

9 June 2020

ASX Release

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CRADLE AND TREMONT AGREE PATHWAY FORWARD FOR PANDA HILL PROJECT

Cradle Resources Limited (ASX: CXX) ("Cradle") is pleased to announce that it has reached agreement with Tremont Investments Limited ("Tremont") in connection with the Panda Hill Niobium Project ("Panda Hill Project") and the current dispute and arbitration between Cradle and Tremont.

Overview

- Cradle and Tremont own 50% each of Panda Hill Tanzania Ltd ("PHT"), which owns the Panda Hill Project. There is currently a dispute as to whether Tremont has the unilateral right to declare a decision to mine and there are arbitration proceedings between the parties in respect of this dispute ("Arbitration").
- Subject to shareholder approval, the Arbitration will be settled as follows:
 - Cradle will buy-back Tremont's existing 19.5% shareholding in Cradle in return for transferring to Tremont 19.5% of Cradle's shares in PHT (4.6m PHT shares);
 - PHT will issue Tremont an additional 4.06m shares, which converts Tremont's existing loan to PHT to equity in PHT (which loan funded PHT's FEED, offtake and financing activities over the last 3 years).
- Following implementation, PHT will be debt free with 52.3m shares on issue - owned by Tremont 32.9m shares (63%) and Cradle 19.4m shares (37%).
- Tremont and Cradle's wholly-owned subsidiary Panda Hill Mining Pty Ltd ("PHM") will enter into a new PHT shareholders agreement (see Schedule 1 for details) under which:
 - Tremont will fund all financial requirements of PHT and the Panda Hill Project until the development costs of the Panda Hill Project are raised;
 - A development capital raising may only be funded by PHT by a combination of bank debt and the issue of new ordinary shares at US\$1.00 minimum or such greater price as third parties participate;
 - Upon all development costs of the Panda Hill Project being raised, Tremont will purchase from PHM 10 million PHT shares at the average subscription price per PHT share under the equity component of the development capital raising (or at least US\$1.00 per PHT share) and Cradle has the option to participate in the development capital raising for up to 5 million PHT shares;
 - The balance of Cradle's interest in PHT shares will follow PHT into production with tag along and drag along rights against a sale of Tremont's PHT shares;
 - Tremont will assume Board control of PHT with Cradle having the right to appoint a director and general minority shareholder protection rights.

As a result, Cradle will have no further financial exposure to PHT or the Panda Hill Project whilst retaining significant upside upon the project achieving development funding.

To implement the settlement, the Parties have executed an Implementation Deed pursuant to which:

- Cradle and Tremont have agreed to dismiss the Arbitration and release each other from all associated claims, thereby bringing an end to this long running dispute;
- Cradle will restructure its shareholding in PHT such that all PHT shares will be held by its wholly-owned subsidiary PHM;
- the existing shareholders agreement will be terminated and Tremont, PHT and PHM will enter into a new shareholders agreement to govern the joint venture going forward - refer to schedule 1 for details of the material terms of the new shareholders agreement;
- Tremont has agreed to the capitalisation of all amounts outstanding under its shareholder loans to PHT;
- Tremont and Cradle have agreed to the capitalisation of certain other loans totalling approximately US\$645,000 owing from PHT to Tremont and Cradle; and
- subject to Cradle shareholder approval, Cradle will buy-back the 36,933,161 Cradle shares (representing 19.47% of Cradle) held by Tremont in return for the transfer of 4,602,323 PHT shares held by Cradle to Tremont (representing 19.47% of Cradle's PHT shares). Tremont has agreed to a standstill in respect of Cradle shares until completion of the buy-back,

together "the Transactions".

The completion of the Transactions is subject to all necessary regulatory approvals being obtained within 12 months, including Cradle shareholder approval of the buy-back under the Corporations Act and for the purposes of ASX Listing Rule 10.1 and the Tanzanian Fair Competition Commission providing a "no objections" letter. The Company expects that a notice of meeting and accompanying independent expert's report will be dispatched to shareholders in July.

Following completion of the Transactions, Cradle will have 152.75m shares on issue and own 19.44m PHT shares.

Cradle's Executive Director, Grant Davey comments:

"This is a great result for Cradle shareholders as it limits further financial exposure while providing substantial upside to the Panda Hill Project upon development proceeding. At the same time, it increases the interests of the continuing shareholders in Cradle (by about 24%) by reducing the number of Cradle shares on issue and eliminates the potentially costly arbitration process with Tremont. The current cash position of Cradle of A\$1.2m does not change and this cash can now be used for new ventures.

Panda Hill is one of the best undeveloped niobium projects in the world and is waiting to go into production to meet strong ongoing growth in the global demand for niobium for use in high-end steel products. The global steel industry is seeking more diversity of supply with 88% of global supply currently coming from one operation in Brazil."

Panda Hill Project Update

The current status of the Panda Hill Project is:

- The Definitive Feasibility Study (DFS) is complete with the results showing the Panda Hill Project is technically feasible and financially sound
- A front-end engineering (FEED) process, conducted in 2017, has optimised the DFS including capital cost reductions and improved operability
- Mining Licenses are in place
- Environmental Approvals are in place
- Discussions are continuing with the Tanzanian Government to clarify the fiscal rules applicable to the Panda Hill Project
- There has been substantial growth in the niobium market over the last 4 years, with strong ongoing demand for the high quality and new-age steel products that use niobium.

Contact Information:

For further information, please contact:

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This announcement was authorised for release by the Board of Cradle Resources Limited

Schedule 1 – Material Terms of the new Shareholders Agreement

Term	Summary
Company	Panda Hill Tanzania Ltd (“PHT”)
Shareholders and Capital Structure	Panda Hill Mining Pty Ltd (“PHM”), a subsidiary of Cradle – 37.17% of PHT ¹ Tremont Investment Limited (“Tremont”)– 62.83% of PHT ²
Directors	<p>At the date of the Shareholders Agreement the board of PHT (“Board”) will comprise:</p> <ul style="list-style-type: none"> • Brendon Jones, nominee of Tremont; • Rudolf Pretorius, nominee of Tremont; and • Grant Davey, nominee of PHM. <p>A shareholder with an interest of:</p> <ul style="list-style-type: none"> • 50% or more in PHT will be entitled to appoint two directors to the Board; • less than 50% in PHT will be entitled to appoint one director to the Board. <p>Based on the shareholdings of PHM and Tremont on implementation, the Board will comprise at least one nominee from PHM and two nominees from Tremont.</p>
Directors following completion of the development capital raising	<p>Following completion of the Development Capital Raising:</p> <ul style="list-style-type: none"> (a) provided that Tremont’s Shareholder Interest is 50% or above, it shall be entitled to appoint three Directors to the Board; (b) provided that PHM holds shares, it shall be entitled to appoint one Director to the Board; and (c) new Shareholders who participated in the Development Capital Raising (if any) will collectively be entitled to appoint one Director to the Board.
Funding	<p>Tremont will fund the operations and all financial requirements of the Company and its business up to the completion of the Development Capital Raising.</p> <p>All pre-Development Capital Raising money must be contributed by Tremont by way of share subscription at no less than US\$1.00 per share.</p>

¹ Following completion of the Transactions.

² Following completion of the Transactions.

Term	Summary
	<p>The Board may at any time make a Decision to Mine and then a decision to proceed with a capital raising to raise the amount required to cover all of the development costs of the Panda Hill Project (“Development Capital Raising”)</p> <p>Any portion of the Development Capital Raising comprising equity capital raisings must be undertaken by the issue of PHT shares at a subscription price equal to the greater of US\$1.00 and the amount per PHT share at which third parties (if any) subscribe for PHT shares under that raising.</p> <p>PHM will be entitled to participate in the Development Capital Raising up to 5 million shares.</p> <p>The Development Capital Raising may only comprise debt funding if PHT has received binding, credit committee approved commitment letters from a bank on bona fide and arm's length terms and subject only to customary conditions.</p> <p>PHT will not commence construction of commercial scale mining and/or processing facilities in respect of the Panda Hill Project (other than preliminary works) without first completing the Development Capital Raising.</p> <p>If PHT or the Panda Hill Project requires additional funding following the completion of the Development Capital Raising, the Company will use reasonable endeavours to arrange additional funding on the following basis:</p> <ul style="list-style-type: none"> (a) funding provided by a Bank (or Banks) on bona fide and arm's length terms and/or from share subscriptions at a subscription price equal to the greater of US\$1.00 and the amount per share at which any third party is subscribing; and (b) shareholders will have the first right of refusal to participate in any equity capital raising on a pro rata basis in accordance with their respective interest.
Budget / Program	<p>Until the Development Capital Raising has been completed PHT’s business will be operated under a holding budget of US\$200,000 per annum, unless otherwise approved by the Board.</p> <p>The Company must use reasonable endeavours to minimise the overheads and costs of the Company and the Business until completion of the Development Capital Raising.</p> <p>Following the Development Capital Raising, the Board will be responsible for reviewing and approving any budget and program to bring the Panda Hill Project into commercial scale production and continue to operate the production on an annual basis.</p>

Term	Summary
Buy-Out	<p>Subject to completion of a Development Capital Raising, Tremont will purchase and PHM will sell 10 million PHT shares (“Buy Out Shares”) at a purchase price equal to either:</p> <ul style="list-style-type: none"> (a) the average subscription price per share under the equity component of the Development Capital Raising (provided the average subscription price is greater than or equal to US\$1.00 per share); or (b) if there is no equity component of the Development Capital Raising or the average subscription price per share under the equity component of the Development Capital Raising is less than US\$1.00 per share, the purchase price will be US\$1.00 per share. <p>The number of Buy Out Shares will be reduced by the number of shares (if any) that Tremont has separately purchased from PHM in the period between the date of the Shareholders Agreement and completion of the Development Capital Raising.</p>
Special Matters	<p>The following decisions require a special approval, being a unanimous approval of the shareholders of the Company:</p> <ul style="list-style-type: none"> • amendment of the constitution of the Company or other governing documents; • change in any rights attaching to any securities issued by the Company; • filing for liquidation, dissolution, winding up or bankruptcy of the Company. <p>The following decisions require a special approval, being a unanimous approval of the Board:</p> <ul style="list-style-type: none"> • prior to commercial production, the borrowing of any monies or creation of any lien, mortgage or other charge over the Company’s assets (other than as required in the Development Capital Raising); • the Company providing any guarantee or indemnity that may incur material liability; • appointment or removal of auditor; • entering into any transaction that is not on arms-length terms; • subject to limited exceptions, entering into any arrangement with shareholders, directors, officers or employees, and their affiliates; • the sale of the whole or substantial part of the business or assets of the Company; • permanent discontinuance of any of the material business activities of the Company; • any material change to the dividend policy; • the appointment of additional directors; and

Term	Summary
	<ul style="list-style-type: none">• agreement of the annual budget and program (other than the initial holding budget of US\$200,000 per annum) – unless the budget and program is not approved within the required period, in which case the draft budget and program may be approved by simple majority of the Board to the extent to which the draft budget and program does not include any Special Matter.
Transfer of shares	Customary drag and tag rights apply at the shareholder level and also upon a direct change of control of Tremont.