of $2,710,231 (2017: $1,410,562). At 30 June 2018, the Company had net assets of $24,060,875 (2017: $21,313,956), an increase of 13% compared with the previous year. This is consistent with and largely attributable to the increase in cash reserves resulting from the Placement and the investment in joint ventures.

Business Strategies and Prospects for Future Financial Years

The Group's strategy is to maximise shareholder value through the development of its Panda Hill Niobium Project in Tanzania. To achieve its strategic objective, the Group currently has the following business strategies and prospects:

- Reduce costs whilst the Group evaluates the impact of the New Legislation;
- Work with the Tanzanian Government to clarify the uncertainty surrounding the New Legislation;
- Review and adjust the Project development plans as appropriate in light of the New Legislation;
- Continue negotiations to secure funding for the Project; and
- Continue to investigate corporate opportunities that have the potential to create shareholder value.

All of these activities present inherent risk and therefore the Board is unable to provide certainty that any or all of these activities will be able to be achieved. The material business risks faced by the Group that are likely to have an effect on the Group's future prospects, and how the Group manages these risks, include:

- New Legislation – Tanzania has introduced the New Legislation which proposes a number of changes to the legal and regulatory framework governing the natural resources sector in Tanzania. The New Legislation proposes, amongst other things, (a) the Government shall have not less than 16% non-dilutable free carried interest in the capital of any mining company; (b) the Government shall be entitled to acquire, in total, up to 50% of the shares of any mining company, commensurate with quantified value of tax incentives incurred by the Government in favour of the mining company; (c) increases in the Government mineral royalty rates for certain minerals; and (d) a new 1% clearing fee on the value of all minerals exported from Tanzania from 1 July 2017. The Company's DFS did not factor in any Government free carried interest. The Group continues to work closely with the various levels of government in Tanzania to clarify the uncertainty surrounding the New Legislation, however the proposed changes are likely to have an adverse effect on the Group and the Project;
- Country risk – The Group's operations in Tanzania are exposed to various levels of political, economic and other risks and uncertainties. There are risks attached to exploration and mining operations in a developing country like Tanzania which are not necessarily present in a developed country like Australia. The Company continues to work closely with the various levels of government in Tanzania but there can be no assurances that the future political developments in Tanzania will not directly impact the Company's operations or its ability to attract funding for its operations;
- Future capital requirements – the ability to finance a mining project is dependent on the Group's existing financial position, the availability and cost of project and other debt markets, the availability and cost of leasing and similar finance packages for project infrastructure and mobile equipment, the availability of mezzanine and offtake financing and the ability to access equity markets to raise new capital. There can be no guarantees that when the Group seeks to implement financing strategies to pursue the development of its projects that suitable financing alternatives will be available and at a cost acceptable to the Group;
- Commodity price volatility – 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. Future production, if any, from the Company's mineral resource and other mineral properties will be dependent upon the price of niobium being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk; and
- Exploration and development risks – The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. To mitigate this risk, the Group has undertaken systematic and staged exploration and testing programs on its mineral properties and has undertaken a number of technical and economic studies with respect to its projects. However, there can be no guarantee that the Group's mineral properties will be successfully brought into production.

DIVIDENDS PAID OR RECOMMENDED

No recommendation for payment of dividends has been made for the year ended 30 June 2018 (2017: Nil).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

The Directors are not aware of any non-compliance with environmental laws by the Consolidated Entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

(i) On 3 July 2017, the Company announced that the Scheme Implementation Agreement relating to the proposed scheme of arrangement pursuant to which Tremont would have acquired all of the issued shares of Cradle was terminated by Tremont;

(ii) On 7 July 2017, the Company announced that the Tanzanian Government had passed amendments to the legal framework governing the mining sector in Tanzania which, amongst other things, entitles the Tanzanian Government to a 16% shareholding in all Tanzanian mining companies;

(iii) On 21 July 2017, 787,500 performance rights were converted into 787,500 ordinary shares upon vesting following shareholder approval of the proposed scheme of arrangement with Tremont;

(iv) On 27 July 2017, Mr Grant Davey was appointed as Executive Director of the Company and Messrs James Kelly and Robert Behets stepped down as Directors of the Company; and

(v) On 24 January 2018, the Company announced that it had placed 24.2 million shares at an issue price of $0.12 per share to raise gross proceeds of $2.9 million ("Placement"). The Placement shares were subsequently issued in two tranches to institutional and sophisticated investors, including Tremont.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than as outlined above, at the date of this report there are no matters or circumstances which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2018, of the Consolidated Entity.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each director were as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Mr Ian Middlemas	2	2
Mr Grant Davey	2	2
Mr Craig Burton	2	2
Mr James Kelly	-	-
Mr Robert Behets	-	-

There were no Board committees during the financial year. The Board as a whole currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee, and Remuneration Committee, however this will be reviewed should the size and nature of the Company's activities change.

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of the report		
	Shares [1]	Options [2]	Rights [3]
Mr Ian Middlemas	15,400,000	-	-
Mr Grant Davey	1,066,276	-	-
Mr Craig Burton	30,800,000	-	-

Notes:
[1] "Shares" means fully paid ordinary shares in the capital of the Company.
[2] "Options" means unlisted options to subscribe for one Share in the capital of the Company.
[3] "Rights" means unlisted performance rights that convert into one Share in the capital of the Company upon the satisfaction of various performance conditions.

SHARE OPTIONS AND RIGHTS

As at the date of this report, the following Options have been issued over unissued Shares of the Company:

- 3,250,000 unlisted options exercisable at $0.25 and expiring on 31 October 2018.

During the year ended 30 June 2018, 787,500 ordinary shares were issued as a result of the conversion of Performance Rights. Subsequent to year end and until the date of this report, no Ordinary Shares were issued following the conversion of Rights or exercise of Options.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities. During the financial year, the Company paid an annualised insurance premium of $15,500 (2017: $12,500) to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel ("KMP")

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Ian Middlemas	Chairman
Mr Grant Davey	Executive Director *(appointed 27 July 2017)*
Mr Craig Burton	Non-Executive Director
Mr James Kelly	Executive Director *(resigned 27 July 2017)*
Mr Robert Behets	Non-Executive Director *(resigned 27 July 2017)*

Other KMP

Mr Greg Swan	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July 2017 until the date of this report.

REMUNERATION REPORT (Continued)

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP: (i) the Group is currently focused on undertaking exploration and development activities; (ii) risks associated with small cap resource companies whilst exploring and developing projects; and (iii) other than profit which may be generated from asset sales, the Group does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long-term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration
Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and travel benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. No external remuneration consultants were used during the financial year.

Performance Based Remuneration – Short Term Incentive ("STI")
Some executives are entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board.

Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as: (i) successful exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs); (ii) successful development activities (e.g. completion of technical studies); (iii) successful corporate activities (e.g. recruitment and management of key personnel and investor relations activities); and (iv) successful business development activities (e.g. corporate transactions and capital raisings). These measures were chosen as the Board believes these represent the key drivers in the short and medium-term success of the Company's development. On an annual basis, subsequent to year end, the Board assesses performance against each individual executive's KPI criteria, and considers the position of the Company to be able to award STI cash bonuses.

During the 2018 financial year, $12,255 in STI cash bonuses were awarded to executive KMP (2017: nil).

Performance Based Remuneration – Long Term Incentive
The Group has a long-term incentive plan ("LTIP") comprising the grant of Options and/or Rights to reward KMP and key employees and contractors for long-term performance. To achieve its corporate objectives, the Group needs to attract, incentivise, and retain its key employees and contractors.

Options: The Group has chosen to grant Options to some KMP and key employees and contractors as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group. The Board's policy is to grant Incentive Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, the Incentive Options granted to KMP are generally only of benefit if the KMP performs to the level whereby the value of the Group increases sufficiently to warrant exercising the Incentive Options granted. Other than service-based vesting conditions (if any) and the exercise price required to exercise the Incentive Options, there are no additional performance criteria on the Incentive Options granted to KMP, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered that the performance of the KMP and the performance and value of the Group are closely related. The Group prohibits executives from entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

Rights: The Group has also chosen to grant Rights to some KMP and key employees and contractors which, upon satisfaction of the relevant performance conditions attached to the Rights, will result in the issue of a Share for each Right. Rights are issued for no consideration and no amount is payable upon conversion thereof. Rights allow the Group to: (a) recruit, incentivise and retain KMP and other key employees and contractors needed to achieve the Group's business objectives; (b) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Group; (c) align the financial interest of participants of the Plan with those of Shareholders; and (d) provide incentives to participants of the Plan to focus on superior performance that creates Shareholder value. Rights granted are linked to the achievement by the Group of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Rights to vest. Upon Rights vesting, Shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

During the 2018 financial year, no Options or Rights were granted to executive KMP. At 30 June 2018, no Options and no Rights were held by executive KMP.

REMUNERATION REPORT (Continued)

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the size, nature and risks of the Company, Incentive Options and Performance Rights may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. Given the size, nature and opportunities of the Company, Non-Executive Directors may also receive Options or Rights in order to secure and retain their services. The Company prohibits Non-Executive Directors entering into arrangements to limit their exposure to Options granted as part of their remuneration package.

Fees for the Chairman were set at $36,000 per annum (excluding post-employment benefits). Fees for Non-Executive Directors' were set at between $35,000 to $50,000 per annum (excluding post-employment benefits). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

During the 2018 financial year, no Options or Rights were granted to Non-Executive Directors. At 30 June 2018, no Options and no Rights were held by Non-Executive Directors.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP have received Incentive Options and Performance Rights which will be of greater value to KMP if the value of the Company's shares increases.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of potential material asset sales) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Remuneration of Directors and Other Key Management Personnel

Details of the remuneration of each Director and KMP of the Group are as follows:

2018	Short-term benefits		Post-employment benefits $	Share-based payments $	Termination benefits $	Total $	Percentage performance related %
	Salary & fees $	Cash bonus $					
Directors							
Mr Ian Middlemas	**36,000**	**-**	**-**	**-**	**-**	**36,000**	**-**
Mr Craig Burton	**50,000**	**-**	**-**	**-**	**-**	**50,000**	**-**
Mr James Kelly[2]	**2,309**	**12,255**	**-**	**-**	**-**	**14,564**	**84%**
Mr Grant Davey[1]	**120,000**	**-**	**-**	**-**	**-**	**120,000**	**-**
Mr Robert Behets[2]	**2,377**	**-**	**-**	**-**	**-**	**2,377**	**-**
Other KMP							
Mr Greg Swan	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	210,686	**12,255**	**-**	**-**	**-**	**222,941**	

Notes:

1 Mr Davey was appointed 27 July 2017.

2 Mr Kelly and Mr Behets resigned 27 July 2017.

3 From 1 July 2017, Mr Swan provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ('Apollo'). During the year, Apollo was paid or is payable $180,000 for the provision of administration and company secretarial services to the Group.

REMUNERATION REPORT (Continued)

Remuneration of Directors and Other Key Management Personnel (Continued)

2017	Short-term benefits Salary & fees $	Short-term benefits Cash bonus $	Post-employment benefits $	Share-based payments $	Termination benefits $	Total $	Percentage performance related %
Directors							
Mr Ian Middlemas	35,625	-	3,420	-	-	39,045	-
Mr Craig Burton	61,667	-	-	-	-	61,667	-
Mr James Kelly	214,754	-	-	23,039	-	237,793	10%
Mr Robert Behets	34,907	-	-	84,062	-	118,969	71%
Other KMP							
Mr Greg Swan [1]	25,000	-	-	-	-	25,000	-
Mr Samuel Smart [2]	45,000	-	4,275	-	-	49,275	-
Ms Sophie Raven [3]	53,125	-	-	-	21,863	74,988	-
	470,078	-	7,695	107,101	21,863	606,737	

Notes:
1 Mr Swan was appointed 11 April 2017.
2 Mr Smart was appointed 1 December 2016 and resigned 11 April 2017.
3 Ms Raven resigned 1 December 2016.

Options and Rights Granted to KMP

No Options or Rights were granted to KMP of the Group by the Company during the financial year, and no Options or Rights previously granted to KMP were exercised or lapsed during the financial year.

Option and Right Holdings of Key Management Personnel

	Held at 1 July 2017	Lapsed	Held at 30 June 2018	Vested and exercisable at 30 June 2018
Directors				
Mr Ian Middlemas	-	-	-	-
Mr Craig Burton	-	-	-	-
Mr Grant Davey	-[1]	-	-	-
Mr James Kelly	-	-	-[2]	-[2]
Mr Robert Behets	750,000	-	750,000[2]	750,000[2]
Other KMP				
Mr Greg Swan	-	-	-	-

Notes:
1 As at date of appointment.
2 As at date of resignation.

Shareholdings of Key Management Personnel

	Held at 1 July 2017	On-market purchases	Sales	Held at 30 June 2018
Directors				
Mr Ian Middlemas	15,400,000	-	-	15,400,000
Mr Craig Burton	30,800,000	-	-	30,800,000
Mr Grant Davey	-[1]	1,066,276	-	1,066,276
Mr James Kelly	-	-	-	-[2]
Mr Robert Behets	-	-	-	-[2]
Other KMP				
Mr Greg Swan	250,000	-	-	250,000

Notes:
1 As at date of appointment.
2 As at date of resignation.

REMUNERATION REPORT (Continued)

Loans involving Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2018 (2017: Nil).

Contracts with Directors and KMP

From 27 July 2017, Mr Grant Davey, Executive Director, is engaged under a consultancy agreement with Matador Capital Pty Ltd ("Matador"). The agreement may be terminated by either party at any time for any or no reason without payment or penalty upon at least one (1) months' prior written notice of termination to the other, or payment in lieu thereof. Matador receives a monthly retainer of A$10,000 and will receive a discretionary bonus based on achievement of key performance indicators to be determined by the Board.

From 1 July 2017, Mr Greg Swan provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ("Apollo"). Apollo receives a monthly retainer of A$15,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group. The agreement may be terminated by either party at any time for any or no reason without payment or penalty upon at least one (1) months' prior written notice of termination to the other, or payment in lieu thereof. Prior to 1 July 2017, Mr Swan provided services on an informal basis.

Mr Ian Middlemas, Non-Executive Chairman, and Mr Craig Burton, Non-Executive Director, have Director letters of appointment for an indefinite term which summarise the Board policies and terms which mirror those set out within the Corporations Act 2001 relevant to the office of Director. The letter of appointment does not specify a period of notice required in order to terminate the contract or any remuneration payments required.

End of Remuneration Report.

NON-AUDIT SERVICES

During the year, Ernst & Young (Australia), the Company's auditor, received $nil (2017: $31,231) for the provision of non-audit services. The 2017 services consisted of tax advisory services provided to the Company.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of the non-audit services provided (tax compliance and advisory services) means that auditor independence was not compromised.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 12 of the Directors' Report.

Signed in accordance with a resolution of the Directors.

GRANT DAVEY
Executive Director

27 September 2018

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Building a better working world

Auditor's Independence Declaration to the Directors of Cradle Resources Limited

As lead auditor for the audit of Cradle Resources Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
27 September 2018

TH:CT:CXX:008

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Notes	2018 $	2017 $
Interest income		**28,082**	24,719
Corporate and administrative expenses		**(338,538)**	(731,482)
Business development expenses		**(282,994)**	-
Arbitration expenses		**(85,310)**	-
Scheme transaction expenses		**(44,743)**	(511,127)
Employee benefits expenses	2	**(222,941)**	(611,388)
Share-based payment expenses	2	**36,000**	(122,281)
Share of loss of joint venture interests	7	**(21,934)**	(60,145)
Other income and expenses	2	**5,708**	342,289
Loss before income tax		**(926,670)**	(1,669,415)
Income tax expense	3	**-**	-
Loss for the period		**(926,670)**	(1,669,415)
Loss attributable to members of Cradle Resources Limited		**(926,670)**	(1,669,415)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		**876,893**	(672,170)
Other comprehensive (loss)/income for the period, net of tax		**876,893**	(672,170)
Total comprehensive loss for the period		**(49,777)**	(2,341,585)
Total comprehensive loss attributable to members of Cradle Resources Limited		**(49,777)**	(2,341,585)
Earnings per share			
Basic and diluted loss per share (cents per share)	12	**(0.53)**	(1.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	30 June 2018 $	30 June 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**2,710,231**	1,410,562
Other receivables	6	**46,112**	72,716
Total Current Assets		**2,756,343**	1,483,278
Non-current Assets			
Other receivables	6	**98,223**	-
Interest in joint ventures	7	**21,428,498**	20,311,088
Total Non-Current Assets		**21,526,721**	20,311,088
TOTAL ASSETS		**24,283,064**	21,794,366
LIABILITIES			
Current Liabilities			
Trade and other payables	8	**222,189**	480,410
Total Current Liabilities		**222,189**	480,410
TOTAL LIABILITIES		**222,189**	480,410
NET ASSETS		**24,060,875**	21,313,956
EQUITY			
Contributed equity	9	**31,245,828**	28,275,882
Reserves	10	**12,932,826**	12,338,183
Accumulated losses	11	**(20,117,779)**	(19,300,109)
TOTAL EQUITY		**24,060,875**	21,313,956

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Consolidation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2017	**28,275,882**	**575,600**	**841,302**	**10,921,281**	**(19,300,109)**	**21,313,956**
Net loss for the year	**-**	**-**	**-**	**-**	**(926,670)**	**(926,670)**
Other comprehensive income:						
Exchange differences on translation of foreign operations	**-**	**-**	**876,893**	**-**	**-**	**876,893**
Total comprehensive loss for the period	**-**	**-**	**876,893**	**-**	**(926,670)**	**(49,777)**
Transactions with owners recorded directly in equity:						
Share placement	**2,900,000**	**-**	**-**	**-**	**-**	**2,900,000**
Share issue costs	**(103,304)**	**-**	**-**	**-**	**-**	**(103,304)**
Conversion of performance rights	**173,250**	**(173,250)**	**-**	**-**	**-**	**-**
Expiry of options	**-**	**(109,000)**	**-**	**-**	**109,000**	**-**
Balance at 30 June 2018	**31,245,828**	**293,350**	**1,718,195**	**10,921,281**	**(20,117,779)**	**24,060,875**
Balance at 1 July 2016	28,275,882	489,319	1,513,472	10,921,281	(17,630,694)	23,569,260
Net loss for the year	-	-	-	-	(1,669,415)	(1,669,415)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	(672,170)	-	-	(672,170)
Total comprehensive loss for the period	-	-	(672,170)	-	(1,669,415)	(2,341,585)
Transactions with owners recorded directly in equity:						
Share-based payments expense	-	86,281	-	-	-	86,281
Balance at 30 June 2017	28,275,882	575,600	841,302	10,921,281	(19,300,109)	21,313,956

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows used in operating activities			
Payments to suppliers, employees and others		**(1,170,142)**	(1,682,373)
Interest received		**28,082**	24,719
Research and development tax rebate		**-**	349,333
Net cash used in operating activities	5(a)	**(1,142,060)**	(1,308,321)
Cash flows used in investing activities			
Contributions to joint venture	7	**(262,451)**	(2,859,997)
Loans to joint venture		**(92,516)**	-
Net cash used in investing activities		**(354,967)**	(2,859,997)
Cash flows used in financing activities			
Gross proceeds from issue of shares	9	**2,900,000**	-
Share issue costs	9	**(103,304)**	-
Repayment of loans from other entities		**-**	7,470
Net cash generated from financing activities		**2,796,696**	7,470
Net (decrease)/increase in cash and cash equivalents		**1,299,669**	(4,160,848)
Net foreign exchange differences		**-**	58
Cash and cash equivalents at beginning of period		**1,410,562**	5,571,352
Cash and cash equivalents at end of period	5	**2,710,231**	1,410,562

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Cradle Resources Limited ("Cradle" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2018 are stated to assist in a general understanding of the financial report.

Cradle is a for profit company limited by shares and is incorporated and domiciled in Australia. Cradle's shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report of the Group for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 27 September 2018.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis, and the financial report is presented in Australian dollars, unless otherwise stated.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2018, the Group had cash and cash equivalents of $2,710,231 (2017: $1,410,562) and net current assets of $2,534,154 (2017: $1,002,868).

The Directors consider that the Group is a going concern and can fund its planned project expenditures during the twelve-month period from the date of signing this report.

As previously advised, the Company and Tremont are in dispute regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration. The arbitration hearing which was scheduled for the first week of October 2018 has now been adjourned. The date for the adjourned arbitration has yet to be set. Cradle's position remains as set out previously. Subject to the outcome of the dispute, if the definitive feasibility study which has been presented is accepted as a definitive feasibility study within the meaning of the Shareholders Agreement the parties will then consider whether to proceed with construction of a mine to carry out mining activities on the Project ("Decision to Mine"). Any Decision to Mine on the Project will require Cradle to provide funding to PHT based on its pro-rata shareholding in PHT or dilute its interest in PHT based upon a value of such interest of US$20 million plus contributions made by Cradle since October 2015, which is currently approximately US$3.4 million.

(b) Statement of Compliance

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

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses which clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not effected by possible future changes in the carrying amount or expected manner of recovery of the asset;
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 which amend existing presentation and disclosure requirements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes; and

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2018. Those which may be relevant to the Group are set out in the table below. The adoption of these standards is not expected to have any significant impact on the Group's financial statements.

Standard/Interpretation	Application date of standard	Application date for Group
AASB 9 *Financial Instruments*, and relevant amending standards	1 January 2018	1 July 2018
AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards	1 January 2018	1 July 2018
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018	1 July 2018
AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018	1 July 2018
AASB 16 *Leases*	1 January 2019	1 July 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Cradle and its subsidiaries as at 30 June 2018 ("the Group").

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

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

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

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

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

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

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(e) Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Current Versus Non-Current

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(g) Foreign Currency Translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provisions in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences in the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantially enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

(i) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held on call with financial institutions.

(j) Other Financial Assets

Classification

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through statement of profit or loss and other comprehensive income, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through statement of profit or loss and other comprehensive income, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position. Loans and receivables are carried at amortised cost using the effective interest rate method.

Impairment

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(k) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(n) Contributed Equity

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

(o) Share Based Payments

Employees and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

(p) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to the Company, adjusted for:

- Costs of servicing equity (other than dividends) and preference dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(q) Goods and Services Tax (GST) and Other Similar Taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segment Reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker. The chief operating decision maker, who is responsible in assessing the performance and determining the allocation of resources of the operating segments, is considered to be the Board of Directors.

Discrete financial information is presented for the Company as a whole. Accordingly, the Board of Directors considers that its business operates in one segment, being that of mineral exploration.

(s) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each type of revenue as described below.

Interest income is recognised using the effective interest rate method.

(t) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(v) Parent Entity information

The financial information for the parent entity, Cradle Resources Limited, disclosed in note 14 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries and joint venture entities

Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Cradle Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(w) Use and Revision of Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, Management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Impairment of Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Significant judgement is required in determining whether it is necessary to recognise an impairment loss on its investments in joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Joint Control

The Company continues to hold an interest in PHT. The interest held as at 30 June 2016 was reduced to 50% following Tremont's full contribution of $20 million as per the Investment and Shareholders Agreement, resulting in an equal interest of 50% in PHT. The determination of joint control was based on the Group's voting rights and potential voting rights. Refer to Note 7 for further details on interests in joint ventures.

Share Based Payments

The assessed fair value at grant date of share-based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk-free rate and expected dividend payout and any applicable vesting conditions. Management was required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model. Refer to Note 15 for further details on assumptions and estimates.

2. OTHER INCOME AND EXPENSES

	Note	2018 $	2017 $
Other income and expenses			
Research and development tax rebate		-	349,333
Net foreign exchange gains/(losses)		**5,708**	(7,044)
Total other income included in profit or loss		**5,708**	342,289
Employee benefits expense (including directors and officers)			
Wages, salaries and fees		**222,941**	581,560
Superannuation benefits		**-**	7,695
Termination benefits		**-**	21,863
Other employee benefits		**-**	270
Employee benefits expense included in profit or loss		**222,941**	611,388
Share-based payment expense included in profit or loss	15	**(36,000)**	122,281
Total employee benefits expense included in profit or loss		**186,941**	733,669

3. INCOME TAX

	2018 $	2017 $
Recognised in profit or loss		
Current income tax:		
Current income tax expense in respect of the current year	**-**	-
Deferred income tax:		
Relating to origination and reversal of temporary differences	**-**	-
Income tax expense included in profit or loss	**-**	-

(a) Reconciliation between tax expense and accounting profit or loss before income tax

	2018 $	2017 $
Accounting loss before income tax	**(926,670)**	(1,669,415)
At the domestic income tax rate of 27.5% (2017: 27.5%)	**(254,834)**	(459,089)
Effect of decrease in Australian income tax rate	**-**	114,178
Expenditure not allowable for income tax purposes	**6,031**	50,328
Income not assessable for income tax purposes	**(9,900)**	-
Adjustments in respect of deferred income tax of previous years	**-**	(74,663)
Deferred tax assets not brought to account	**258,703**	369,246
Income tax expense attributable to profit or loss	**-**	-

3. INCOME TAX (Continued)

(b) Deferred Tax Assets and Liabilities

Deferred income tax at balance date relates to the following:

	2018 $	2017 $
Deferred Tax Assets:		
Accrued expenditure	**15,675**	9,350
Capital allowances	**14,525**	44,761
Tax losses	**1,893,228**	1,604,025
Unrealised FX loss	**-**	6,589
Deferred tax assets not brought to account [1]	**(1,923,428)**	(1,664,725)
	-	-

Notes:

[1] The benefit of deferred tax assets not brought to account will only be brought to account if: (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

(c) Tax Consolidation

The Company and its wholly-owned Australian resident entities have not formed a tax consolidated group.

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2018 (2017: Nil).

	2018 $	2017 $
Franking Credit Balance		
Franking credits available to shareholders of Cradle Resources Limited for subsequent financial years	**-**	-

5. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank	**2,710,231**	1,410,562

5. CASH AND CASH EQUIVALENTS (Continued)

(a) Reconciliation of net loss after tax to net cash used in operating activities

	2018 $	2017 $
Loss for the year	**(926,670)**	(1,669,415)
Adjustments to reconcile profit before tax to net cash flows:		
Share of loss of joint venture interests	**21,934**	60,145
Share based payment expense	**(36,000)**	122,281
Net foreign exchange differences	**(5,708)**	(47,134)
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	**26,604**	(13,505)
(Decrease)/Increase in trade and other payables	**(222,220)**	239,307
Net cash outflow from operating activities	**(1,142,060)**	(1,308,321)

6. OTHER RECEIVABLES

	2018 $	2017 $
Current		
GST receivable	**46,112**	46,493
Refundable deposits	**-**	26,133
Other	**-**	90
Total current trade and other receivables	**46,112**	72,716
Non-current		
Loans to joint venture[1]	**98,223**	-
Total non-current trade and other receivables	**98,223**	-

Notes:

[1] Loans to joint venture represents shareholder loans from the Company to Panda Hill Tanzania Ltd to fund ongoing exploration and evaluation activities. The loans are unsecured, interest free, and repayable on demand.

7. INTEREST IN JOINT VENTURES

		2018 $	2017 $
Panda Hill Tanzania Ltd	7(a)	**21,428,498**	20,311,088
Total interest in joint ventures		**21,428,498**	20,311,088

7. INTEREST IN JOINT VENTURES (Continued)

(a) Panda Hill Tanzania Ltd

On 6 June 2014, the Company executed an Investment and Shareholders Agreement with Tremont Investments Limited ("Tremont"), Panda Hill Mining Pty Ltd ("PHM") and Panda Hill Tanzania Ltd ("PHT") to fund the Project, pursuant to which Tremont has earned a 50% interest in the Project for US$20 million. The Board of PHT is comprised of two representatives of the Company and two representatives of Tremont. Certain significant decisions will require unanimous approval over the operations of PHT. As the relevant activities of PHT require approval by both parties and both parties have rights to the net assets, the Company has assessed that the interest in PHT is a joint venture. PHT is a company incorporated in Mauritius where its principal place of business is also located. Its carrying value is measured using the equity method of accounting.

	2018 $	2017 $
Reconciliation of movements in interest in Panda Hill Tanzania Ltd		
Carrying amount at 1 July	**20,311,088**	18,183,827
Acquisition of interest in/contributions to joint venture [1]	**262,451**	2,859,997
Foreign exchange differences	**876,893**	(672,591)
Share of joint venture (loss)/profit for the year	**(21,934)**	(60,145)
Carrying amount at 30 June	**21,428,498**	20,311,088
Summarised statement of financial position for Panda Hill Tanzania Ltd		
Cash and cash equivalents	**90,823**	25,723
Other current assets	**1,356,726**	1,300,229
Non-current assets	**47,139,977**	43,454,960
Current liabilities	**(5,730,530)**	(4,158,736)
Net assets	**42,856,996**	40,622,176
Reconciliation of net assets to equity accounted amounts		
Closing net assets	**42,856,996**	40,622,176
Group's share (2018: 50%; 2017: 50%)	**21,428,498**	20,311,088
Carrying amount at 30 June	**21,428,498**	20,311,088

Notes:

1 During the 2018 financial year, the Company made cash contributions to the joint venture totalling $262,451, being the Company's share of cash call requests to cover project expenditures.

8. TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade creditors	**165,189**	391,458
Accrued expenses	**57,000**	34,000
Employee benefits	**-**	36,000
Sundry creditors	**-**	18,952
	222,189	480,410

9. CONTRIBUTED EQUITY

	2018 $	2017 $
Issued capital		
189,681,783 fully paid ordinary shares (2017: 164,727,617)	**31,245,828**	**28,275,882**

(a) Movements in Issued Capital During the Past Two Years

Date	Details	Number of Ordinary Shares	Number of Unlisted Placement Options	$
1-Jul-17	Opening balance	**164,727,617**	**2,000,000**	**28,275,882**
21-Jul-17	Conversion of unlisted performance rights	**787,500**	**-**	**173,250**
31-Jan-18	Share placement	**19,458,333**	**-**	**2,335,000**
21-Mar-18	Share placement	**4,708,333**	**-**	**565,000**
30-Jun-18	Share issue costs	**-**	**-**	**(103,304)**
30-Jun-18	Lapse of unlisted placement options	**-**	**(2,000,000)**	**-**
30-Jun-18	Closing balance	**189,681,783**	**-**	**31,245,828**
1-Jul-16	Opening balance	164,727,617	2,000,000	28,275,882
30-Jun-17	Closing balance	164,727,617	2,000,000	28,275,882

(b) Rights Attaching to Ordinary Shares

The rights attaching to fully paid ordinary shares (“Shares”) arise from a combination of the Company's Constitution, statute and general law.

(i) *Shares* - The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) *Meetings of Members* - Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders. The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) *Voting* - Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents. On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution* - The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules* - Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

10. RESERVES

	Note	2018 $	2017 $
Share based payments reserve			
3,250,000 unlisted $0.25 incentive options expiring 31-Oct-18 (2017: 3,250,000)		**293,350**	293,350
Nil unlisted performance rights expiring 30-Sep-17 (2017: 787,500)		**-**	173,250
Nil unlisted $0.25 incentive options expiring 30-Apr-18 (2017: 1,000,000)		**-**	109,000
Total share-based payments reserve	10(b)	**293,350**	575,600
Foreign currency translation reserve	10(e)	**1,718,195**	841,302
Consolidation reserve	10(f)	**10,921,281**	10,921,281
Total reserves		**12,932,826**	12,338,183

(a) Nature and Purpose of Reserves

Share based payments reserve
The share based payments reserve is used to record the fair value of options and performance rights issued by the Group.

Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(g). The reserve is transferred to statement of profit or loss and other comprehensive income when the net investment is disposed of.

Consolidation reserve
On 6 June 2014, the Group entered into an Investment and Shareholders Agreement with Tremont, PHM and PHT to fund the Project, pursuant to which Tremont was granted the right to take up an interest in PHM, equal to its interest in PHT for nil consideration. Tremont are therefore deemed to have present ownership interest in PHM. The transaction was accounted for as an equity transaction with a non-controlling interest.

(b) Movements in options and performance rights granted as share-based payments during the past two years

Date	Details	Number of Options	Number of Performance Rights	$
2018				
1-Jul-17	Opening balance	**4,250,000**	**787,500**	**575,600**
21-Jul-17	Conversion of unlisted performance rights	**-**	**(787,500)**	**(173,250)**
30-Apr-18	Lapse of unlisted $0.25 incentive options	**(1,000,000)**	**-**	**(109,000)**
30-Jun-18	Closing balance	**3,250,000**	**-**	**293,350**
2017				
1-Jul-16	Opening balance	4,250,000	787,500	489,319
30-Jun-17	Share based payments expense	-	-	86,281
30-Jun-17	Closing balance	4,250,000	787,500	575,600

10. RESERVES (CONTINUED)

(c) Terms and Conditions of Incentive Options

Unlisted share options ("Options") are granted based upon the following terms and conditions:

(i) Each Option entitles the holder to the right to subscribe for one Share upon the exercise of each Option;

(ii) The Options have the following exercise prices and expiry dates:

- 3,250,000 unlisted options exercisable at $0.25 each on or before 31 October 2018;

(iii) The Options are exercisable at any time prior to the expiry date, subject to vesting conditions being satisfied (if applicable);

(iv) Shares issued on exercise of the Options rank equally with the then Shares of the Company;

(v) Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options;

(vi) If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and

(vii) No application for quotation of the Options will be made by the Company.

(d) Terms and Conditions of Performance Rights

Unlisted performance rights ("Rights") are granted based upon the following terms and conditions:

(i) Each Right automatically converts into one Share upon vesting of the Right;

(ii) Each Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Right to vest;

(iii) Shares issued on conversion of the Rights rank equally with the then Shares of the Company;

(iv) Application will be made by the Company to ASX for official quotation of the Shares issued upon conversion of the Rights;

(v) If there is any reconstruction of the issued share capital of the Company, the rights of the Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and

(vi) No application for quotation of the Rights will be made by the Company.

(e) Movements in foreign currency translation reserve during the past two years

	2018 $	2017 $
Foreign Currency Translation Reserve		
Balance at 1 July	**841,302**	1,513,472
Exchange differences on translation of foreign operations	**876,893**	(672,170)
Balance at 30 June	**1,718,195**	841,302

(f) Movements in consolidation reserve during the past two years

	2018 $	2017 $
Consolidation Reserve		
Balance at 1 July	**10,921,281**	10,921,281
Balance at 30 June	**10,921,281**	10,921,281

11. ACCUMULATED LOSSES

	2018 $	2017 $
Balance at 1 July	**(19,300,109)**	(17,630,694)
Net loss for the year attributable to members of the parent	**(926,670)**	(1,669,415)
Expiry of share options transferred to accumulated losses	**109,000**	-
Balance at 30 June	**(20,117,779)**	(19,300,109)

12. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2018 $	2017 $
Basic Earnings:		
Net loss attributable to members of the parent used in calculating basic and diluted earnings per share:	**(926,670)**	(1,669,415)

	Number of Ordinary Shares 2018	Number of Ordinary Shares 2017
Weighted average number of Ordinary Shares	**174,796,825**	164,727,617

(a) Anti-Dilutive Securities

As at balance date, 3,250,000 Options which represent 3,250,000 potential Shares (2017: 7,037,500), were considered anti-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2018

Since 30 June 2018, nil Ordinary Shares and nil Incentive Securities have been issued. There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

13. RELATED PARTIES

(a) Subsidiaries

		% Equity Interest	
Name	Country of Incorporation	2018 %	2017 %
Songwe Hill Limited	Tanzania	**100%**	100%

(b) Ultimate Parent

Cradle Resources Limited is the ultimate parent of the Group.

(c) Key Management Personnel

	2018 $	2017 $
Short-term employee benefits	**222,941**	470,078
Post-employment benefits	**-**	7,695
Share-based payments	**-**	107,101
Termination benefits	**-**	21,863
	222,941	606,737

Further details relating to Key Management Personnel, including remuneration details and equity holdings are included in the Remuneration Report.

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2018 (2017: Nil).

There were no other transactions with KMP during the year ended 30 June 2018.

(d) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

14. PARENT ENTITY DISCLOSURES

	2018 $	2017 $
Financial Position		
Assets		
Current Assets	**2,756,343**	1,456,843
Non-Current Assets	**21,526,721**	20,324,681
Total Assets	**24,283,064**	21,781,524
Liabilities		
Current Liabilities	**222,189**	467,568
Total Liabilities	**222,189**	467,568
Equity		
Contributed equity	**31,245,828**	28,275,882
Reserves	**12,931,914**	18,571,099
Accumulated losses	**(20,116,867)**	(25,533,025)
Total Equity	**24,060,875**	21,313,956
Financial Performance		
Profit/(Loss) for the year	**5,416,158**	(6,026,150)
Total comprehensive profit/(loss)	**5,416,158**	(6,026,150)

(a) Other information

The Company has not entered into any guarantees in relation to its subsidiaries. Refer to Note 19 for details of contingent assets and liabilities.

15. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

From time to time, the Group provides Incentive Options or Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required.

During the past two years, the following share-based payments have been recognised:

	2018 $	2017 $
Expense arising from equity-settled share-based payment transactions	**-**	86,281
Expense arising from cash-settled share-based payment transactions[1]	**(36,000)**	36,000
Total expense arising from share-based payment transactions	**(36,000)**	122,281

Notes:

[1] During the 2016 financial year, the Group agreed to issue 1,000,000 options exercisable at A$0.25 and expiring on 31 October 2018 subject to shareholder approval being obtained by 30 September 2016. Shareholder approval was not obtained and the options subsequently lapsed. As a consequence, the holder now has the right to elect to receive the net cash value of the options, being the difference between the share price of the Company immediately prior to the date on which the holder notifies the Company of their election to receive the net cash value of the options and the exercise price of A$0.25 per option. At 30 June 2018, the fair value of the liability for the cash-settled transaction was estimated to be nil (2017: $36,000).

15. SHARE-BASED PAYMENTS (CONTINUED)

(b) Summary of Incentive Options and Performance Rights granted as Share-Based Payments

There were no Incentive Options or Performance Rights granted as share-based payments during the last two years.

The following table illustrates the number and weighted average exercise prices (WAEP) of Incentive Options and Performance Rights granted as share-based payments at the beginning and end of the financial year:

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at beginning of year	**5,037,500**	**$0.21**	6,037,500	$0.22
Converted/exercised during the year	**(787,500)**	**-**	-	-
Granted during the year	**-**	**-**	-	-
Lapsed during the year	**(1,000,000)**	**$0.25**	(1,000,000)	$0.25
Outstanding at end of year	**3,250,000**	**$0.25**	5,037,500	$0.21

(c) Weighted Average Remaining Contractual Life

At 30 June 2018, the weighted average remaining contractual life of Incentive Options and Performance Rights on issue that had been granted as share-based payments was 0.34 years (2017: 1.11 years).

(d) Range of Exercise Prices

At 30 June 2018, the exercise prices of Incentive Options and Performance Rights on issue that had been granted as share-based payments was $0.25 (2017: nil to $0.30).

(e) Weighted Average Fair Value

The weighted average fair value of Incentive Options granted as share-based payments during the financial year was $0.096 (2017: $0.102).

(f) Option and Rights Pricing Model

The fair values of the equity-settled Incentive Options and Performance Rights granted are estimated as at the date of grant using the Black Scholes or Binomial option valuation model taking into account the terms and conditions upon which the options were granted. There were no Incentive Options or Performance Rights granted by the Group during the last two financial years.

16. AUDITORS' REMUNERATION

The auditor of Cradle Resources Limited is Ernst & Young.

	2018 $	2017 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the Company and any other entity in the consolidated group	**25,000**	41,361
• taxation and advisory services provided to the Company and any other entity in the consolidated group	**-**	31,231
	25,000	72,592

17. SEGMENT INFORMATION

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

(a) Reconciliation of Non-Current Assets by geographical location

	2018 $	2017 $
Australia	**-**	-
Tanzania	**21,526,721**	20,311,088
	21,526,721	20,311,088

Non-Current Assets for this purpose consist of interests in/loans to joint ventures.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise interest in joint ventures, receivables, payables, and cash. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

The carrying amount of the Group's cash and cash equivalents and trade and other receivables represents the maximum credit risk exposure, as represented below:

	2018 $	2017 $
Cash and cash equivalents	**2,710,231**	1,410,562
Other receivables	**46,112**	72,716
Loans to joint venture	**98,223**	-
	2,854,566	1,483,278

With respect to credit risk arising from cash and cash equivalents and trade and other receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts. Trade and other receivables are comprised primarily of loans to joint ventures, GST receivable and refundable deposits. Where possible the Group trades only with recognised, creditworthy third parties.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2018 and the date of this report, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments for the Group, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
2018					
Financial Liabilities					
Trade and other payables	**222,189**	**-**	**-**	**-**	**222,189**
	222,189	**-**	**-**	**-**	**222,189**
2017					
Financial Liabilities					
Trade and other payables	480,410	-	-	-	480,410
	480,410	-	-	-	480,410

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of interests in joint ventures, receivables and payables are non-interest bearing. The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2018 $	2017 $
Interest-bearing financial instruments		
Cash and cash equivalents	**2,710,231**	1,410,562
	2,710,231	1,410,562

The Group's cash at bank had a weighted average floating interest rate at year end of 1.73%. At the reporting date, the Group did not have any material exposures to interest rate risk.

(e) Foreign Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Tanzanian Shilling (TZS), United States Dollar (USD) and British Pound (GBP).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

At the reporting date, the Group did not have any material exposure to financial instruments denominated in foreign currencies.

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Capital Management

The Group defines its capital as total equity of the Group, being $24,060,875 as at 30 June 2018 (2017: $21,313,956). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, including searching for a strategic partner.

(h) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value.

19. COMMITMENTS AND CONTINGENCIES

As previously advised, the Company and Tremont are in dispute regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration. The arbitration hearing which was scheduled for the first week of October 2018 has now been adjourned. The date for the adjourned arbitration has yet to be set. Cradle’s position remains as set out previously. Subject to the outcome of the dispute, if the definitive feasibility study which has been presented is accepted as a definitive feasibility study within the meaning of the Shareholders Agreement the parties will then consider whether to proceed with construction of a mine to carry out mining activities on the Project ("Decision to Mine"). Any Decision to Mine on the Project will require Cradle to provide funding to PHT based on its pro-rata shareholding in PHT or dilute its interest in PHT based upon a value of such interest of US$20 million plus contributions made by Cradle since October 2015, which is currently approximately US$3.4 million.

20. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined above, at the date of this report, there are no other matters or circumstances which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2018, of the Consolidated Entity.

DIRECTORS’ DECLARATION

In accordance with a resolution of the Directors of Cradle Resources Limited:

1. In the opinion of the Directors:

   (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:

      (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and

      (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and consolidated group); and

   (b) subject to the matters set out in note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Board

GRANT DAVEY
Executive Director

27 September 2018

Ernst & Young
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Perth WA 6000 Australia
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Independent auditor's report to the members of Cradle Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Cradle Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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1. Investments accounted for using the equity method

Why significant	How our audit addressed the key audit matter
As disclosed in Note 7, the Group holds an investment in the Panda Hill joint venture, carried at $21.4 million at 30 June 2018. The application of the equity method of accounting for the joint venture investment is predicated on the Group having joint control with the other party under the arrangement. This is considered a key audit matter due to the following: ▸ The significance of the balance to the overall financial position of the Group ▸ The judgment involved in assessing whether the entity is controlled or a joint venture. The Group's assessment on whether it has control is based on the Investment and Shareholders' Agreement ▸ The assessment of the recoverability of the investment is subject to significant judgement as to the identification of objective evidence of impairment. The Group determined that there was no such evidence of impairment at 30 June 2018.	In performing our procedures: ▸ We considered the Group's assessment that it has joint control over the investment based on the shareholders' agreement ▸ We confirmed that there have been no changes to the joint venture arrangement with respect to decision making power ▸ We agreed the Group's contributions to the joint venture during the period to supporting documentation and considered the calculation of the Group's share of the foreign currency translation reserve and loss for the year of the joint venture ▸ We considered the Group's assessment of whether any objective evidence of impairment existed at 30 June 2018 with respect to the investment in the joint venture ▸ We assessed the adequacy of the disclosure included in the financial report relating to the investment in the joint venture, including the equity accounted result.

2. Going concern basis of preparation

Why significant	How our audit addressed the key audit matter
As disclosed in Note 1(a), the financial statements have been prepared on a going concern basis. In determining that there is a reasonable basis to conclude that the Group can pay its debts as and when they fall due, the Directors have noted that if the Group is unsuccessful in its arbitration with Tremont Investments Limited ("Tremont"), it may be required to raise additional funds to fund its share of mine construction or otherwise dilute its interest in the Panda Hill joint venture. The going concern assumption is fundamental to the basis of preparation of the financial report. This is considered a key audit matter due to the judgement involved in preparing cash flow forecasts and determining whether there is a reasonable basis to conclude that the Group can pay its debts as and when they fall due.	We identified and evaluated the judgements and assumptions within the cash flow forecasts that form the basis of the Directors' assessment, which included the following procedures: ▸ We assessed the key assumptions in the cash flow forecasts with reference to the Group's contractual obligations and its estimated corporate and overhead costs ▸ We considered the potential impact of the arbitration between the Group and Tremont on the Group's ability to pay its debts as and when they fall due with reference to the Group's obligations under the Investment and Shareholders' Agreement with Tremont ▸ We assessed the adequacy of the disclosure included in the financial report relating to going concern.

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

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

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2018

In our opinion, the Remuneration Report of Cradle Resources Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
27 September 2018

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CORPORATE GOVERNANCE

Cradle Resources Limited (**Cradle** or **Company**) and the entities it controls believe corporate governance is important for the Company in conducting its business activities.

The Board of Cradle has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company. These documents are available in the Corporate Governance section of the Company's website, www.cradleresources.com.au. These documents are reviewed annually to address any changes in governance practices and the law.

The Company's Corporate Governance Statement 2018, which explains how Cradle complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' in relation to the year ended 30 June 2018, is available in the Corporate Governance section of the Company's website, www.cradleresources.com.au and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

In addition to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures, including the:

- relatively simple operations of the Company, which currently only undertakes mineral exploration and development activities;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the resources sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively small market capitalisation and economic value of the entity; and
- direct shareholder feedback.

MINERAL RESOURCES AND ORE RESERVES STATEMENT

1. Mineral Resources

The Company's Mineral Resources as at 30 June 2018 and 2017, reported in accordance with the 2012 Edition of the JORC Code, are:

Panda Hill Niobium Project		Mineral Resources as at 30 June 2018 (reported above a 0.3% Nb_2O_5 lower cut-off)			Mineral Resources as at 30 June 2017 (reported above a 0.3% Nb_2O_5 lower cut-off)		
Mineralisation Type	**Classification**	**Tonnage (Mt)**	**Nb_2O_5 (%)**	**Contained Nb_2O_5 (kt)**	**Tonnage (Mt)**	**Nb_2O_5 (%)**	**Contained Nb_2O_5 (kt)**
Primary Carbonatite[1]	Measured	14	0.62	84	14	0.62	84
	Indicated	50	0.49	247	50	0.49	247
	Inferred	103	0.48	496	103	0.48	496
	Subtotal	**167**	**0.50**	**828**	**167**	**0.50**	**828**
Weathered Carbonatite[2]	Measured	2	0.67	15	2	0.67	15
	Indicated	3	0.53	15	3	0.53	15
	Inferred	6	0.52	32	6	0.52	32
	Total	**11**	**0.55**	**63**	**11**	**0.55**	**63**
Combined Resource	Measured	16	0.63	99	16	0.63	99
	Indicated	53	0.50	263	53	0.50	263
	Inferred	109	0.48	528	109	0.48	528
	Subtotal	**178**	**0.50**	**891**	**178**	**0.50**	**891**

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.

In April 2015, Cradle announced an updated Mineral Resource estimate for the Panda Hill Niobium Project, comprising 178 million tonnes at an average grade of 0.5% Nb_2O_5 (Niobium Oxide). Following the annual review of the Company's Mineral Resources, there has been no change to the Mineral Resources reported for the Panda Hill Niobium Project located in Tanzania.

2. Ore Reserves

The Company had no reported Ore Reserves as at 30 June 2018 and 2017.

3. Governance of Mineral Resources and Ore Reserves

The Company engages external consultants and competent persons (as determined pursuant to the JORC Code) to prepare and calculate estimates of its Mineral Resources and Ore Reserves. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the Mineral Resource and Ore Reserve estimates are then reported in accordance with the requirements of the JORC Code and other applicable rules (including ASX Listing Rules).

Where material changes occur during the year to a project, including the project's size, title, exploration results or other technical information then previous Mineral Resources or Ore Reserves estimates and market disclosures are reviewed for completeness.

The Company reviews its Mineral Resources and Ore Reserves as at 30 June each year. Where a material change has occurred in the assumptions or data used in a previously reported Mineral Resource or Ore Reserve, then where possible a revised Mineral Resource or Ore Reserve estimate will be prepared as part of the annual review process. However, there are circumstance where this may not be possible (e.g. an ongoing drilling programme), in which case a revised Mineral Resource or Ore Reserve estimate will be prepared and reported as soon as practicable.

4. Competent Person Statement

The information in this Mineral Resources Statement that relates to Mineral Resources is based on, and fairly represents, information compiled 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 approves and consents to the inclusion in the Mineral Resources Statement of the matters based on his information in the form and context in which it appears. Mr Kirchner has approved this Mineral Resource Statement as a whole and consents to its inclusion in the form and context in which it appears.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 31 August 2018.

1. Twenty Largest Shareholders

The names of the twenty largest shareholders are listed below:

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
Tremont Investments Limited	36,933,161	19.47
Aviemore Capital Pty Ltd	28,800,000	15.18
Arredo Pty Ltd	15,400,000	8.12
Edwards Family Holdings Ltd	14,250,000	7.51
National Nominees Limited	10,077,665	5.31
HSBC Custody Nominees (Australia) Limited	6,551,700	3.45
RECB Limited	6,200,000	3.27
Mr Brett Mitchell & Mrs Michelle Mitchell <Mitchell Spring Family A/C>	5,720,000	3.02
Beirne Trading Pty Ltd	4,077,198	2.15
Edwards Family Holdings Limited	2,575,000	1.36
Nero Resource Fund Pty Ltd <Nero Resource Fund A/C>	2,083,334	1.10
Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	2,000,000	1.05
Alba Capital Pty Ltd <Burton Super Fund A/C>	2,000,000	1.05
Mr Brett Mitchell & Mrs Michelle Mitchell <Mitchell Spring Family A/C>	1,800,000	0.95
Blu Bone Pty Ltd	1,608,112	0.85
Mr Mark John Bahen & Mrs Margaret Patricia Bahen <Superannuation Account>	1,550,000	0.82
Pershing Australia Nominees Pty Ltd <Patersons Securities A/C>	1,511,170	0.80
Mr Azman Haroon	1,463,359	0.77
Kobia Holdings Pty Ltd	1,350,000	0.71
Rotherwood Enterprises Pty Ltd	1,325,000	0.70
Total Top 20	**147,275,699**	**78.33**
Others	42,406,084	21.67
Total Ordinary Shares on Issue	**189,681,783**	**100.00**

2. Distribution of Equity Securities

Analysis of numbers of holders by size of holding:

Distribution	Ordinary Shares	
	Number of Shareholders	Number of Shares
1 – 1,000	27	3,603
1,001 – 5,000	93	296,671
5,001 – 10,000	120	1,017,483
10,001 – 100,000	230	8,620,084
More than 100,000	99	179,743,942
Totals	**569**	**189,681,783**

There were 120 holders of less than a marketable parcel of ordinary shares.

ASX ADDITIONAL INFORMATION (Continued)

3. Voting Rights

See Note 9(b) of the Notes to the Financial Statements.

4. Substantial Shareholders

Substantial Shareholder notices have been received from the following:

	Number of Shares
Tremont Investments Limited	36,933,161
Mr Craig Ian Burton	30,800,000
Edwards Family Holdings Ltd	17,641,000
Arredo Pty Ltd	15,400,000
Harvest Lane Asset Management Pty Ltd and associates	8,378,638

5. On-Market Buy Back

There are currently no on-market buyback programs for any of Cradle Resources Limited's listed securities.

6. Unquoted Securities

The names of the security holders holding more than 20% of an unlisted class of security as at 31 August 2018 are listed below:

Holder	$0.25 unlisted options expiring 31-Oct-18
Mr Robert Behets	750,000
Konkera Pty Ltd	1,000,000
Argonaut Equity Partners Pty Limited	1,000,000
Others (holding less than 20%)	500,000
Total	**3,250,000**
Number of Holders	*4*

8. Exploration Interests

As at 31 August 2018, PHT, the joint venture company owned 50% by Cradle and 50% by Tremont Investments Limited, held the following interests in tenements:

Project Name	Tenement Type	Tenement Number	Percentage Interest	Status
Panda Hill Niobium, Tanzania	Mining Licence	ML237/2006	100%	Granted
Panda Hill Niobium, Tanzania	Mining Licence	ML238/2006	100%	Granted
Panda Hill Niobium, Tanzania	Mining Licence	ML239/2006	100%	Granted

9. Competent Persons Statement

The information in this report that relates to Exploration Results and Coal Resources was extracted from Cradle's ASX announcement dated 30 April 2015 entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' which is available to view on the Company's website at www.cradleresources.com.au. Cradle confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcement; b) all material assumptions and technical parameters underpinning the Coal Resource included in the original ASX announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original ASX announcement.

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