CRADLE RESOURCES LIMITED

ACN 149 637 016

Interim Financial Report

31 December 2014

Contents

Corporate Directory

Directors	Craig Burton Non-Executive Chairman Grant Davey Managing Director Evan Cranston Non-Executive Director Didier Murcia Non-Executive Director
Company Secretary	Sophie Raven
Registered Office and Principal Place of Business	Level 7, 1008 Hay Street Perth WA 6000 Tel: +61 8 9389 2000 Fax: +61 8 9389 2099
Auditors	Ernst & Young 11 Mounts Bay Road Perth WA 6000
Solicitors	GTP Legal Level 1, 28 Ord Street West Perth WA 6005
Share Registry	Link Market Services Limited Level 4, Central Park 152 St Georges Terrace Perth WA 6000
Securities Exchange Listing	Cradle Resources Limited shares are listed on the Australian Securities Exchange (ASX) ASX Code: CXX
Website	www.cradleresources.com.au

Directors' Report

The Board of Directors of Cradle Resources Limited ("the Consolidated Entity" or "the Company") has pleasure in presenting its report on the Company for the half-year ended 31 December 2014.

Directors and Company Secretary

The names of the Directors and Company Secretary in office at any time during or since the end of the report period are:

Craig Burton	Non-Executive Chairman
Grant Davey	Managing Director
Evan Cranston	Non-Executive Director
Didier Murcia	Non-Executive Director
Sophie Raven	Company Secretary

Financial Results

The net loss of the Company after income tax for the financial period amounted to $1,261,338 (31 December 2013 restated: $1,501,445).

The Company has not reached a stage in its development where it is generating an operating profit. All of the Company's efforts go into project exploration and development.

At the end of the financial period the Company had cash on hand of $2,984,122 (30 June 2014: $2,054,453).

More information on the operating results, financial position and cash flow movements are included in the Financial Statements.

Dividends

No dividend has been declared or paid by the Company since the start of the financial period and the Directors do not at present recommend a dividend.

The consolidated entity consists of Cradle Resources Ltd and the entities it controlled at any time during the period.

Directors' Report

Review of Operations

Pre-Feasibility Study

The Pre-Feasibility Study (PFS) for the Panda Hill Niobium Project in south western Tanzania has continued as planned during the half year ended 31 December 2014. The core activities for the PFS have progressed well, with the finalisation of the December drilling program (which will be used to define the Measured Resource) completed, and the phase 2 metallurgical program to define the optimal process route for the various material types nearing completion. Mine planning and design studies have started based upon the results of the newly announced indicated mineral resource.

The high level schedule for the PFS is shown below in Figure 1. The study is on target for completion in Q1 2015.

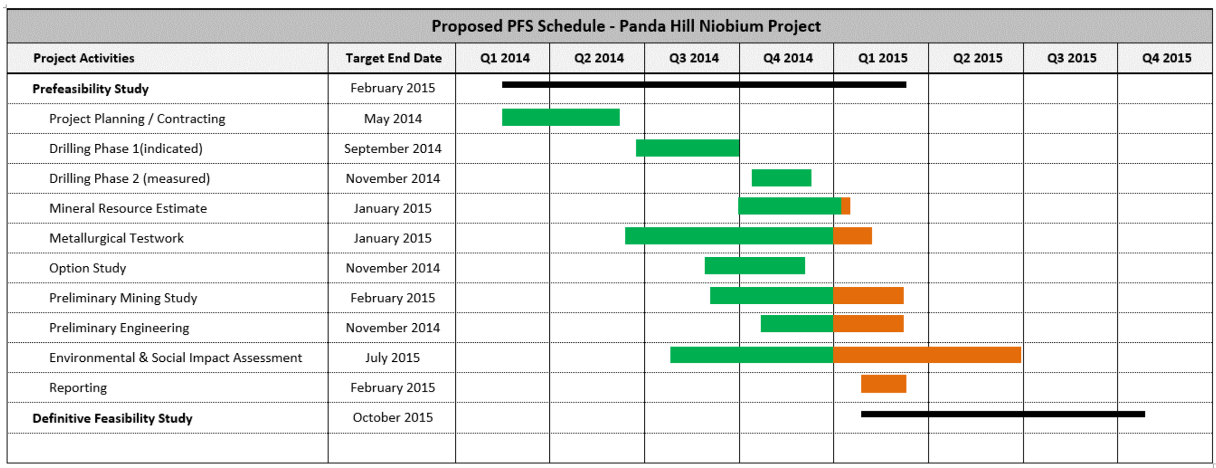

Figure 1: Panda Hill Pre-Feasibility Study Schedule

The following points are to be noted:

- The drilling required to produce a Measured Resource has been completed and the majority of the bench scale metallurgical testing required to complete the process development will be completed shortly. This additional work will allow a rapid ramp-up of the key mining and engineering activities in the Definitive Feasibility Study (DFS) and reduced timeframe for completing the study.
- Based upon the Option Study work completed during the half year, a single-stage flotation process with a throughput of 2Mtpa RoM has been chosen as the optimal case for the Project. The PFS study is now focussed on further defining the various inputs for this preferred option, including mine planning, capital and operating cost estimates and developing the execution strategy for subsequent phases.
- The work required for the Environmental and Social Impact Assessment (ESIA) will not be constrained by the timelines of the PFS and will carry on through the PFS / DFS interface with the aim of having the environmental licence approved at the end of the DFS.
- The PFS activities including process design, mine design and cost estimates have been completed and the project team is currently reviewing these and completing the final PFS Report write-up.

Other Technical Activity

Panda Hill December Resource Update

On 20 January 2015, an updated Mineral Resource was announced for the Project. Although this update was reported in January 2015, the substantive work for the update was undertaken during the half year ended 31 December 2014. The 2014 Mineral Resource incorporated the results of 21 diamond and 51 RC holes drilled in June to October 2014, with 5,171 samples taken for the 9,115 metres drilled, but did not include the results from any drilling undertaken in November and December 2014.

The 2014 Mineral Resource was undertaken by the independent mining consultants Coffey Mining based in Perth, Western Australia, and was reported in accordance to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition (JORC).

The updated total Resource (Weathered and Primary Carbonatite, Indicated and Inferred) contained 96.3Mt at 0.52% Nb_2O_5 for 503Kt of contained Nb_2O_5 reported at a 0.3% Nb_2O_5 cut off, and is based predominantly on new drilling undertaken in 2013 and 2014. The Multiple Indicated Kriging (MIK) method was used to estimate the resource. This method incorporates increased mining selectivity and internal dilution for a planned Selective Mining Unit (SMU) and is expected to have a positive effect on the head grades of the future feasibility studies.

The first phase drilling of 2014 enabled a significant increase in the endowment of the expected high-recovery Primary Carbonatite mineralisation to 88.4Mt at 0.52% Nb_2O_5 for 459Kt of Nb_2O_5 which represent a 37% increase in metal and 10% increase in grade to the 2013 estimate. The increase in Primary Carbonatite mineralisation incorporates depth extensions due to drilling in the Angel Zone, as well as extensions on strike to the North of the deposit.

The additional drilling has also enabled better definition and classification of Weathered Material, which has effectively decreased the amount and grade of this material. The Weathered Material generally has poorer metal recoveries and is not expected to play a significant role in the initial mining schedule. There are plans to upgrade this material by gravity separation enabling treatment of the upgraded material in the same circuit as the Primary Material, however this will remain an option for later study and development

The updated 2014 Mineral Resource is summarised below in Table 1 by weathering type and the area of the resource is shown in Figure 2.

Panda Hill Niobium Resource - December 2014 Reported Above a 0.3% Nb_2O_5 Lower Cut-off			
Combined			
Classification	Million Tonnes	Nb_2O_5 %	Nb_2O_5 Content (KT)
Indicated	41.0	0.54	223
Inferred	55.3	0.51	280
Total	96.3	0.52	504
Primary Carbonatite[1]			
Classification	Million Tonnes	Nb_2O_5 %	Nb_2O_5 Content (KT)
Indicated	35.9	0.54	194
Inferred	52.5	0.51	265
Total	88.4	0.52	459
Weathered Carbonatite[2]			
Classification	Million Tonnes	Nb_2O_5 %	Nb_2O_5 Content (KT)
Indicated	5.1	0.59	30
Inferred	2.8	0.53	15
Total	7.9	0.57	45

Note: Figures have been rounded. [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 dominated by weathered carbonatite with other mixed lithologies. This material is expected to have a lower recovery than the Primary carbonatite material.

Grade estimates were generated for parent blocks of size 25m(X) by 25m(Y) by 5m(Z) with sub-blocks of 5m(X) by 5m(Y) by 1m (Z). The estimation method was Multiple Indicator Kriging (MIK). MIK grade estimation with change of support has been applied to produce 'recoverable' Nb2O5 estimates for a range of cut-off grades targeting a selective mining unit (SMU) of 6.25m x 12.5m x 5m.

Table 1 - In Situ Mineral Resource (December 2014) using Preferred Cut-off (0.3%)

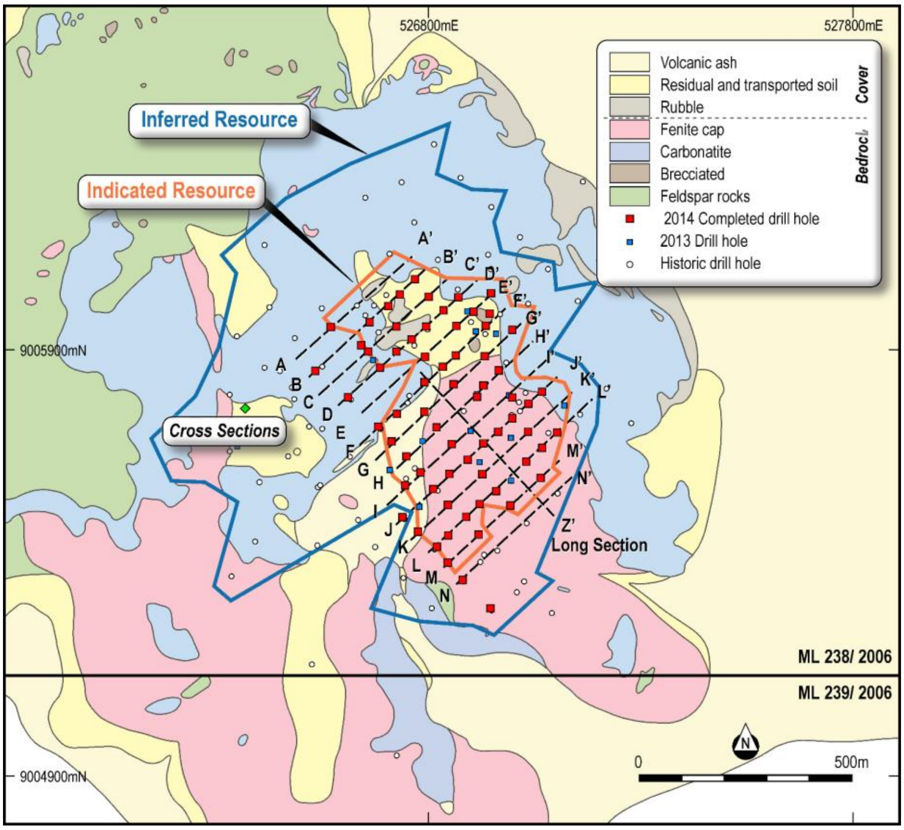

Figure 2: Geology plan showing the December 2014 Resource regions and drilled section lines. The regions in blue (carbonatite) and pink (Fenite Cap) are both highly prospective with field mapping showing carbonatite and magnetite-carbonatite outcrop contained with many of these areas.

Exploration and Mineral Resource Activity

The focus of field activities during the half year was on the implementation of a 9,115m RC and DDH drill program that would allow for the first Measured Resource to be reported for the Project. In addition to this the program was developed so as to allow a better understanding of the lateral extensions of the ore body and to define the material types to a higher level of detail.

The scoped drilling program was submitted to a number of Tanzanian drilling companies for quote. Kuchimba Drilling was selected to be the RC provider and Bamboo Rock drilling was selected for the diamond drilling.

A local contractor was awarded the site preparation contract which commenced in November 2014. Drilling commenced in the first week of November 2014 with 47 RC holes for 7,778 metres and 10 diamond holes and tails for 1,545 metres completed by mid-December.

The drilling focused on infilling the main core of the recently discovered Angel Zone and the region directly to the north (Figure 3), the northern region is associated with fresh-sovite material and magnetite-rich flows and the broad southern region is associated with transitional to fresh carbonatite. Both zones are open at depth Figures 4 to 7 show example sections through the deposit with the results of the 2014 drilling shown where received.

Samples for assay were initially sent to SGS in Mwanza for crushing and pulverisation. The pulps were subsequently sent to SGS Johannesburg for analysis of niobium by XRF borate fusion.

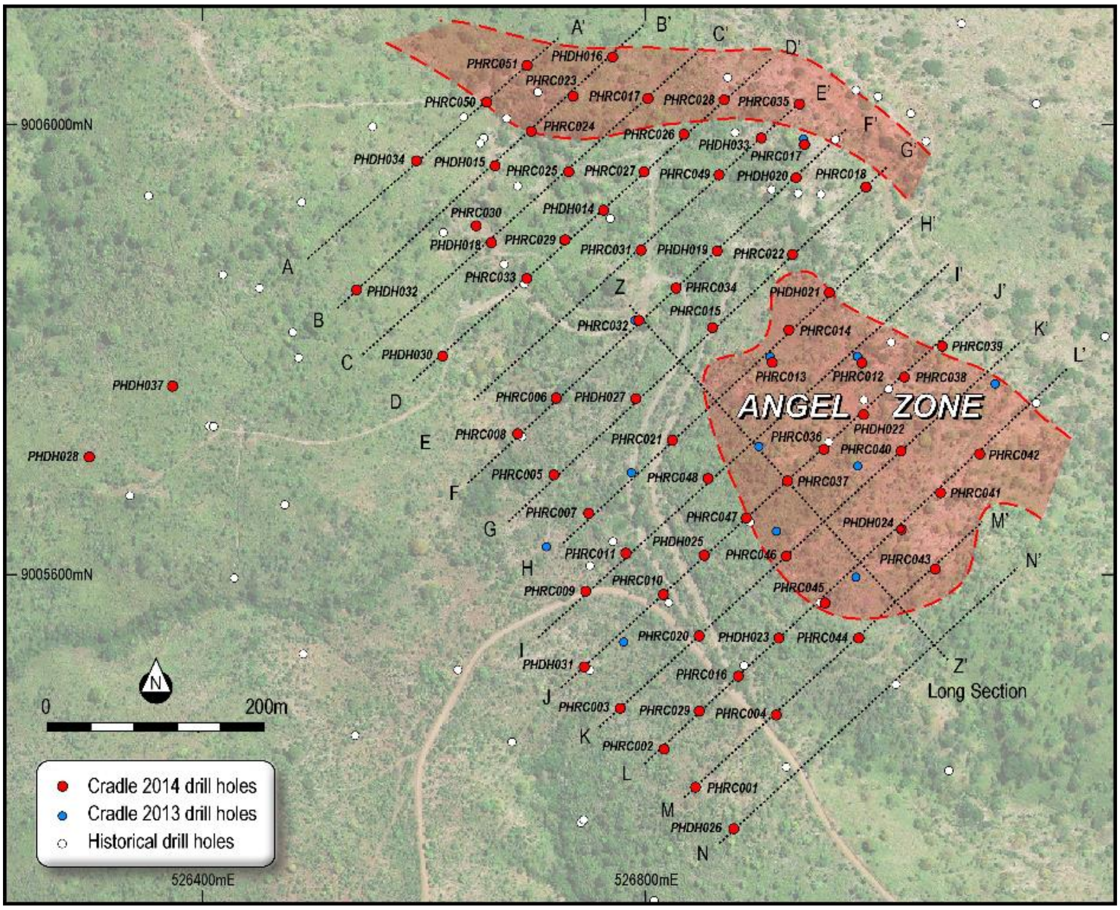

Figure 3: Panda Hill resource drilling region showing the location of drillholes used for the December Resource, 2014 holes are shown in red and 2013 drillholes are shown in blue. Refer to section lines for subsequent figures. The approximate surface projection of the Angel Zone is shown in red to the south. Other mineralised zones inside the resource area are omitted for clarity.

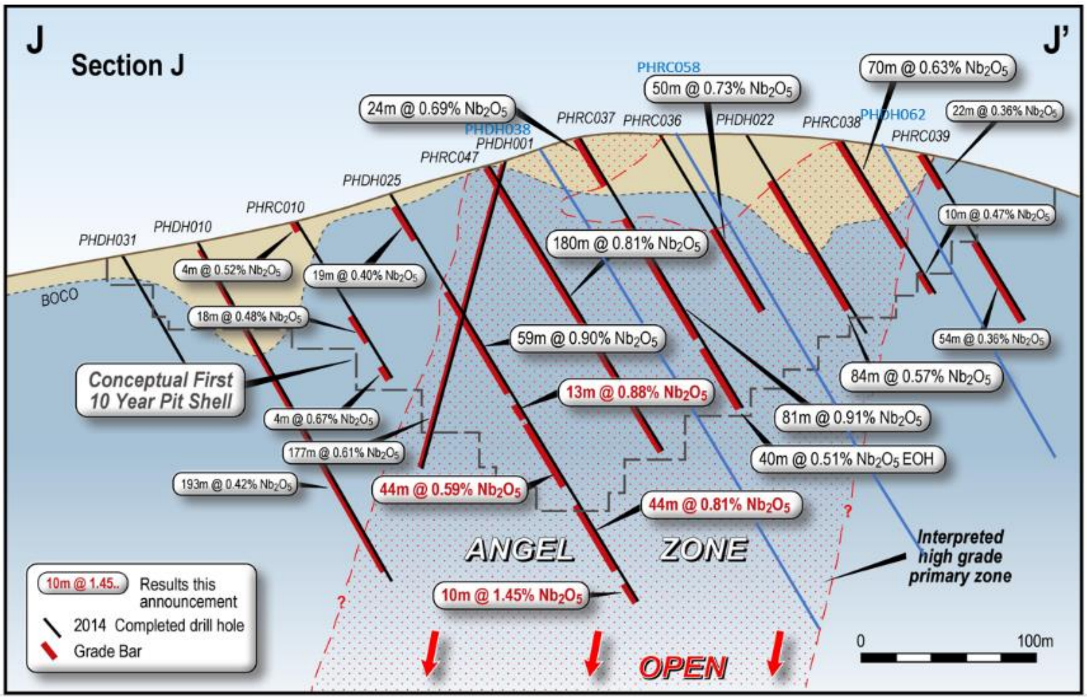

Figure 4: Section J with 2014 drillholes (thick black lines) showing returned results and newly drilled holes (blue lines).

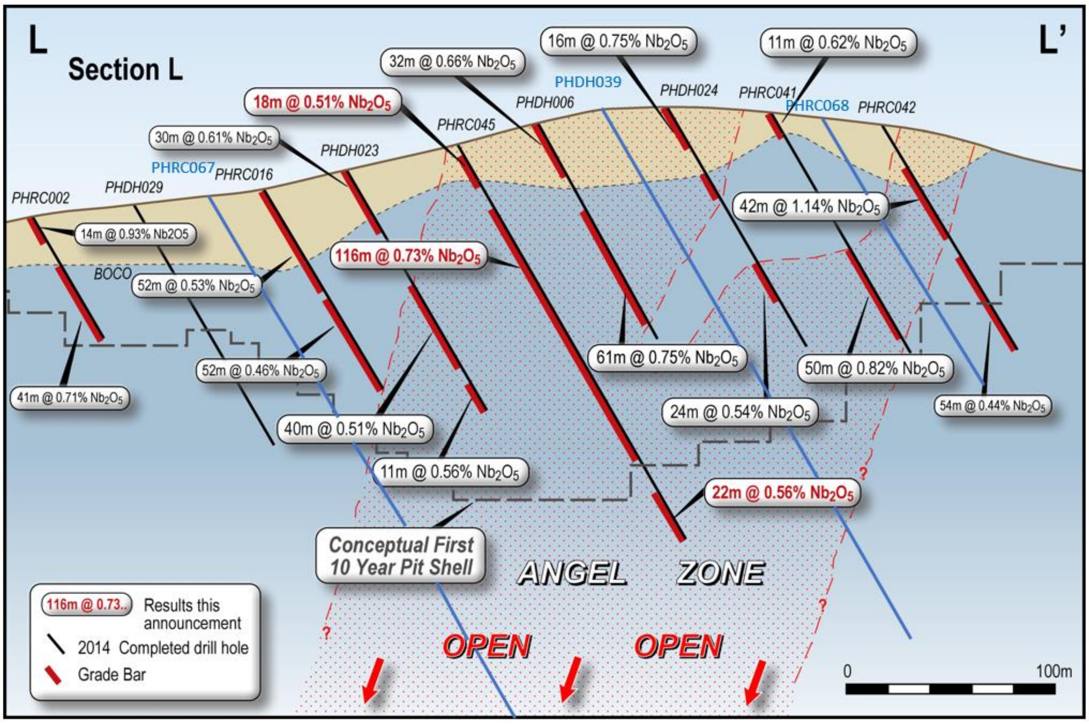

Figure 5: Section L with 2014 drillholes (thick black lines) showing returned results and newly drilled holes (blue lines).

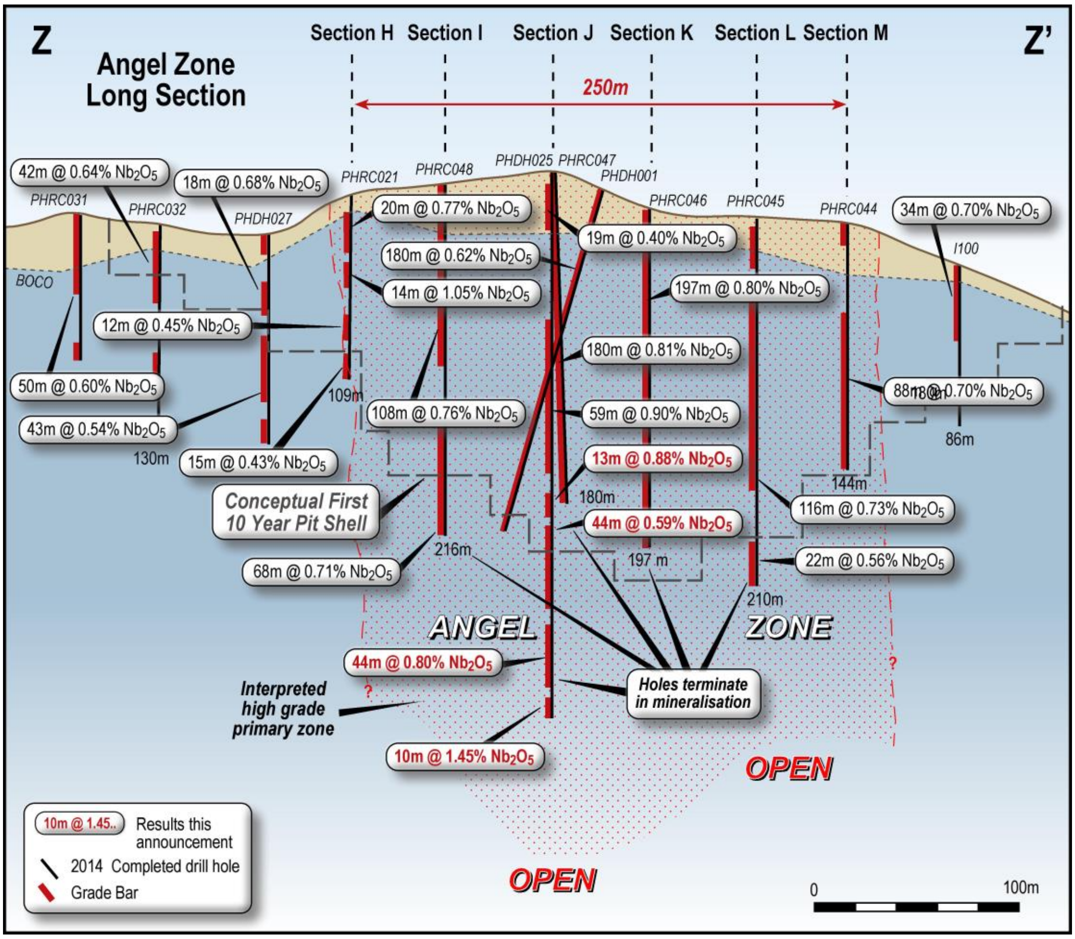

Figure 6: Long-Section showing projection of the Angel Zone.

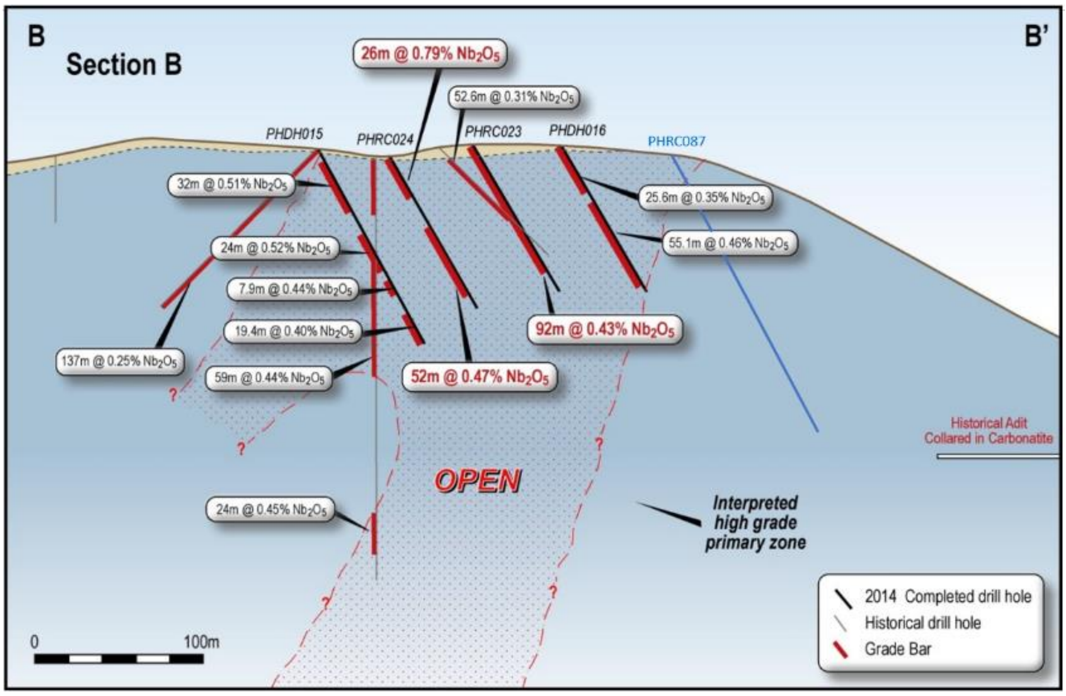

Figure 7: Section B in northern part of the drilling area showing 2014 and historical drillholes with intercepts (grey lines and text) and newly drilled holes (blue lines).

Mining and Engineering Activity

The work carried out in this period focused on the metallurgical test work program, the option study to select the preferred go-forward option and preliminary engineering and cost estimates for the selected option. Geotechnical work was also undertaken alongside the drill program work. Specifically the following activities were undertaken during the half year:

<u>Metallurgical Test Work</u>

- The first phase development program was brought to a close with 86 open circuit tests, 8 locked cycle tests, and gravity/magnetic separation tests completed on 8 different material types that make up the 3 mineral zones in the deposit
- The second phase optimisation program kicked-off with the work focused on optimising the selected direct flotation process. This work was done on 3 blends of samples, each one representing one of the 3 mineral zones
- 42 open circuit tests were completed as part of this program along with 3 locked cycle test. The test work focused on niobium recoveries, reagent simplification and concentrate quality

<u>Mining & Geotechnical</u>

- Geotechnical logging of the diamond core from the new drilling program
- Geotechnical reporting of the areas defined for the plant, tailings facility and access roads. Identification of potential borrow pit material was also undertaken
- Preliminary Whittle pit optimisations based on the new indicated resource model

<u>Hydrology & Hydrogeology</u>

- Geochemical testing is continuing on a range of sample types (ore, tailings and waste)
- Ground water modelling for the area is being undertaken
- Surface water investigations and the development of a site wide water balance are ongoing

<u>Engineering (Plant & Infrastructure)</u>

- Option Study to select the preferred processing route has been completed with the selection of the direct flotation process the preferred option
- Input data for operating and capital cost estimates are being collated
- Logistic requirements for reagent transportation are being defined
- Process flow diagrams (PFDs) for the go-forward case have been developed and equipment lists generated
- Site layouts have been developed including preferred locations for TSF, plant, waste rock dumps, access roads etc.
- General arrangement drawings (GAs) have been done and material take-offs well progressed
- A pyrometallurgical study into the ferro-niobium converter process has been completed
- Layouts and designs for the tailings facility have been developed, along with preliminary cost estimates

The activities for the next period will focus on:

- Completing the metallurgical test work optimisation program and finalising the metallurgical recoveries for the various material types
- Complete the pit optimisations and finalise the mine design, production schedules and mining cost estimates
- Complete preliminary engineering design work on the go-forward case
- Capital and operating cost estimates for the go-forward case
- Finalise infrastructure requirements
- Financial analysis
- Pre-feasibility Study Reporting

Social and Environmental Activities

During the half year, the field activities for the dry season baseline study were completed. The data was collated and reviewed with the reporting of the results well advanced. No critical issues were identified as part of this study.

The planning for the wet season baseline study, which will take place in March 2015 during the Tanzanian wet season, has started. The ESIA activities will run concurrently with these baseline studies and the target date for the completion of the ESIA work is July 2015.

Competent Person's Statement

The information in this document that relates to Exploration Results and Resources is based on information compiled or reviewed by Mr Neil Inwood who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Inwood is a full time employee of Verona Capital Pty Ltd. Mr Inwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Inwood consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

The information in this Interim Financial Report relating to the Panda Hill Resource Estimate is extracted from the announcement entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' dated 20 January 2014 and is available to view on http://www.cradleresources.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that, in the case of Mineral Resources or Ore Reserves, all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this Interim Financial Report regarding Scoping Study results is extracted from the announcement entitled 'Panda Hill Project – Highly Positive Scoping Study Results' dated 30 January 2014 and is available to view on http://www.cradleresources.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that all the material assumptions and technical parameters underpinning the production targets and the forecast financial information derived from the production targets in the Scoping Study continue to apply and have not materially changed.

Cautionary Statement concerning Scoping Study Results including Inferred Resources

The Company advises that the Scoping Study results and production targets reflected in this report are preliminary in nature as conclusions are drawn from partly from Indicated Mineral Resources and partly from Inferred Mineral Resources. The Scoping Study is based on lower level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

Corporate Activity

During the half year ended 31 December 2014, Tremont Investments Limited (Tremont) exercised its right to acquire a further 12.5% of the Panda Hill Niobium Project for a further US$5 million (AUD$6.32m) investment (taking Tremont to 25% ownership in the Panda Hill Niobium Project). Tremont initially invested US$5 million in June 2014, which was used to de-risk the Project through an in-fill and extensional drilling program and extensive metallurgical work. The mandate from Tremont is to proceed with ongoing Project development work. Under the agreement with the Company, Tremont has the right to contribute a further US$10 million to acquire a further 25% interest in the Panda Hill Niobium Project (taking Tremont to 50% in total), which will be used to finalise the feasibility studies and other development activities.

The Company's Annual General Meeting was held on 28 November 2014, at which all resolutions were unanimously passed, including approval of the grant of 2,000,000 unlisted options exercisable at 25 cents each on or before 31 October 2018 to the Company's non-executive directors. The board of directors of the Company resolved to issue the options in December 2014.

Events Subsequent to Reporting Date

- An updated Mineral Resource was announced for the Project, showing a significant resource upgrade.
- A further announcement with an update of the metallurgical test work results, including the results of the concentrate cleaning stages, was made.
- The Company's 17,947,506 listed options (ASX: CXXO) expired on 24 January 2015.
- On 29 January 2015, Panda Hill Mining Pty Ltd received its January 2015 forecast Project expenditure costs of USD$697,631, and on 2 March 2015 the forecast Project expenditure costs of USD$474,716 for February 2015 were received from Panda Hill Tanzania Limited.

There are no other significant changes in the state of affairs of the Company after the reporting date.

Auditors' Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 15 for the half-year ended 31 December 2014

This report is signed in accordance with a resolution of the Board of Directors.

Grant Davey
Managing Director
Signed at Perth, Western Australia this 16th day of March 2015

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Auditor's independence declaration to the Directors of Cradle Resources Limited

In relation to our review of the interim financial report of Cradle Resources Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
16 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2014

	Note	CONSOLIDATED GROUP 31-Dec-14 $	31-Dec-13 (Restated) $
Revenue	5	**8,243**	**11,251**
Expenses			
Administration		(330,827)	(286,000)
Professional fees		(284,104)	(382,549)
Directors fees		(81,968)	(13,751)
Exploration and evaluation expenditure		(170)	(2,028)
Employee benefits expense		(57,146)	(66,275)
Share based payment expense	13(b)(iii)	(243,901)	(69,023)
Net foreign exchange gains		321,688	10,055
Impairment expense	8	(224,100)	-
Share of interest in joint venture losses		(77,276)	-
Loss on dilution of interest in PHT	9(b)	(663,003)	-
Gain/(Loss) on re-measurement of financial liability	11	365,625	(703,125)
Loss before income tax expense		**(1,266,939)**	**(1,501,445)**
Income tax benefit		-	-
Loss after income tax for the period attributable to :			
Members of parent entity		(1,261,338)	(1,501,445)
Non-controlling interest		(5,601)	-
		(1,266,939)	**(1,501,445)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		815,233	-
Other comprehensive income for the period, net of tax		**815,233**	-
Total comprehensive income/(loss) for the period		**(451,706)**	**(1,501,445)**
Total comprehensive income/(loss) for the period attributable to :			
Members of parent entity		(446,105	(1,501,445)
Non-controlling interest		(5,601)	-
		(451,706)	**(1,501,445)**
Loss per share			
Basic (loss) per share (cents)		(0.98)	(1.77)
Diluted (loss) per share (cents)		(0.98)	(1.77)

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 31 December 2014

		CONSOLIDATED GROUP	
		31-Dec-14	**30-Jun-14**
Assets	**Note**	**$**	**$**
Current assets			
Cash and cash equivalents	6	2,984,122	2,054,453
Trade and other receivables	7	740,136	657,355
Prepayments		32,783	6,721
Total current assets		**3,757,041**	**2,718,529**
Non-current assets			
Exploration and evaluation	8	1,898,656	2,743,827
Interest in joint venture	9	21,499,154	17,411,803
Other receivables		53,868	53,868
Total non-current assets		**23,451,678**	**20,209,498**
Total assets		**27,208,719**	**22,928,027**
Liabilities			
Current liabilities			
Trade and other payables		819,657	700,004
Accrued expenses	12	361,119	57,083
Contingent consideration	11	2,071,875	2,437,500
Provisions		57,624	46,073
Total current liabilities		**3,310,275**	**3,240,660**
Total liabilities		**3,310,275**	**3,240,660**
Net assets		**23,898,444**	**19,687,367**
Equity			
Issued share capital	13(a)	19,005,683	19,005,683
Issued share options	13(a)	287,391	287,391
Share based payment reserve	13(b)	358,018	114,117
Consolidation reserve	10	6,075,917	2,619,709
Foreign currency translation reserve		815,233	-
Accumulated losses	14	(5,753,719)	(4,492,381)
Equity attributable to equity holders of the Parent		**20,788,523**	**17,534,519**
Non-controlling interest	9(c)	3,109,921	2,152,848
Total equity		**23,898,444**	**19,687,367**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Issued share capital	Issued share options	Share based payment reserve	Consolidation reserve	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$
Balance as at 1 July 2014	**19,005,683**	**287,391**	**114,117**	**2,619,709**	**-**	**(4,492,381)**	**2,152,848**	**19,687,367**
Other comprehensive income for the year, net of tax	-	-	-	-	815,233	-	-	815,233
Loss after income tax expense for the year	-	-	-	-		(1,261,338)	(5,601)	(1,266,939)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**815,233**	**(1,261,338)**	**(5,601)**	**(451,706)**
Share based payment	-	-	243,901	-	-	-	-	243,901
Recognition of non-controlling interest	-	-	-	3,456,208	-	-	962,674	4,418,882
Balance as at 31 December 2014	**19,005,683**	**287,391**	**358,018**	**6,075,917**	**815,233**	**(5,753,719)**	**3,109,921**	**23,898,444**

	Issued share capital	Issued share options	Share based payment reserve	Consolidation reserve	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$
Balance as at 1 July 2013	**5,079,783**	**127,391**	**-**	**-**	**-**	**(1,208,941)**	**-**	**3,998,233**
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Loss after income tax expense for the period (restated)	-	-	-	-	-	(1,501,445)	-	(1,501,445)
Total comprehensive loss for the period (restated)	**-**	**-**	**-**	**-**	**-**	**(1,501,445)**	**-**	**(1,501,445)**
Issue of share capital, net of transactions costs	8,241,958	-	-	-	-	-	-	8,241,958
Issue of options, net of transaction costs	-	160,000	-	-	-	-	-	160,000
Share based payment	-	-	69,023	-	-	-	-	69,023
Issue of Performance ‘A’ shares	-	-	-	-	-	-	-	2,109,375
Balance as at 31 December 2013 (restated)	**13,321,741**	**287,391**	**69,023**	**-**	**-**	**(2,710,386)**	**-**	**13,077,144**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2014

		CONSOLIDATED GROUP	
	Note	31-Dec-14 $	31-Dec-13 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(1,208,980)	(491,957)
Interest received		8,243	53,475
Interest and other finance costs paid		-	(988)
Net cash used in operating activities		**(1,200,737)**	**(439,470)**
Cash flows from investing activities			
Acquisition of cash in subsidiary acquired		-	92,475
Refund from research and development rebate		120,907	-
Cash calls to joint venture partner		7,586,913	-
Parent entity's share of investor funding		440,865	-
Payments for exploration and evaluation		(6,539,967)	(1,464,650)
Net cash from/(used in) investing activities		**1,608,718**	**(1,372,175)**
Cash flows from financing activities			
Gross proceeds from issue of shares and options		200,000	2,360,000
Share issue costs		-	(205,542)
Net cash from financing activities		**200,000**	**2,154,458**
Net increase/(decrease) in cash and cash equivalents		**607,981**	**342,813**
Cash and cash equivalents at the beginning of the financial period		**2,054,453**	**412,002**
Effects of exchange rate changes on the balances held in foreign currencies		321,688	(418)
Cash and cash equivalents at the end of the financial period	6	**2,984,122**	**754,397**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

NOTE 1: CORPORATE INFORMATION

The interim financial statements of Cradle Resources Limited ("the Company") for the six months ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 16 March 2015.

Cradle Resources Limited is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Stock Exchange from 16 September 2011.

The nature of the operations and principal activities of the Company are mineral exploration and project development.

NOTE 2: BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The interim financial report is a general purpose condensed financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The interim financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the Company during the half-year ended 31 December 2014. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's position and performance since the consolidated financial statements as at and for the year ended 30 June 2014.

Going Concern

The Group had a cash position at 31 December 2014 of $2,984,122.

Following the execution of 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 Panda Hill Niobium Project ("Project") beyond definitive feasibility studies, pursuant to which Tremont may earn up to a 50% interest in the Project for up to USD$20 million, the 2nd tranche of US$5 million was received by PHT on 28 November 2014, of which US$375,000 was transferred to the Company (refer note 9(b) for further details).

The Company's cash flow forecasts for the twelve months ending 31 March 2016 indicate that the Company will be in a position to complete its feasibility studies and meet its other committed project and administrative expenditure, and thus continue to operate as a going concern if Tremont continue to fund the Project. Should Tremont not continue to fund the Project, the Company will need to pursue alternative funding options or significantly curtail its planned activities on the Project to be able to continue to operate as a going concern.

Having regard to the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis as they are satisfied they have a reasonable basis to conclude that the Company will be able to meet its debts as they fall due.

The interim financial statements of the Company do not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that may be necessary should the Company not continue as a going concern.

Basis of Preparation

The interim financial report has been prepared on the basis of historical cost, except for financial instruments carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the new and amended Standards and Interpretations described below.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

a) Changes in Accounting Policies

(i) Voluntary change in accounting policy – Exploration and evaluation expenditure

Following the Group's acquisition of Panda Hill Mining Pty Ltd in the year ended 30 June 2014, the Group re-assessed its accounting policy for exploration and evaluation expenditure, which was previously expensed as incurred, apart from acquisition costs.

It was assessed that the Group would present more relevant information if its policy were to capitalise all exploration and evaluation costs, including acquisition costs associated with each identifiable area of interest where there is a JORC compliant Mineral Resource, as it provides a more appropriate view of the more advanced nature of the Project.

The change in accounting policy has been applied retrospectively.

Under the new accounting policy, $2,051,963 of exploration and evaluation expenditure previously expensed for the six months ended 31 December 2013 was capitalised, and thus the impact of the change in accounting policy on the previously reported loss for the six months ended 31 December 2013 was to reduce the loss by $2,051,963.

The impact on basic and diluted earnings per share was to reduce the loss per share for the six months ended 31 December 2013 by 2.13 cents per share (loss per share prior to the change in accounting policy of 3.90 cents per share reduced to 1.77 cents per share for the interim period ending 31 December 2013).

(ii) New standards, interpretations and amendments thereof

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2014, including:

Reference	*Title*	Summary
AASB 2012-3	*Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	*Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle*	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	*Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle*	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company. The Company has not elected to early adopt any new accounting standards and interpretations.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

(iii) Estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2014.

NOTE 3: 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.

NOTE 4: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All financial assets and liabilities for which fair value is measured in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Quoted prices (unadjusted in active markets for identical assets or liabilities (level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly or indirectly (level 2).

(c) Inputs for asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2014 and 30 June 2014.

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial liabilities				
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration:				
Opening balance as at 1 July 2014	-	-	2,437,500	2,437,500
Remeasurement to fair value (note 11)			(365,625)	(365,625)
Total	**-**	**-**	**2,071,875**	**2,071,875**

30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial liabilities				
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration	-	-	2,437,500	2,437,500
Total	**-**	**-**	**2,437,500**	**2,437,500**

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

a) Valuation techniques used to derive level 3 fair values

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The contingent consideration was valued by applying the probability weighted payout approach as described in note 11.

A 10% increase or decrease in the probability applied, or Cradle's share price, would result in the following movements:

	31-December-2014 $		30-June-2014 $	
	Profit/(loss) 10% increase	**Profit/(loss)** 10% decrease	**Profit/(loss)** 10% increase	**Profit/(loss)** 10% decrease
Contingent consideration	**207,188**	**(207,188)**	**243,750**	**(243,750)**

b) Fair values of other financial instruments

The group also has a number of financial instruments that are not measured at fair value in the balance sheet. The carrying value of cash, trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

NOTE 5: REVENUE

	31 December 2014 $	31 December 2013 $
Interest	8,243	11,251
Total revenue	**8,243**	**11,251**

NOTE 6: CASH AND CASH EQUIVALENTS

For the purposes of the interim statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2014 $	30 June 2014 $
Cash at bank	**2,984,122**	**2,054,453**

NOTE 7: TRADE AND OTHER RECEIVABLES

	31 December 2014 $	30 June 2014 $
Research and development rebate	621,071	120,907
Other receivables	119,065	536,448
Total trade and other receivables	**740,136**	**657,355**

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

NOTE 8: EXPLORATION AND EVALUATION COSTS

	31 December 2014 $	30 June 2014 $
Opening balance at the beginning of the period	2,743,827	224,100
Additions	-	2,640,634
Impairment	(224,100)	-
Research and development rebate	(621,071)	(120,907)
Exploration and evaluation - at cost	**1,898,656**	**2,743,827**

[1] Following review by the Company, and with no further spend budgeted for the Wyloo project, it was considered that the carrying value be fully impaired to nil.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 9: INTERESTS IN JOINT VENTURES

	31 December 2014 $	30 June 2014 $
Interest in joint ventures		
RECB Limited (refer 9(a))	13,013,805	13,036,992
Panda Hill Tanzania Ltd (refer 9(b))	8,485,349	4,374,811
Interest in joint venture	**21,499,154**	**17,411,803**

(a) RECB Limited

RECB is a company incorporated in the British Virgin Islands ('BVI') whose principal place of business is in the BVI. Its carrying value is measured using the equity method of accounting. The activities of its 100% owned Panda Hill Niobium Project are based in Tanzania.

The group now has a 50% interest in RECB following the exercise of the option to acquire the additional 1% during the current half-year.

Reconciliation of interest in joint venture - RECB	31 December 2014 $	30 June 2014 $
Opening balance	13,036,992	-
Acquisition of interest in joint venture	34,380	13,114,412
Share of joint venture losses	(57,567)	(77,420)
	13,013,805	**13,036,992**

(b) Panda Hill Tanzania Ltd

On 6 June 2014 the Company executed an Investment and Shareholders Agreement with Tremont Investments Limited ("Tremont"), PHM and Panda Hill Tanzania Ltd ("PHT") to fund the Panda Hill Niobium Project ("Project") beyond definitive feasibility studies, pursuant to which Tremont may earn up to a 50% interest in the Project for up to US$20 million.

Tremont's interest is acquired through the subscription of shares in the newly incorporated company, PHT.

The initial subscription of US$5 million was contributed on 27 June 2014, and the second tranche of the subscription received on 28 November 2014; Tremont may elect to make a further two subscriptions in tranches of US$5 million each. Out of each subscribed amount by Tremont, PHT pays the Company 7.5% of the funds. This first instalment of US$375,000 was transferred on 27 June 2014, and the second instalment on 2 December 2014.

As a result of the above, the group's interest in PHT is reduced to 75% (following completion of the second tranche during the current half-year), with Tremont's interest increased to 25%.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

PHT is a company incorporated in Mauritius whose principal place of business is in Mauritius. Its carrying value is measured using the equity method of accounting.

Reconciliation of interest in joint venture - PHT	31 December 2014 $	30 June 2014 $
Opening balance	4,374,811	-
Loss on dilution of interest in PHT	(663,003)	-
Acquisition of interest in joint venture	3,978,017	4,374,811
Foreign currency translation reserve	815,233	-
Interest in joint venture	8,505,057	4,374,811
Share of joint venture (loss) for the period	(19,709)	-
	8,485,349	**4,374,811**

(c) Material partly-owned subsidiaries

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	Percentage Owned by NCI (%)* 31 December 2014	30 June 2014
Panda Hill Mining Pty Ltd[1]	Australia	25%	12.5%

[1] Per the Investment and Shareholders Agreement with Tremont Investments (refer note 9(b)), the latter is given the option to take up an interest in PHM (a percentage in line with its interest in PHT) at any time for nil consideration; it is therefore deemed to have present ownership interest in PHM.

Panda Hill Mining Pty Ltd	31 December 2014 $	30 June 2014 $
Accumulated balances of material non-controlling interest	3,109,921	2,152,848
(Profit)/Loss allocated to material non-controlling interest	5,601	(37)

NOTE 10: CONTROLLED ENTITIES

	Country of incorporation	Percentage Owned (%)* 31 December 2014	30 June 2014
Subsidiaries of Cradle Resources Limited:			
Panda Hill Mining Pty Ltd	Australia	75%	87.5%

** Percentage of voting power in proportion to ownership*

Disclosure of change in ownership interest in Panda Hill Mining Pty Ltd

On 6 June 2014 the Group entered into an Investment and Shareholders Agreement (as per note 8(b)), under which Tremont Investments is given the right to take up an interest at any time in PHM equal to its interest in PHT, for nil consideration. It is therefore deemed to have a present ownership interest in PHM. The Group however still controls PHM and retains its 75% of the ownership interests.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

Following the subscription for shares in PHT by Tremont (refer note 9(b)), the following NCI transaction was recognized during the period:

	31 December 2014 $	30 June 2014 $
Deemed consideration received	4,418,845	4,772,557
Increase in net assets attributable to NCI	(962,637)	(2,152,848)
Increase in equity attributable to Parent	**3,456,208**	**2,619,709**
Represented by:		
Increase in consolidation reserve	**3,456,208**	**2,619,709**

NOTE 11: CONTINGENT CONSIDERATION

	31 December 2014 $	30 June 2014 $
18,750,000 Class B Performance Shares	2,071,875	2,437,500
Total contingent consideration	**2,071,875**	**2,437,500**

The contingent consideration liability arose from the acquisition of RECB Limited (note 9(a)).

The Class B Performance Shares meet the definition of a financial liability because a variable amount of Class B Performance Shares ranging from zero, if the NPV produced by the Definitive Feasibility Study is less than US$300 million (assuming a 10% discount rate and long term market contract price), to 18,750,000, if the Class B Performance Milestone is met of NPV US$400 million or greater (assuming a 10% discount rate and long term market contract price), could be converted into fully paid Ordinary Shares at a rate of one ordinary share for every Performance Share that converts.

31 December 2014

Following a review by the Board it was determined that the probability weighted outcome as at 31 December 2014 remained the same at 65%, and as at that date the share price was $0.17 (30 June 2014: $0.20). The decrease in value of $365,625 was taken to the consolidated statement of profit or loss and other comprehensive income. Future developments may require further revisions to the estimate.

NOTE 12: ACCRUED EXPENSES

	31 December 2014 $	30 June 2014 $
Audit fee	14,500	35,000
Tax consultants fee	-	10,000
Directors' fee	20,000	2,083
Company secretarial fee	-	10,000
Exploration costs	326,619	-
Total accrued expenses	**361,119**	**57,083**

NOTE 13: CONTRIBUTED EQUITY

(a) Issued capital	31 December 2014 $	30 June 2014 $
Issued ordinary shares - fully paid	19,005,683	19,005,683

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

Issued share options	287,391	287,391
Total contributed equity	**19,293,074**	**19,293,074**

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par values. Accordingly, the parent entity does not have authorised capital or par value in respect to its issued shares.

Options

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

(b) Share based payments reserve	**31 December 2014 $**	**30 June 2014 $**
Balance at 1 July	114,117	-
Share based payment expense (refer 13c(iii))	243,901	114,117
Total share based payment reserve	**358,018**	**114,117**

(i) Performance rights

In the previous year the Company issued 2,625,000 performance rights to certain employees and consultants. The principal terms and conditions of the performance rights include continuous employment with or provision of services to the Company, and the fulfillment of specific project-related milestones.

As at 31 December 2014, 787,500 performance rights have been converted into ordinary shares upon completion of delivery of the Scoping Study, with 1,837,500 performance rights still outstanding.

The performance rights have performance based conditions that are required to be satisfied prior to milestone dates as below. If the performance conditions are achieved by the relevant milestone date the performance rights will vest and the performance rights may be exercised into an equivalent number of shares in the Company in accordance with the performance rights terms and conditions.

Tranche of Performance Rights	Performance Conditions	Description	Number of Performance Rights to be issued	Weighting	Milestone Date	Expiry Date
Tranche 1	Scoping Study Delivery	Delivery of a scoping study by the relevant Milestone Date and the Company making a decision to proceed to Definitive Feasibility Study, evidenced by the Board resolving to continue as such.	787,500	30%	31/03/14	30/09/14
Tranche 2	Definitive Feasibility Study Delivery	Delivery of a positive Definitive Feasibility Study with an NPV10 of >US$400 million.	1,050,000	40%	30/09/15	30/09/16
Tranche 3	Project Construction Decision	The Company making a decision to proceed to project construction, evidenced by the Board resolving to continue as such.	787,500	30%	30/09/16	30/09/17

(ii) Valuation of Unlisted options issued

On 24 December 2014, a total of 2 million unlisted share options were issued to non-executive directors. The options are exercisable at $0.25 each on or before 31 October 2018.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

The fair value of the share options at grant date are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table lists the inputs to the model used for valuation of options:

Valuation date	28 November 2014
Dividend yield (%)	Nil
Expected volatility (%)	80%
Risk-free interest rate (%)	2.45%
Expected life of option (years)	3.92
Option exercise price ($)	$0.250
Share price at grant date ($)	$0.155
Expiry date	31 October 2018

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(iii) Share based payment expense

The following table lists the fair value of the rights and options:

Tranche of Performance Rights and options issued	Issue Date	Fair value	Vesting Date	Share based payment expense 31 December 2014 $	Share based payment expense 30 June 2014 $
Tranche 1	15/11/2013	$0.22	31/03/2014	-	173,250
Tranche 2	15/11/2013	$0.22	30/09/2015	62,141	76,662
Tranche 3	15/11/2013	$0.22	30/09/2016	30,360	37,455
Unlisted Options (refer 13(i))	24/12/2014	$0.0757	28/11/2014	151,400	-
				243,901	**287,367**

NOTE 14: ACCUMULATED LOSSES

	31 December 2014 $	30 June 2014 $
Accumulated losses at the beginning of the period	(4,492,381)	(1,208,941)
Loss after income tax expense for the period	(1,261,338)	(3,283,440)
Accumulated losses at the end of the period	**(5,753,719)**	**(4,492,381)**

NOTE 15: COMMITMENTS AND CONTINGENCIES

Commitments

Estimated commitments for which no liabilities were included in the financial statements are as follows:

Rental commitments

	31 December 2014 $	30 June 2014 $
Not later than one year	81,508	70,585
Later than one year and not later than five years	71,459	97,465
Total rental commitments	**152,967**	**168,050**

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

Rental commitments relate to annual rent required over the mining licence for the Panda Hill Mining Project.

Panda Hill Niobium Project - Pre-Feasibility and Definitive Feasibility Studies

An estimated commitment of US$0.5 million is required to complete the PFS stage of the Panda Hill Niobium Project by the end of the first quarter of 2015, and a further US$4 million spend to the end of the final quarter of 2015 to complete the DFS stage.

Contingencies

There were no contingent assets or contingent liabilities as at the date of this report.

NOTE 16: EVENTS OCCURRING AFTER THE REPORTING DATE

- An updated Mineral Resource was announced for the Project, showing a significant resource upgrade.
- The Company's 17,947,506 listed options (ASX: CXXO) expired on 24 January 2015.
- On 29 January 2015, the PHM received its January 2015 forecast Project expenditure costs of US$697,631, and on 2 March 2015 the forecast Project expenditure costs of US$474,716 for February 2015 were received from Panda Hill Tanzania Limited.

There are no other significant changes in the state of affairs of the Company after the reporting date.

Directors' Declaration

In the Directors' opinion:

1. The interim financial statements and notes, are in accordance with the *Corporations Act 2001* including:

   a) compliance with Accounting Standards AASB134 Interim financial reporting and the Corporations Regulations 2001; and

   b) give a true and fair view of the consolidated Group's financial position as at 31 December 2014 and their performance for the period ended on that date; and

2. Subject to the matters as set out in Note 2 to the interim financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors, pursuant to s 303(5) of the Corporations Act.

Grant Davey
Managing Director
Dated 16th March 2015

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To the members of Cradle Resources Limited

Report on the interim financial report

We have reviewed the accompanying interim financial report of Cradle Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Cradle Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cradle Resources Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2 in the interim financial report. The matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 March 2015