

CRADLE RESOURCES LIMITED

ACN 149 637 016

PROSPECTUS

FOR

A non-renounceable pro-rata offer of Listed Options each at an issue price of \$0.01, exercisable at \$0.20, on the basis of one Listed Option for every two Shares held at the Record Date.

THIS OFFER CLOSES AT 5.00PM WST ON 19 JANUARY 2012.

VALID ACCEPTANCES AND APPLICATIONS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Prospectus and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your entitlement under the Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE LISTED OPTIONS OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

IMPORTANT INFORMATION

This Prospectus is dated 19 December 2011 and was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus.

No Listed Options will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Suite 23, 513 Hay Street, Subiaco, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.4).

The Company will apply for Official Quotation by ASX of the Listed Options offered by this Prospectus.

The Listed Options offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

Applications for Listed Options can only be submitted on an original Entitlement and Acceptance Form sent with a copy of this Prospectus by the Company. The Entitlement and Acceptance Form sets out an Eligible Shareholders' entitlement to participate in the Offer.

The Prospectus will generally be made available in electronic form by being posted on the Company's website at <http://www.cradleresources.com.au>. Persons having received a copy of this Prospectus in its electronic form may obtain a paper copy of this Prospectus (free of charge) from the Company's principal place of business prior to the Closing Date by contacting the Company.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of Listed Options under this Prospectus in any jurisdiction other than Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Listed Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application, service your needs as a Listed Optionholder, facilitate distribution payments and corporate communications to you as a Listed Optionholder and carry out administration.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out herein and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

CORPORATE DIRECTORY

Directors

Michael Ashforth	Chairman
Evan Cranston	Non Executive Director
Brendan Cummins	Non Executive Director

Stock Exchange Listing

Australian Stock Exchange Limited
Home Branch – Perth
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Company Secretary

Ian Gregory

ASX Code

CXX

Principal and Registered Office

Suite 23, 514 Hay Street
Subiaco WA 6008

Tel: + 61 8 6142 1869

Fax: + 61 8 9388 8824

Share Registry

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153

Tel: + 61 8 9315 2333

Fax: + 61 8 9315 2233

Company Website

www.cradleresources.com.au

Solicitors to the Company

Hardy Bowen
Level 1
28 Ord Street
WEST PERTH WA 6005

PROPOSED TIMETABLE

Lodgement of Prospectus with ASIC and provision of copies to ASX Appendix 3B given to ASX	19 December 2011
Company sends notices to security holders	21 December 2011
Existing Shares quoted on an "ex" basis	22 December 2011
Record Date	30 December 2011
Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders	4 January 2012
Closing Date	19 January 2012
Listed Options quoted on a deferred settlement basis	20 January 2012
Notify ASX of under subscription	23 January 2012
Anticipated date for allotment and issue of the Listed Options	24 January 2012
Anticipated date for despatch of holding statements **	24 January 2012
Deferred settlement trading ends	24 January 2012
Anticipated date of commencement of Listed Options trading	25 January 2012

This timetable is indicative only and subject to change. Subject to the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date for the Offer, without prior notice. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the Listed Options. The Directors also reserve the right not to proceed with the whole or part of the Offer at any time prior to allotment. In that event, the relevant Application Monies will be returned without interest.

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1. Details of the Offer

1.1 The Offer

The Company is making a non-renounceable pro rata offer of Listed Options at an issue price of \$0.01 each to Eligible Shareholders on the basis of one Listed Option for every two Shares held at 5.00 pm (WST) on the Record Date (**Offer**).

The exercise price of the Listed Options is \$0.20. The expiry date of the Listed Options is the third anniversary of the date of issue.

The Offer was foreshadowed by the Company in the initial public offering prospectus lodged by the Company with ASIC on 27 July 2011 (**IPO Prospectus**).

This Prospectus is also for the offer of the Shortfall Listed Options. Refer to Section 1.4 for further information and details of the Shortfall Offer.

As at the date of this Prospectus, the Company has on issue 27,500,000 Shares and 10,250,000 unlisted Options.

On the basis that no existing unlisted Options are exercised prior to the Record Date, the Offer is for up to 13,750,000 Listed Options.

Up to 18,875,000 Listed Options could be issued under the Offer if all of the existing unlisted Options are exercised between the date of the Prospectus and the Record Date.

Where the determination of the entitlement of any Eligible Shareholder results in a fraction of a Listed Option, such fraction will be rounded down to the nearest whole Listed Option.

Refer to Section 5.1 for a summary of the terms and conditions of the Listed Options and Section 5.2 for a summary of the rights attaching to the underlying Shares.

1.2 Purpose of the Offer

Completion of the Offer will raise approximately \$137,500 before costs (assuming no unlisted Options are exercised prior to the Record Date). The funds raised pursuant to the Offer will be used to:

- (a) identify and assess new projects for acquisition;
- (b) pay the costs of the Offer; and
- (c) provide working capital.

1.3 Opening and Closing Dates

The Company will accept Entitlement and Acceptance Forms from the Record Date for determining Eligible Shareholders' entitlements under the Offer until 5.00pm WST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.4 Shortfall

The Offer is not underwritten. If all Eligible Shareholders do not accept their full entitlement pursuant to the Offer, the Directors reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue the Shortfall Listed Options at their sole discretion (**Shortfall Offer**).

1.5 No rights trading

The rights to Listed Options under the Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your rights to subscribe for Listed Options to any other party. If you do not take up your entitlement to Listed Options under the Offer by the Closing Date, the Offer to you will lapse.

1.6 Entitlement and Acceptance Forms

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Listed Options accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of Listed Options.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

1.7 Issue and dispatch

Listed Options under the Offer are expected to be issued on or before the date set out in the proposed timetable in this Prospectus.

It is the responsibility of Applicants to determine their allocation prior to trading in the Listed Options. Applicants who sell Listed Options before they receive their holding statements will do so at their own risk.

1.8 Application Monies held on trust

All Application Monies received for the Listed Options will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Listed Options are issued. All Application Monies will be returned (without interest) if the Listed Options are not issued.

Application has been made to ASX for Official Quotation of the Listed Options. If permission is not granted by ASX for the Official Quotation of the Listed Options offered by this Prospectus within 3 months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.9 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS, operated by ASX Settlement Pty Ltd (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASXS Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Listed Options.

If you are broker sponsored, ASXS will send you a CHESS statement.

The CHESSE statement will set out the number of Listed Options issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Security Transfer Registrars Pty Limited and will contain the number of Listed Options issued to you under this Prospectus and your security holder reference number.

A CHESSE statement or Issuer Sponsored statement will routinely be sent to Listed Optionholders at the end of any calendar month during which the balance of their Listed Optionholding changes. Listed Optionholders may request a statement at any other time; however, a charge may be made for additional statements.

1.10 Overseas Shareholders

No Offer will be made to Shareholders or residents outside Australia and New Zealand.

This Prospectus and an accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Listed Options in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.11 Risk factors

An investment in Listed Options and the underlying Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed Securities, there are specific and general risks associated with an investment in the Company which are detailed in Section 3.

1.12 Taxation implications

The Directors do not consider it appropriate to give Shareholders or potential investors advice regarding the taxation consequences of subscribing for Listed Options under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or potential investors. As a result, Shareholders and potential investors should consult their professional tax adviser in connection with subscribing for Listed Options under this Prospectus.

1.13 Privacy

If you complete an application for Listed Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess the Acceptance, service your needs as a Listed Optionholder, facilitate distribution payments and corporate communications to you as a Listed Optionholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

You should note that if you do not provide the information required on Entitlement and Acceptance Form, the Company may not be able to accept or process your Acceptance.

1.14 Enquiries concerning Prospectus

Enquiries concerning Entitlement and Acceptance Forms can be made by contacting Security Transfer Registrars Pty Limited by telephone on +61 8 9315 2333.

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on +61 8 6142 1869.

2. Action required by Shareholders

2.1 Acceptance of Listed Options under the Offer

Your entitlement to participate in the Offer will be determined on the Record Date.

The number of Listed Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

Should you wish to accept all of your entitlement to Listed Options under the Offer, then applications for Listed Options must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your entitlements upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be received before 4.00pm (WST) on the Closing Date. Please read the instructions carefully.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "**Cradle Resources Limited Offer Account**" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery	Security Transfer Registrars Pty Limited 770 Canning Highway Applecross WA 6153
By post	Security Transfer Registrars Pty Limited PO Box 535 Applecross WA 6953

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.2 Entitlements not taken up

If you do not wish to accept any of your entitlement under the Offer, you are not obliged to do anything.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your entitlement.

2.3 Enquiries concerning your entitlement

If you have any queries concerning your entitlement please contact Security Transfer Registrars Pty Limited by telephone on +61 8 9315 2333.

3. Risk factors

The Listed Options offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Whilst the Directors commend the Offer, potential investors should consider whether the Listed Options offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and if in any doubt consult their professional adviser before deciding whether to participate in the Offer.

The principal risks include, but are not limited to, the following:

3.1 Risks specific to the Company

(a) Transfer of Legal Title of Wyloo Tenement

On 14 September 2011 the Company acquired beneficial interest in the Wyloo Tenement on exercise of the option pursuant to an option agreement dated 9 June 2011 (as amended on 14 July 2011). Legal title to the Wyloo Tenement will be transferred to the Company on 25 February 2012.

There is no guarantee that the Company will obtain legal title to the Wyloo Tenement.

Whilst every effort will be made by the Company to ensure the legal interest in the Wyloo Tenement is secured, approval of legal transfer of the Wyloo Tenement is beyond the control of the Company.

The Company has contractual rights and protections (including trust arrangements) in relation to the Wyloo Tenement.

(b) Tenement Title

Interests in tenements in Western Australia are governed by legislation and is evidenced by the granting of licences. Each licence is granted for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interest in, the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise. The annual expenditure requirement on the Wyloo Tenement is currently \$20,000. The annual expenditure requirement on the Booyeema Tenement is currently \$52,500.

All of the Tenements in which the Company has, or may acquire, an interest in will be subject to applications for renewal or exemption from expenditure (as the case may be). The renewal or exemption from expenditure application for a Tenement is usually determined at the discretion of the relevant government authority.

The expiry date of the Booyeema Tenement is 1 October 2012. The expiry date of the Wyloo Tenement is 24 February 2016. If a Tenement is not renewed or granted the exemption from expenditure, the Company may suffer significant damage through loss of the opportunity to develop and discover any minerals on that Tenement.

(c) **Exploration and development risks**

Prospective investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

The Company is seeking to evaluate geophysical anomalies and apply alternative exploration concepts. These concepts are new and alternative. There is less likelihood of finding mineralisation by evaluating geophysical anomalies. Geophysical anomalies can be generated from a number of geological circumstances that may or may not be related to mineralisation.

There is no assurance that exploration of the mineral interests currently held by the Company, or any other projects that may be acquired in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

(d) **New Projects and Acquisitions**

The Company will actively pursue and assess other new business opportunities in the resources sector. These new business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation.

The acquisition of projects (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence or prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Directors will need to reassess at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from other projects and/or raising additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with the new project/business activities will remain.

(e) **Future Capital requirements**

The Company's growth through its proposed and future drilling and exploration campaigns will require substantial expenditure. There can be no guarantees that the Company's cash reserves together with the funds raised by the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy.

If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company if at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse affect on the Company's activities.

(f) **Commodity price volatility and foreign exchange risk on revenues and expenses**

The revenue the Company may derive through the sale of commodities exposes the income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, commodities, as well as general global economic conditions. These factors may have an adverse effect on the price the Company receives for its commodities.

Furthermore, the price of commodities is denominated in United States dollars whereas the income and expenditure of the Company are, and will be taken into account, in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(g) **Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

(h) **Limited operating history of the Company**

The Company has limited operating history on which an evaluation of its prospects can be made.

The prospects of the Company must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.

(i) **Operational risks**

The operations of the Company may be affected by various factors which are beyond the control of the Company, including failure to locate or identify

mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(j) **Metallurgy**

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- (ii) developing an economic process route to produce a metal and/or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

(k) **Native title**

The Native Title Act recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with Native Title in Australia and this may impact on the Company's operations and future plans.

Native Title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the Native Title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native Title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over Native Title to the extent of any inconsistency for the duration of the title.

Tenements granted before 1 January 1994 are valid or validated by the Native Title Act.

For tenements to be validly granted (or renewed) after 1 January 1994, the future act regime established by the Native Title Act must be complied with.

The existence of a Native Title claim is not an indication that Native Title in fact exists on the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

The Company must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining operations.

(l) **Private Lands**

3.2% of the Wyloo Tenement is private land. The holder of a mining tenement wishing to access private land or certain areas within a pastoral lease may have to agree the terms of compensation for the rights to access and work the land with the landowners. There is no guarantee that such arrangement may be able to be negotiated or whether any such terms will be commercially attractive. The Company has no reason to believe that there are any interests in the land which may materially affect the Company's interest in Wyloo Tenement, but there can be no guarantee that such interests do not exist.

(m) **Environmental risks**

The Projects are subject to Western Australian and Federal Australian Government regulations regarding environmental matters. The Governments and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(n) **Reliance on key personnel**

The Company is reliant on a number of key personnel and consultants, including members of the Board. The loss of one or more of these key contributors could have an adverse impact on the business of the Company.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people given the current high demand in the

industry and relatively small size of the Company, compared with other industry participants.

3.2 General Risks

(a) Share investments

Applicants should be aware that there are risks associated with any investment in Securities. The prices at which the Securities trade may be above or below the issue price, and may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Securities, regardless of the Company's operational performance.

(b) Share market conditions

The market price of the Securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Australia, the rate of growth of Australia's gross domestic product, interest rates and the rate of inflation.

(d) Global credit and investment markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have lead to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Securities trade regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

3.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Listed Options offered under this Prospectus. The Shares issued on exercise of the Listed Options carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Prospective investors should consider that the investment in the Company is

speculative and should consult their professional advisers before deciding whether to apply for Listed Options pursuant to this Prospectus.

4. Effect of the Offer

4.1 Capital structure on completion of the Offer

	Balance at Date of the Prospectus	To be issued under the Offer	Balance After the Offer
Shares	27,500,000 ⁽¹⁾	-	27,500,000
Unlisted Options	10,250,000 ⁽²⁾	-	10,250,000
Listed Options	-	13,750,000 ⁽³⁾	13,750,000

(1) Assuming no unlisted Options are exercised prior to the Record Date.

(2) Each unlisted Option has an exercise price of \$0.20 and expiry date that is 5 years from the date of grant. The full terms and conditions of the unlisted Options are set out in section 11.3 of the IPO Prospectus.

(3) Application for Official Quotation of the Listed Options will be made (refer Section 5.1 for details).

4.2 Pro forma Balance Sheet

	30 November 2011 Balance Sheet (Unaudited)	Pro-forma Adjustments	Pro-forma Closing Balance (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	2,176,356	121,159	2,297,515
Trade and other receivables	10,910	-	10,910
Prepayments	7004	-	7004
Total current assets	2,194,270		2,315,429
Non-current assets			
Exploration and evaluation	53,220	-	53,220
Total non-current assets	53,220	-	53,220
Total assets	2,247,490		2,368,649
LIABILITIES			
Current liabilities			
Trade and other payables	30,975	-	30,975
Total current liabilities	30,975	-	30,975
Total liabilities	30,975	-	30,975
NET ASSETS	2,216,515		2,337,674
EQUITY			
Contributed equity	2,515,069		2,515,069
Share Option Reserve	-	121,159	121,159
Accumulated losses	(298,554)		(298,554)
Total equity	2,216,515		2,337,674

4.3 Basis of Preparation

The pro forma balance sheet has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005). The pro forma statement of financial position is based on the statement of financial position as at 30 November 2011 (unaudited) that has then been adjusted to reflect the issue of 13,750,000 Listed Options (assuming no unlisted Options are exercised prior to the Record Date) pursuant to the Offer to raise \$137,500 before costs of the Offer of approximately \$16,341. This has reflected as an increase in cash reserves with a corresponding increase in issued capital.

4.4 Market price of Shares

The highest and lowest market sale prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.25 per Share on 19 September 2011.

Lowest: \$0.185 per Share on 30 November 2011.

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.19 per Share on 16 December 2011.

4.5 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5. Additional information

5.1 Terms and conditions of the Listed Options

(a) Entitlement

The Listed Options entitle the holder to subscribe for one (1) unissued Share upon the exercise of each Listed Option.

(b) Exercise Price

The exercise price of each Listed Option is \$0.20.

(c) Expiry Date

Each Listed Option expires on the third anniversary of the issue date.

(d) Exercise Period

The Listed Options are exercisable at any time on or prior to the expiry date.

(e) Notice of Exercise

The Listed Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Listed Option being exercised. Any notice of exercise of a Listed Option received by the Company will be deemed to be a notice of the exercise of that Listed Option as at the date of receipt.

(f) Shares issued on exercise

Shares issued on exercise of the Listed Options rank equally with the Shares of the Company.

(g) Quotation of Listed Options and Shares on exercise

Application will be made by the Company to ASX for official quotation of the Listed Options. Application will be made by the Company to ASX for official quotation of Shares issued upon the exercise of the Listed Options.

(h) Timing of issue of Shares

After a Listed Option is validly exercised, the Company must as soon as possible:

(i) issue the Share; and

(ii) do all such acts matters and things to obtain:

(A) the grant of quotation for the Share on ASX no later than 30 days from the date of exercise of the Listed Option; and

(B) receipt of cleared funds equal to the sum payable on the exercise of the Listed Options.

(i) Participation in new issues

There are no participation rights or entitlements inherent in the Listed Options and Listed Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Listed Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten Business Days after the issue is announced. This will give Listed Optionholders the opportunity to exercise their Listed Options prior to the date for determining entitlements to participate in any such issue.

(j) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Listed Option will be increased by the number of Shares which the Listed Optionholder would have received if the Listed Optionholder had exercised the Listed Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price if a Listed Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Listed Option.
- E = the number of underlying Shares into which one (1) Listed Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N - the number of Shares with rights or entitlements that must be held to receive a right to one (1) new Share.

(l) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Listed Optionholder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

- (m) Listed Options transferable

The Listed Options are transferable.

- (n) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Listed Options with the appropriate remittance should be lodged at the Company's share registry.

5.2 Rights attaching to Shares

- (a) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder and for each partly paid Share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that Share. In the case of an equality of votes, the chairperson has a casting vote.

- (b) Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

- (c) Winding up

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the Shareholders of the Company in proportion which the amount paid on the Shares bears to the total amount paid and payable on the Shares of all Shareholders of the Company.

- (d) Transfer of Shares

Generally, Shares are freely transferable, subject to satisfying the requirements of the Listing Rules, the Corporations Act and associated legislation. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the Listing Rules and associated legislation.

- (e) Directors

The Constitution and the Listing Rules contain provisions relating to the rotation and election of Directors.

- (f) Calls on Shares

Subject to the Corporations Act and the terms of issue of a Share, the Company may, at any time, make calls on the Shareholders of a Share for all, or any part of, the amount unpaid on the Share. If a Shareholder fails to pay a call or instalment of a call, the Company may, subject to the Corporations Act

and Listing Rules, commence legal action for all, or part of the amount due, enforce a lien on the Share in respect of which the call was made or forfeit the Share in respect of which the call was made.

(g) Further increases in capital

Subject to the Corporations Act, the Listing Rules and associated legislation, the Company (under the control of the Directors) may allot and issue Shares and grant Options over Shares, on any terms, at any time and for any consideration, as the Directors resolve.

(h) Variation of rights attaching to Shares

Subject to the Corporations Act, the Listing Rules and associated legislation and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(i) General meeting

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

5.3 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.4 below).

5.4 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) the Annual Report for the period ending 30 June 2011 as lodged with ASX on 1 November 2011, being the first financial report lodged with ASX since being admitted to the Official List on 14 September 2011; and
- (b) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company since the Company lodged its Annual Report for the period ended 30 June 2011 and before the date of issue of this Prospectus are as follows:

Date Lodged	Subject of Announcement
11/11/2011	Cradle Resources Investor Presentation November 2011
28/11/2011	Cradle Confirms Iron Mineralisation at Wyloo

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The

Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) this Prospectus;
- (b) Constitution; and
- (c) the consents referred to in Section 5.10 and the consents provided by the Directors to the issue of this Prospectus.

5.5 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

5.6 Determination by the ASIC

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Listed Options under this Prospectus.

5.7 Directors' interests

- (a) Directors' interests in Securities

The Directors have the following relevant interests in the Securities of the Company as at the date of this Prospectus:

	Michael Ashforth	Brendan Cummins	Evan Cranston
Current Number of Shares⁽¹⁾	1,500,000	500,000	450,000
Current percentage holding	5.45%	1.82%	1.64%
Current number of unlisted Options	1,000,000	Nil	1,000,000
Entitlement to Listed Options under the Offer^{(1) (2)}	750,000	250,000	225,000

¹ Assuming no unlisted Options are exercised prior to the Record Date.

² At the time of lodging the Prospectus the Directors have indicated that they or their nominees will take up their full entitlement under the Offer.

The Directors are not required to hold any Shares in the Company under the Constitution.

Brendan Cummins is a Director of Westoria Resource Investments Ltd¹ which holds 3,150,000 Shares and 4,000,000 Options in the Company. Mr Cummins and Westoria Resource Investments Ltd have advised the Company that Mr Cummins does not have a relevant interest in those shares and options held

by Westoria Resource Investments Ltd in the Company in accordance with Section 608 of the Corporations Act.

Note:

¹Westoria Capital Pty Ltd is a wholly owned subsidiary of Westoria Resources Investments Ltd and holds 150,000 of Shares disclosed.

(b) Remuneration of Directors

The Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors.

The Constitution provides that non-executive Directors may collectively be paid the aggregate maximum of \$500,000 per annum which has been set by the Company in general meeting.

It is currently resolved that the Chairman will receive fees of \$40,000 per annum and Non-Executive Directors will receive fees of \$30,000 per annum to commence from the date the Company is admitted to the Official List.

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services other than acting as a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors have received the following remuneration during the period between 1 July 2011 to 16 December 2011:

Director	Directors Fees and Salary	Superannuation	Total
Michael Ashforth	\$11,667	\$1,050	\$10,617
Evan Cranston	\$8,750	\$788	\$7,962
Brendan Cummins	\$8,750	\$788	\$7,962

Except as disclosed in this Prospectus, no Director or proposed director, and no firm in which a Director or proposed director has an interest:

- (i) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (ii) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

(c) Other Interests

The Company has entered into a deed of indemnity and access with each of its Directors and the Company Secretary (**Deeds**). Under the terms of the

Deeds, the Company indemnifies each officer to the extent permitted by the Corporations Act against any liability as a result of the Officer acting as an officer of the Company. The Company is required under the Deeds to use its best endeavours to obtain and maintain insurance policies for the benefit of the relevant officer for the term of the appointment and for a period of seven years after retirement, termination or resignation, except to the extent that such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company. The Deeds also provide for the Officer to have a right of access to Board papers and minutes.

5.8 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

Hardy Bowen will be paid approximately \$4,000 in fees for legal services in connection with the Offer. In the past two years Hardy Bowen has received approximately \$23,360 for the provision of legal services to the Company.

Security Transfer Registrars Pty Limited has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

5.9 Expenses of Offer

The estimated expenses of the Offer are as follows:

	\$
ASIC Lodgement fee	2,137
Quotation fee	8,704
Legal and preparation expenses	4,000
Printing, mailing and other expenses	1,500
Total	<u>16,341</u>

5.10 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC:

- (a) Hardy Bowen has given, and has not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. Hardy Bowen have not authorised or caused the issue of this Prospectus or the making of the Offer. Hardy Bowen make no representation regarding, and to the extent permitted

by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

- (b) Security Transfer Registrars Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registry in the form and context in which it is named. A Security Transfer Registrars Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as share registrar of the Company. Security Transfer Registrars Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

6. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to read 'E. Cranston', with a long horizontal flourish extending to the right.

Evan Cranston
Director

Dated: 19 December 2011

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acceptance means a valid Application for Listed Options made pursuant to this Prospectus on an Entitlement and Acceptance Form.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application means a valid application for Listed Options made on an Entitlement and Acceptance Form.

Application Monies means application monies for Listed Options received by the Company.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 129 164 and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASXS means ASX Settlement Pty Ltd ACN 008 504 532.

ASXS Operating Rules means the operating rules of ASXS, except to the extent of any relief given by ASXS.

Booyeema Project means the project located in the Pilbara region of Western Australia, consisting of the Booyeema Tenement.

Booyeema Tenement means:

- (a) Exploration Licence E47/1090; or
- (b) any other exploration licence or licences which may be granted in lieu of or relate to the same ground as the exploration licence referred to in paragraph (a) above.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

Closing Date means the date identified as such in the proposed timetable.

Company or **Cradle** means Cradle Resources Limited ACN 149 637 016.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means Corporations Act (Cth) 2001.

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia and New Zealand.

Entitlement and Acceptance Form means the entitlement and acceptance form sent with this Prospectus that sets out the entitlement of Shareholders to subscribe for Listed Options pursuant to the Offer.

IPO Prospectus has the meaning given in Section 1.1.

Listed Option means an Option having the terms and conditions in Section 5.1.

Listed Optionholder means the holder of a Listed Option.

Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Native Title Act means Native Title Act 1993.

Offer means the Offer in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Listed Options on the Official List.

Option means an option to acquire a Share.

Projects means the Booyeema Project and the Wyloo Project.

Prospectus means this prospectus dated in Section 6.

Record Date means 5:00pm (WST) on the date identified in the proposed timetable.

Section means a section of this Prospectus.

Securities means a Share or Option issued or granted (as the case may be) by the Company.

Shareholder means a holder of Shares.

Share means an ordinary fully paid share in the capital of the Company.

Shortfall Offer has the meaning in Section 1.4.

Shortfall Listed Options means Listed Options not subscribed for by Eligible Shareholders under the Offer.

Tenements means the Booyeema Tenement and the Wyloo Tenement.

WST means Western Standard Time, being the time in Perth, Western Australia.

Wyloo Project means the project located in the Pilbara region of Western Australia, consisting of the Wyloo Tenement.

Wyloo Tenement means:

- (a) Exploration Licence E08/2142; or
- (b) any other exploration licence or licences which may be granted in lieu of or relate to the same ground as the exploration licence referred to in paragraph (a) above.