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30 October 2020

ASX Release **ASX Code: CXX**

September 2020 Quarterly Report

Highlights

- **During the quarter Shareholders approved the transaction between Cradle and 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.**
    - Completion of the transaction is subject to all necessary regulatory approvals being obtained within 12 months, including the Tanzanian Fair Competition Commission ("FCC") providing a "no objections" letter under the Fair Competition Act 2003. The application was submitted to the FCC on 3 August 2020 and we expect a decision during the December quarter.
- **Subject to completion, 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;
    - PHT will issue Tremont additional shares, which converts Tremont's existing loan to PHT to equity in PHT;
    - 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. An overview of the transaction is set out on the following page.
    - Following implementation, PHT will be debt free and owned by Tremont (63%) and Cradle (37%).
- **The Company continues to assess new opportunities in the resources sector that could add value for shareholders.**

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Pathway Forward for Panda Hill Project

- 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").
- 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),

  (the **Transactions**).
- Following implementation and adjusting for recent cash calls, PHT will be debt free with 52.7m shares on issue - owned by Tremont (63%) and Cradle (37%).
- Tremont and Cradle's wholly-owned subsidiary Panda Hill Mining Pty Ltd ("PHM") will enter into a new PHT shareholders agreement 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.

CXX engaged an Independent Expert who concluded that the Transactions were fair and reasonable to the other Shareholders and that the position of the Shareholders, on completion of the Transactions, is more advantageous than if the Transactions did not proceed.

The completion of the Transactions is subject to all necessary regulatory approvals being obtained within 12 months and the Tanzanian Fair Competition Commission providing a "no objections" letter.

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Panda Hill Niobium Project

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



Figure 1: Location of the Panda Hill Niobium Project

The Project is covered by three granted Mining Licences (Figure 2) totalling 22.1km^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 Licenses were all renewed during the December 2015 quarter for a further 10-year period (valid until November 2026).

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

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, with the dispute referred to arbitration. The arbitration hearing was scheduled for mid-2019, however the Parties mutually agreed to postpone the arbitration hearing to allow time to renegotiate a simplified shareholders agreement. An agreement has now been reached, the terms of which were announced on 9 June 2020 and are summarised on page 2 of this quarterly report.

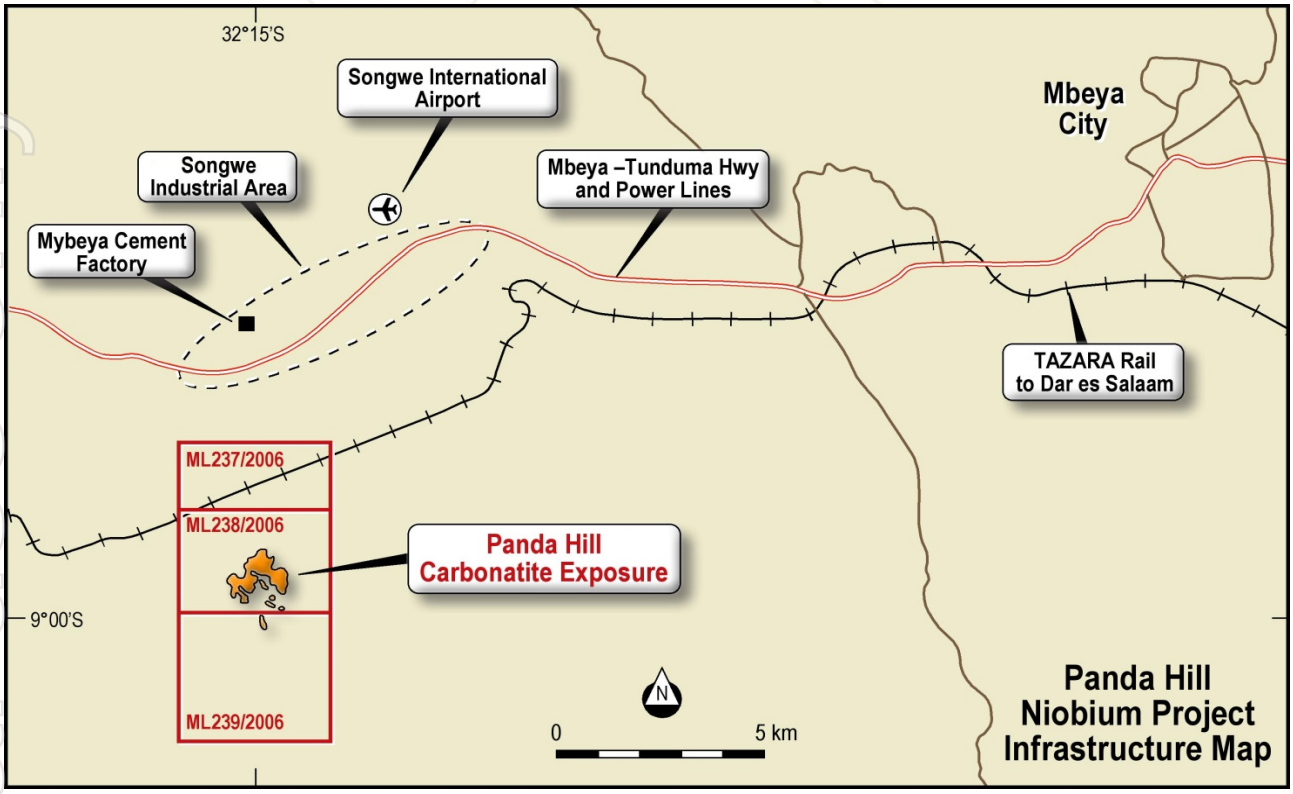


Figure 2: Mining Licences and Local Infrastructure

In response to Covid-19, PHT implemented travel and site restrictions to ensure the safety and wellbeing of all employees during the previous quarter. The Company continued to liaise with all levels of the Tanzanian Government to clarify the uncertainty surrounding the amendments to the legal framework governing the mining sector in Tanzania that were introduced during 2017 and to progress discussions on what project financiers would require so as to complete the financing of the project.

Tenement summary

As at quarter end, PHT held the following interests in tenements:

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

Payments to related parties of the entity and their associates

Amounts included in section 6.1 of the attached Appendix 5B are as follows:

- Payment of $57,750 for executive, non-executive and company secretarial fees to entities nominated by relevant directors;
- Payment of $33,000 to an entity associated with Mr Craig Burton, for administration services, banking and accounts payable management, office space and IT hardware & infrastructure.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity	
Cradle Resources Limited	
ABN	**Quarter ended ("current quarter")**
60 149 637 016	30 September 2020

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(67)	(67)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(58)	(58)
	(e) administration and corporate costs	(82)	(82)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (Independent Expert Report)	(58)	(58)
1.9	**Net cash from / (used in) operating activities**	**(264)**	**(264)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-

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

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,182	1,182
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(264)	(264)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**918**	**918**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	918	1,182
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**918**	**1,182**

6.	***Payments to related parties of the entity and their associates***	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	58
6.2	Aggregate amount of payments to related parties and their associates included in item 2	33

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	*Financing facilities* *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(264)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(264)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	918
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	918
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	3.5

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: Board of Cradle Resources Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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