



NOTICE OF GENERAL MEETING

**For the General Meeting of the Company to be held at 11am
(WST) on Wednesday, 26 June 2013 at
Suite 23, 513 Hay Street
Subiaco, Western Australia**

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (+61 8) 6143 1869

CRADLE RESOURCES LIMITED

ACN 149 637 016

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Cradle Resources Limited (**Company**) will be held at 11am (WST) on Wednesday, 26 June 2013 at Suite 23, 513 Hay Street, Subiaco, Western Australia (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 24 June 2013 at 11:00am (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Change to Scale of Activities

To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

“That, subject to the passing of Resolutions 2 to 8 (inclusive), for the purposes of Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change in the scale of its activities as set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 and 3 to 8 (inclusive), for the purposes of Section 254H of the Corporations Act, Listing Rule 2.1 Condition 2 and Article 3.4 of the Constitution and for all other purposes, approval is given for the consolidation of the Company’s issued capital on the following basis:

- (a) *every 4 Shares be consolidated into 3 Shares; and*
- (b) *every 4 Options be consolidated into 3 Options and the exercise price of each Option to be amended in inverse proportion to this ratio in accordance with Listing Rule 7.22.1,*

with the consolidation taking effect on a date to be announced to the ASX in accordance with the requirements of the Listing Rules, and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as applicable), the Directors be authorised to round that fraction up to the nearest whole Share or Option.”

3. Resolution 3 – Issue of Shares to Vendors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1, 2 and 4 to 8 (inclusive), for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 37,500,000 Shares to the Vendors (on a post-Consolidation basis) on the terms set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Approval of Performance Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

“That, subject to the passing of Resolutions 1 to 3 and 5 to 8 (inclusive), for the purposes of Section 246B(1) and 246C(5) of the Corporations Act and Article 2.3 of the Constitution of the Company and for all other purposes, the Company be authorised to issue the Performance Shares, the terms of which are set out in the Explanatory Memorandum.”

5. Resolution 5 – Issue of Performance Shares to Vendors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 4 and 6 to 8 (inclusive), for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 18,750,000 Class A Performance Shares and 18,750,000 Class B Performance Shares to the Vendors (on a post-Consolidation basis) on the terms set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 – Issue of Shares to Loan Investors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 5, 7 and 8 (inclusive), for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 3,750,000 Shares at a deemed issue price of \$0.16 each (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 – Re-election of a Director – Mr Grant Davey

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 6 and 8 (inclusive), Mr Grant Davey, who retires in accordance with Article 6.3(i) of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

8. Resolution 8 – Capital Raising

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 7 (inclusive), for the purposes of Listing Rules 7.1 and 10.11 and for all other purposes, approval is given for the Directors to allot and issue up to 12,500,000 Shares at an issue price of \$0.20 each to raise up to \$2,500,000, together with up to 6,250,000 free attaching Listed Options (issued on the basis of 1 Listed Option for every 2 Shares issued), on a post-Consolidation basis and on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Davey Management (Aus) Pty Ltd and any other person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Resolution 9 – Ratification of Issue of Placement Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 4,000,000 Shares at an issue price of \$0.10 each to sophisticated and professional investors on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 17 May 2013

BY ORDER OF THE BOARD



Oonagh Malone
Company Secretary

CRADLE RESOURCES LIMITED

ACN 149 637 016

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Meeting to be held at Suite 23, 513 Hay Street, Subiaco, Western Australia on Wednesday, 26 June 2013 at 11am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Key Dates
Section 4:	Overview of Change of Scale of Activities
Section 5:	Resolution 1 – Change to Scale of Activities
Section 6:	Resolution 2 – Consolidation of Capital
Section 7:	Resolution 3 – Issue of Shares to Vendors
Section 8:	Resolution 4 – Approval of Performance Shares
Section 9:	Resolution 5 – Issue of Performance Shares to Vendors
Section 10:	Resolution 6 – Issue of Shares to Loan Investors
Section 11:	Resolution 7 – Re-election of a Director – Mr Grant Davey
Section 12:	Resolution 8 – Capital Raising
Section 13:	Resolution 9 – Ratification of Issue of Placement Shares

A Proxy Form is enclosed with the Notice and Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is enclosed with the Notice and Explanatory Memorandum. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are

unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Key Dates

Set out below is an indicative timetable of the key dates¹:

Company announces change of scale of activities	3 April 2013
Lodgement of Prospectus for Capital Raising	24 May 2013
Closing of Capital Raising	21 June 2013
Cut off for lodging Proxy Form for General Meeting	24 June 2013
Snapshot date for eligibility to vote at General Meeting	24 June 2013
General Meeting to approve the change of scale of activities and other matters	26 June 2013
Suspension of the Company's securities from trading on ASX at the opening of trading	26 June 2013
ASX informed of Shareholder approvals	26 June 2013
Completion of Capital Raising	10 July 2013
Settlement of Acquisition	10 July 2013
Despatch of holding statements following Consolidation and Capital Raising	11 July 2013
Anticipated date the suspension of trading of Shares is lifted	15 July 2013

¹These dates are indicative only and may change.

²The Company's securities will be suspended from trading on ASX from the date of the Meeting until such time that the Company recomplies with Chapters 1 and 2 of the Listing Rules. Accordingly, there will not be any deferred settlement trading.

4. Overview of Change of Scale of Activities

4.1 Background

Cradle Resources Limited (**Company**) is an Australian public company which has been listed on the official list of ASX (ASX code: CXX) since 16 September 2011.

The Company's assets on admission to the ASX were two greenfield tenements known as the Booyeema Base Metals Project and the Wyloo Iron Ore Project. Following admission, the Company immediately commenced exploration activities on the Booyeema and Wyloo tenements. The Company has since relinquished the Booyeema tenement due to limited prospectivity for base metals and is focussing on gold exploration on the Wyloo tenement due to limited prospectivity for iron ore.

In addition, the Company has continued to undertake an exhaustive program of due diligence on new opportunities for company growth, in particular, opportunities in Africa. Since its admission to ASX, the Company has completed full due diligence on several high potential opportunities, including site visits, technical investigations, legal analysis and deal negotiation sufficient enough for the Board to make an investment decision.

4.2 Background to Change of Scale of Activities – Acquisition of Panda Hill

On 3 April 2013, the Company announced to ASX that it has entered into a share sale agreement (**Share Sale Agreement**) with Panda Hill Mining Pty Ltd (**Panda Hill**) and the Vendors under which the Company has agreed to acquire all of the shares in Panda Hill (**Acquisition**). The Acquisition will result in a significant increase in the scale of the Company's activities. Please refer to Section 4.4 for further details regarding the proposed Acquisition.

Panda Hill holds a 49% interest (**RECB Interest**) in RECB Limited (**RECB**) which is the owner of mining licences ML237/2006, ML238/2006 and ML239/2006 for niobium located in Panda Hill, Mbeya District, Tanzania (**Project Licences**). Panda Hill also has the following further rights:

- (a) an option agreement pursuant to which Panda Hill has a right to acquire the Project Licences from RECB (**Option Agreement**); and
- (b) an option agreement pursuant to which Panda Hill may acquire a further 1% of the issued capital of RECB from the other shareholder of RECB (**1% Option Agreement**).

Under the Option Agreement, Panda Hill can acquire the balance of the Project by completing the activities and making the payments set out in Schedule 3. The Option Agreement does not obligate Panda Hill to incur any further expenditure; any expenditure is at the election of Panda Hill and such decisions will be results-based. If Panda Hill does not incur any additional expenditure or make further payments then Panda Hill will retain the RECB Interest.

Under the Share Sale Agreement, the Company has loaned Panda Hill US\$3.37 million which was used by Panda Hill to subscribe for the RECB Interest (US\$3.34 million) and make a US\$30,000 payment under the 1% Option Agreement (**Loan**). The Company has also agreed to loan Panda Hill up to a maximum of \$250,000 (or such greater amount agreed by the parties) to fund an approved works program in relation to the Project prior to settlement of the Acquisition (**Settlement**). The Loan and funds for the works program are repayable in the event that Settlement does not occur by 30 June 2013 (or such other date agreed in writing by the parties). Skye Alba Pty Ltd has guaranteed the repayment obligations of Panda Hill.

Other than the RECB Interest, Option Agreement, 1% Option Agreement and certain ancillary agreements, Panda Hill does not have any other material assets.

Settlement of the Acquisition will not change the Company's existing business as an acquirer, explorer and developer of mining projects. However, given the size of the Acquisition it will significantly increase the scale of the Company's activities and expand its operations from Australia to overseas.

Please refer to Section 4.3 for further details about Panda Hill, its assets and the Project Licences.

4.3 Background on Panda Hill, its assets and the Project Licences

Panda Hill is an Australian proprietary limited company incorporated for the purpose of holding the interests in the Project detailed in this Explanatory Memorandum.

As at the date of this Notice, Panda Hill's only material assets are the RECB Interest, its interest in the Option Agreement and the 1% Option Agreement and various ancillary agreements pursuant to which it has the right to acquire, directly or indirectly, the Project Licences. Please refer to Section 4.2 above for further details about these agreements.

The Project is located in the Mbeya region in south western Tanzania, near the borders with Zambia and Malawi, and approximately 650km west of the capital, Dar es Salaam. The industrial city of Mbeya is situated only 35km from the Project area and will be a significant service and logistics centre for the Project. Mbeya has a population of approximately 280,000 people, is located on the main highway to the capital Dar es Salaam and is completing the construction of a new international airport.

The Project is covered by three granted mining licences totalling 22.1km², which will enable a quick transition to the study and development phases, and has suitable access to infrastructure, with existing roads, rail, airports and 220kV power available in close proximity to the Project area. The Project Licences are due for renewal in November 2016 and under Tanzanian mining legislation can be renewed for a further 10 year period on completion of the approved work programs on the Project.

A significant historical technical database on the Project has been acquired by Panda Hill, including drill core, mapping and assay data from campaigns undertaken in the 1950-1980's. This work has contributed to the resource information for an initial JORC Inferred Resource estimate.

An Inferred Resource review was undertaken by Coffey Mining in Perth in July 2012 as per the table below. The Coffey Inferred Resource only included fresh carbonatite mineralization and the mineralized fenite material has not yet been included in any resource studies. The Resource estimate was based upon grade and lithological information derived from 96 historical diamond holes which was initially reviewed and validated by Verona Capital in 2012. The Resource was constrained within a 3D wireframe based upon a nominal 0.2% Nb₂O₅ lower cutoff. Ordinary Kriging was used to estimate Nb₂O₅ using 2m down-hole composites with a 2.5% Nb₂O₅ upper cut applied.

Table 1 - Panda Hill Inferred Mineral Resource, 03 July 2012¹ (Preferred cut-off 0.3% Nb₂O₅)

Lower Cut-off (Nb ₂ O ₅ %)	Tonnage (Mt)	Grade (Nb ₂ O ₅ %)	Contained Mineral (Nb ₂ O ₅ tonnes)
0.2	72	0.45	322,000
0.3	56	0.50	280,000
0.4	38	0.58	220,000

Note: Figures have been rounded.
Reported using a Dry Bulk density of 2.75t/m³ and a 2.5% Nb₂O₅ top cut. Ordinary Kriged Estimate with a 25mX by 25mY by 5mZ block size

¹ The Competent Person for the resource estimation and classification is Ms. Ellen Maidens who is a full time employee of Coffey Mining. The Competent Person for the resource database is Mr Neil Inwood, who is a full time employee of Verona Capital. Both Ms. Maidens and Mr. Inwood are members of the Australian Institute of Geoscientists and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which was undertaken 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'. The detailed JORC Competent Persons statement is located in Section 4.14.

4.4 Panda Hill Acquisition Terms

The consideration to be paid to the Vendors for the Acquisition will be the issue of:

- (a) 37,500,000 Shares;
- (b) 18,750,000 Class A Performance Shares; and
- (c) 18,750,000 Class B Performance Shares,

on a post-Consolidation basis, which will be apportioned amongst the Vendors in the amounts set out in Schedule 2.

The Shares and the Performance Shares will subject to a period of escrow determined by ASX.

The Share Sale Agreement is conditional on the following conditions precedent:

- (a) the Company obtaining all necessary regulatory and shareholder approvals required to complete the Acquisition and the Capital Raising (as set out in the Resolutions);
- (b) the Company receiving in principle approval from the ASX for the re-admission of the Company's securities to the official list of ASX on conditions reasonably acceptable to the Company;
- (c) completion of the Consolidation; and
- (d) completion of the Capital Raising,

(together, the **Conditions**).

The Conditions must be satisfied or waived by 30 June 2013 (or another date agreed by the parties in writing).

As detailed above, the Company has also provided Panda Hill the Loan (US\$3.37million) in order for Panda Hill to make certain payments in respect of its interest in the Project.

4.5 Capital Raising

The Company will seek to raise up to \$2,500,000 to fund the activities of the Company through the offer by the Company to allot and issue up to:

- (a) 12,500,000 Shares at an issue price of \$0.20 per Share; and
- (b) 6,250,000 free attaching Listed Options (issued on the basis of 1 Listed Option for every 2 Shares issued),

on a post-Consolidation basis, as proposed in Resolution 8 (**Capital Raising**).

The minimum subscription for the Capital Raising will be \$1,000,000.

The Company intends to conduct the Capital Raising through the issue of a prospectus as part of its re-compliance with Chapters 1 and 2 of the Listing Rules (**Prospectus**).

4.6 Pro-forma balance sheet

An unaudited pro forma balance sheet of the Company following completion of the Acquisition, Capital Raising and other matters is set out in Schedule 6 to this Notice.

4.7 Pro-forma capital structure

The capital structure of the Company following the Consolidation, Acquisition, Capital Raising and other matters is set out below¹:

SHARES

Current issued share capital (on a post-Consolidation basis)	38,625,000
Shares issued to Vendors	37,500,000
Shares issued under Prospectus for Capital Raising ²	12,500,000
Shares issued to Loan Investors ³	3,750,000
TOTAL SHARES	<u>92,375,000</u>

OPTIONS

Options exercisable at \$0.2667 on or before 24 January 2015 ²	16,562,500
Options exercisable at \$0.2667 on or before 31 May 2016	7,687,500
TOTAL OPTIONS	<u>24,250,000</u>

PERFORMANCE SHARES

Performance Shares issued to Vendors ⁴	37,500,000
TOTAL PERFORMANCE SHARES	<u>37,500,000</u>

¹ The numbers of Shares, Options and Performance Shares is approximate and will be subject to rounding of holdings. Where a fractional entitlement arises, the Directors will round that fraction up to the nearest whole Share, Option or Performance Share.

² This assumes that 12,500,000 Shares and 6,250,000 free attaching Listed Options will be issued under the Prospectus (i.e. full subscription). The minimum subscription for the Capital Raising is 5,000,000 Shares (together with 2,500,000 free attaching Listed Options).

³ This assumes that Panda Hill borrows \$600,000 from the Loan Investors prior to lodgement of the Prospectus and that the Panda Hill Loan Raising will be acquired by the Company in consideration for the issue of Shares at a deemed issue price of \$0.16 per Share (on a post-Consolidation basis).

⁴ This is comprised of 18,750,000 Class A Performance Shares and 18,750,000 Class B Performance Shares.

4.8 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Project represents a significant asset acquisition opportunity for the Company for an advanced stage minerals exploration and appraisal project;
- (b) through the acquisition of Panda Hill, a larger market capitalisation and enhanced shareholder base should provide a more liquid stock than either the Company or Panda Hill has on a standalone basis; and
- (c) the Board of Directors will provide an experienced set of skills to guide the growth of the Company.

4.9 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Company will be changing the scale of its activities, which may not be consistent with the objectives of Shareholders;
- (b) the Acquisition will result in the issue of Shares to the Vendors which will have a dilutionary effect on the current holdings of Shareholders; and
- (c) there are many risk factors associated with the change of scale of the Company's activities, or rather associated with Panda Hill's business and operations. See Section 4.10 below.

4.10 Risks

Shareholders should be aware that if the Resolutions are approved, the Company will be changing the scale of its activities which is subject to various risk factors. Based on the information available, a non-exhaustive list of risk factors are in Schedule 5.

4.11 Plans for the Company if the Acquisition is not completed

If the Company does not complete the Acquisition, the Company will continue with its current activities at Wyloo and continue to undertake due diligence on new opportunities for growth.

4.12 Directors' Recommendation

It is the view of the Directors that the Acquisition will give Shareholders the opportunity to participate in a potentially significant exploration, development and production program in respect of a highly prospective niobium project. The Directors (other than Grant Davey, who does not make a recommendation as he has a material personal interest in the Acquisition) consider that the Acquisition is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of all of the Resolutions. The Resolutions (other than Resolution 9) are interdependent, meaning that Shareholders must pass all of the Resolutions (other than Resolution 9) for the Acquisition to proceed.

4.13 Forward looking statements

The forward looking statements in the Notice are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the

Company and its Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in the Notice. These risks include but are not limited to, the risks referred to in Schedule 5. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

4.14 Competent Person

The information in this document that relates to Exploration Results 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. 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 competent person for the JORC Resource estimate and classification is Ms. Ellen Maidens who is a Member of the Australian Institute of Geoscientists. Ms. Maidens is a full time employee of Coffey Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she 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'. Ms. Maidens consents to the inclusion in this document of the matters based on her information in the form and context in which it appears.

5. Resolution 1 – Change to Scale of Activities

5.1 General

Resolution 1 seeks approval from Shareholders for a change to the scale of the activities of the Company.

As outlined in Section 4.4 of this Explanatory Memorandum, the Company has entered into the Share Sale Agreement under which the Company has agreed to acquire all of the Vendor Shares from the Vendors.

The Share Sale Agreement is subject to the Conditions set out in Section 4.4 above, including the requirement to obtain Shareholder approval.

A detailed description of the proposed Acquisition and Panda Hill's assets and prospects is outlined in Section 4 above.

5.2 Legal requirements

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtains the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and

- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list of ASX.

ASX has indicated to the Company that given the change in the scale of the Company's activities resulting from the Acquisition it requires the Company to:

- (a) obtain Shareholder approval; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

6. Resolution 2 – Consolidation of Capital

6.1 General

Resolution 2 seeks approval from Shareholders to consolidate the number of Shares and Options on issue on a 3:4 basis. The Consolidation is required to ensure that the Company's capital structure is appropriate for it to be able to re-comply with the admission requirements of ASX.

Under Section 254H of the Corporations Act and Article 3.4 of the Constitution, the Company may, by a resolution passed at a general meeting of Shareholders, convert all or any of its shares into a larger or smaller number of shares. Listing Rule 7.22.1 provides that in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

If Resolution 2 is passed, the number of Shares and Options on issue will be reduced on a 3:4 basis and the exercise price of all Options will be increased in inverse proportion to that ratio.

As from the effective date of Resolution 2 (being the date advised to the ASX), all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares and Options. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Optionholders.

6.2 Fractional Entitlements and Taxation

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly divided by 4. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation consequences will exist for Shareholders or Optionholders arising from the Consolidation, however, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the Consolidation.

7. Resolution 3 – Issue of Shares to Vendors

7.1 General

As outlined in Section 4 of this Explanatory Memorandum, the Company has agreed to acquire all of the Vendor Shares from the Vendors.

Under the Share Sale Agreement, the total consideration to be paid to the Vendors for 100% of the Vendor Shares will be the issue of:

- (a) 37,500,000 Shares;
- (b) 18,750,000 Class A Performance Shares; and
- (c) 18,750,000 Class B Performance Shares,

on a post-Consolidation basis, which will be apportioned amongst the Vendors in the amounts set out in Schedule 2.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Given the Shares to be issued under Resolution 3 will exceed the 15% threshold and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required under Listing Rule 7.1.

7.2 Technical Information Required by Listing Rule 7.3

The following information is provided in relation to Resolution 3 pursuant to and in accordance with Listing Rule 7.3:

- (a) the maximum number of Shares to be issued is 37,500,000 Shares (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date, being the Settlement Date of the Acquisition;
- (c) the Shares will be issued for nil cash consideration as they are being issued as part of the consideration for the Acquisition. Accordingly no funds will be raised from the issue of the Shares;
- (d) the Shares will be issued to the Vendors in amounts set out in Schedule 2 to this Notice;
- (e) none of the Vendors (other than Davey Management (Aus) Pty Ltd) are related parties of the Company; and
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

8. Resolution 4 – Approval of Performance Shares

The Company seeks Shareholder approval to create the Performance Shares as a new class of shares in the Company on the terms and conditions in Schedule 4.

Under Article 2.1 of the Company's Constitution and, subject to the Corporations Act, the Listing Rules and the Constitution, the Company may allot and issue unissued shares in the Company on any terms, at any time and for any consideration as the Directors resolve.

Section 246C(5) of the Corporations Act provides that if a company has one class of share and seeks to issue a new class of share, such issue is taken to vary the rights attached to shares already issued.

Under section 246B(1) of the Corporation Act, if a company has a constitution which sets out the procedure for varying or cancelling (in the case of a company with share capital) rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. In accordance with Article 2.3 of the Constitution, subject to the terms of issue of shares in a particular class, the Company may:

- (a) vary or cancel rights attached to shares in that class; or
- (b) convert shares from one class to another,

by a special resolution of the Company passed at a meeting of the members holding shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 4 of this Explanatory Memorandum. Resolution 4 is a special resolution.

The Company will also seek Shareholder approval in Resolution 5 to issue Performance Shares to the Vendors.

9. Resolution 5 – Issue of Performance Shares to Vendors

9.1 General

As outlined in Section 4.4 of this Explanatory Memorandum, the Company has agreed to acquire all of the Vendor Shares from the Vendors.

Under the Share Sale Agreement, the total consideration to be paid to the Vendors for 100% of the Vendor Shares will be the issue of:

- (a) 37,500,000 Shares;
- (b) 18,750,000 Class A Performance Shares; and
- (c) 18,750,000 Class B Performance Shares,

on a post-Consolidation basis, which will be apportioned amongst the Vendors in the amounts set out in Schedule 2.

Given the Performance Shares to be issued under Resolution 5 will exceed the 15% threshold set out in Listing Rule 7.1 and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required. A summary of Listing Rule 7.1 is set out Section 7.1 above.

9.2 Technical Information Required by Listing Rule 7.3

The following information is provided in relation to Resolution 5 pursuant to and in accordance with Listing Rule 7.3:

- (a) the maximum number of Performance Shares to be issued is 18,750,000 Class A Performance Shares and 18,750,000 Class B Performance Shares (on a post-Consolidation basis);

- (b) the Performance Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date, being the Settlement Date;
- (c) the Performance Shares will be issued for nil cash consideration as they are being issued as part of the consideration for the Acquisition. Accordingly no funds will be raised from the issue of the Performance Shares;
- (d) the Performance Shares will be issued to the Vendors in amounts set out in Schedule 2 to this Notice;
- (e) none of the Vendors (other than Davey Management (Aus) Pty Ltd) are related parties of the Company; and
- (f) the terms of the Performance Shares are set out in Schedule 4.

10. Resolution 6 – Issue of Shares to Loan Investors

10.1 General

Resolution 6 seeks Shareholder approval for the allotment and issue of up to 3,750,000 Shares at a deemed issue price of \$0.16 per Share (on a post-Consolidation basis).

The Shares under Resolution 6 will be issued to loan investors who provide up to an aggregate of \$600,000 in loans to Panda Hill to fund prior and future activities of Panda Hill and general working capital up until completion of the Acquisition (any surplus will become available funds of the Company post Acquisition).

The Company has agreed to acquire such loans for Shares with each Share being issued at a deemed issue price of \$0.16 per Share (a 20% discount to the issue price under the Capital Raising). The effect of Resolution 6 will be to allow the Directors to issue the Shares during the period of 3 months after the Meeting (or longer period, if allowed by ASX), without using the Company's annual 15% placement capacity. A summary of Listing Rule 7.1 is set out Section 7.1 above.

10.2 Technical Information Required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 6:

- (a) the maximum number of Shares to be issued is 3,750,000 (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date, being the Settlement Date;
- (c) the deemed issue price of the Shares will be \$0.16 each;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Loan Investors will be sophisticated or professional investors who are not related parties of the Company; and

- (f) no funds will be raised from the issue of the Shares to the Loan Investors.

11. Resolution 7 – Re-election of a Director – Mr Grant Davey

Article 6.2(b) of the Constitution allows the Directors to appoint any person as a Director.

Article 6.3(i) of the Constitution provides that a Director appointed under Article 6.2(b) may retire at the next general meeting of the Company and is eligible for re-election at that meeting. If the Director does not retire at the next general meeting, he must retire at the next annual general meeting, and is eligible for re-election at that meeting (Article 6.3(j)).

The Vendors were entitled to nominate a director for appointment to the Board of the Company following execution of the Share Sale Agreement. Mr Grant Davey, the Vendors' nominee, was appointed by the Board as a Non-Executive Director on 15 April 2013. A second nominee of the Vendor will be appointed to the Board on Settlement of the Acquisition.

Mr Davey retires as a Director at the Meeting in accordance with Article 6.3(i) of the Constitution and, being eligible, seeks re-election.

Mr Davey is a mining engineer with over 20 years of senior management and operational experience in the construction and operation of gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, he has been involved in venture capital investments in several exploration and mining projects and he has been instrumental in developing the Panda Hill opportunity.

Mr Davey is the Managing Director of Panda Hill and is a member of the Australian Institute of Company Directors.

It is intended that Mr Davey will be appointed the Managing Director of the Company following completion of the Acquisition.

12. Resolution 8 – Capital Raising

12.1 General

Resolution 8 seeks Shareholder approval for the allotment and issue of up to:

- (a) 12,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$2,500,000; and
- (b) 6,250,000 free attaching Listed Options (issued on the basis of 1 Listed Option for every 2 Shares issued),

on a post-Consolidation basis. The Shares and Listed Options will be offered and issued under the Prospectus.

Given the Shares and Listed Options to be issued under Resolution 8 will exceed the 15% threshold set out in Listing Rule 7.1 and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required. A summary of Listing Rule 7.1 is set out Section 7.1 above.

Davey Management (Aus) Pty Ltd, an entity controlled by Mr Grant Davey (a Director) intends to subscribe for up to 187,500 Shares and 93,750 free attaching Listed Options (on a post-Consolidation basis) under the Prospectus. Davey Management (Aus) Pty Ltd is considered to be a related party of the Company and therefore approval is also required under Listing Rule 10.11. Listing Rule 10.11 provides that a company must not (subject to

specified exceptions) issue or agree to issue equity securities to a related party without the approval of shareholders.

12.2 Technical Information Required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of securities to be issued is 12,500,000 Shares and 6,250,000 Listed Options (on a post-Consolidation basis);
- (b) the Shares and Listed Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price of the Shares will be \$0.20 each and the issue price of the Listed Options will be nil (subscribers for Shares will be issued 1 free attaching Listed Option for every 2 Shares they are issued);
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Listed Options will be issued on the same terms and conditions as the Company's existing Listed Options (exercisable at \$0.2667 each (on a post-Consolidation basis) on or before 24 January 2015);
- (f) participants in Capital Raising (other than Davey Management (Aus) Pty Ltd) will be members of the public who are not related parties of the Company; and
- (g) the Company intends to use the amounts raised from the Capital Raising to fund exploration and related study activities on the Project Licences and general working capital.

Further details on the use of funds will be set out in the Prospectus that will be issued in respect of the Capital Raising.

12.3 Technical Information Required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation Davey Management (Aus) Pty Ltd's participation in the Capital Raising:

- (a) the maximum number of securities to be issued to Davey Management (Aus) Pty Ltd is 187,500 Shares and 93,750 Listed Options (on a post-Consolidation basis);
- (b) Davey Management (Aus) Pty Ltd is controlled by Mr Grant Davey, a Director of the Company;
- (c) the Shares and Listed Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the issue price of the Shares will be \$0.20 each and the issue price of the Listed Options will be nil (Davey Management (Aus) Pty Ltd will be issued 1 free attaching Listed Option for every 2 Shares issued to it);

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Listed Options will be issued on the same terms and conditions as the Company's existing Listed Options (exercisable at \$0.2667 each (on a post-Consolidation basis) on or before 24 January 2015); and
- (g) the Company intends to use the amounts raised from the Capital Raising to fund exploration and related study activities on the Project Licences and general working capital.

Further details on the use of funds will be set out in the Prospectus that will be issued in respect of the Capital Raising.

13. Resolution 9 – Ratification of Issue of Placement Shares

13.1 General

On 7 December 2012, the Company issued 4,000,000 Shares at an issue price of \$0.10 each to sophisticated and professional investors to raise \$400,000 (before costs) (**Placement Shares**).

The Placement Shares were issued within the Company's 15% placement capacity without the need for Shareholder approval (refer to the summary of Listing Rule 7.1 set out in Section 7.1 above). The funds raised from the issue of the Placement Shares have been, or will be, used to advance the Company's African growth strategy, including in relation to the Acquisition.

Resolution 9 seeks Shareholder approval for the ratification of the issue of the Placement Shares pursuant to Listing Rule 7.4.

13.2 Listing Rule 7.4

Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purpose of Listing Rule 7.1.

The effect of Shareholders passing Resolution 9 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

13.3 Technical Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 9:

- (a) the Placement Shares were issued on 7 December 2012;
- (b) the Placement Shares were issued at \$0.10 each;
- (c) the Placement Shares are all fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's other existing Shares on issue;

- (d) the Placement Shares were allotted and issued to various sophisticated and professional investors who are not related parties or associates of related parties of the Company;
- (e) the funds raised from the issue of the Placement Shares have been, or will be, used to advance the Company's African growth strategy, including in relation to the Acquisition; and
- (f) a voting exclusion statement is included in the Notice.

Schedule 1 - Definitions

In this Notice and the Explanatory Memorandum:

\$ or \$A means Australian dollars.

1% Option Agreement has the meaning given in Section 4.2(b).

Acquisition has the meaning given in Section 4.2.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by ASX, as the context requires.

Board means the board of Directors.

Business Day means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

Capital Raising has the meaning given in Section 4.5.

Chair or **Chairman** means the person appointed to chair the Meeting convened by this Notice.

Class A Performance Shares means the Class A performance shares to be issued to the Vendors pursuant to Resolution 5 on the terms set out in Schedule 4.

Class B Performance Shares means the Class B performance shares to be issued to the Vendors pursuant to Resolution 5 on the terms set out in Schedule 4.

Company means Cradle Resources Ltd (ACN 149 637 016).

Conditions has the meaning given in Section 4.4.

Consolidation means the consolidation of Shares and Options referred to in Resolution 2.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Listed Option means an Option which is quoted on ASX and is exercisable at \$0.2667 (on a post-Consolidation basis) on or before 24 January 2015.

Listing Rules means the listing rules of ASX.

Loan has the meaning given in Section 4.2.

Loan Investors means the investors that participate in the Panda Hill Loan Raising.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option which entitles the holder to subscribe for one Share.

Option Agreement has the meaning given in Section 4.2(a).

Optionholder means a holder of an Option.

Panda Hill means Panda Hill Mining Pty Ltd (ACN 160 217 069).

Panda Hill Loan Raising means a capital raising by Panda Hill raising up to \$600,000 through entering into loans with the Loan Investors.

Performance Shares means the Class A Performance Shares and the Class B Performance Shares.

Placement Shares has the meaning given in Section 13.1.

Project means the niobium project located in Tanzania and contained within the Project Licences.

Project Licences has the meaning given in Section 4.2.

Prospectus means the prospectus to be prepared by the Company and lodged with the ASIC in respect of the Capital Raising, in accordance with Resolution 8.

Proxy Form means the proxy form sent to Shareholders.

RECB means RECB Limited, a company incorporated in the British Virgin Islands with registered number 1665502.

RECB Interest has the meaning given in Section 4.2.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

Settlement has the meaning given in Section 4.2.

Settlement Date means the date which is 3 Business Days after the satisfaction (or waiver) of the Conditions.

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

Shareholder means a shareholder of the Company.

Share Sale Agreement has the meaning given in Section 4.2.

Skye Alba means Skye Alba Pty Ltd (ACN 149 257 214).

Vendors means the shareholders of Panda Hill as detailed in Schedule 2.

Vendor Share means a fully paid ordinary share in Panda Hill.

Verona Capital means Verona Capital Pty Ltd (ACN 158 336 317).

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

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

Schedule 2 – Vendors

Vendors	Number of Vendor Shares beneficially held	Number of Securities to be issued as consideration (on a post Consolidation basis)		
		Shares	Class A Performance Shares	Class B Performance Shares
Aviemore Capital Pty Ltd	3,840	14,400,000	7,200,000	7,200,000
Arredo Pty Ltd	1,920	7,200,000	3,600,000	3,600,000
Davey Management (Aus) Pty Ltd	2,304	8,640,000	4,320,000	4,320,000
Brett Anthony Mitchell and Michelle Suzanne Mitchell	1,536	5,760,000	2,880,000	2,880,000
Cratonix Pty Ltd	200	750,000	375,000	375,000
Lone Jet Pty Ltd	200	750,000	375,000	375,000
TOTAL	10,000	37,500,000	18,750,000	18,750,000

Schedule 3 – Option Agreement Activities and Payments

Payments	Activities	Fee (US\$)	Notes
1st Earn-in Payment	Execution of Earn-in Agreement (15 November 2012)	\$50,000	Paid by Panda Hill
Due Diligence Extension Fee	Site visit & tenure satisfaction. This extends due diligence by 2 months to 13 March 2013	\$50,000	Paid by Panda Hill
2nd Due Diligence Extension Fee	Extends due diligence by a further 3 months from 13 March 2013 to 13 June 2013	\$50,000	Paid by Panda Hill
2nd Earn-in Payment	Within five business days of completion of Due Diligence	\$25,000	Payment expected to be made by 13 June 2013
3rd Earn-in Payment	Within two months of completion of a Competent Persons Report	\$500,000	To be completed within 18 months of completion of due diligence
Consideration Amount to acquire an additional 50% of the Project (3 options available to Panda Hill)	All Cash Option Payment	\$17,100,000	Less 25% of development costs incurred by Panda Hill up to a maximum of \$5 million discount
	Cash plus Net Smelter Royalty Option	\$12,100,000	Less 25% of development costs incurred by Panda Hill up to a maximum of \$5 million discount Plus a 5% Net Smelter Royalty capped at \$5 million plus interest thereon
	Cash plus Share Allotment Option	\$12,100,000	Less 25% of development costs incurred by Panda Hill up to a maximum of \$5 million discount Plus \$5 million worth of ASX listed Cradle shares. The issue price of each share will be the same price as shares are issued pursuant to the capital raising that is required to fund the acquisition of the Project

Schedule 4 – Terms of Performance Shares

1. Definitions

In these terms and conditions, unless the context otherwise requires:

ASX means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited.

Change in Control Event means:

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or
 - (b) the announcement by the Company that:
 - (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement,
- but shall not include a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company.

Class A Performance Share means a Class A Performance Share issued as part of the consideration under the Share Sale Agreement.

Class A Milestone means the completion of a Scoping Study, including metallurgical work and confirmatory drilling, to the reasonable satisfaction of the independent directors of the Company as evidenced by a decision to proceed with work on the Project.

Class B Performance Share means a Class B Performance Share issued as part of the consideration under the Share Sale Agreement.

Class B Milestone means the completion of a Definitive Feasibility Study on the Project which demonstrates an NPV of at least US\$400 million (assuming a 10% discount rate and long term market contract price).

Company means Cradle Resources Limited ACN 149 637 016.

Corporations Act means the *Corporations Act 2001* (Cth).

Definitive Feasibility Study means a formal technical, resource and project development study which assesses the viability of developing and mining a deposit identified within the area comprising the Project Licences reasonably sufficient to support a decision to mine and project finance.

Expiry Date means the date that is four (4) years from the date of issue of the Performance Shares.

Inferred Mineral Resource has the meaning given in the JORC Code.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) as amended from time to time.

Mineral Resource has the meaning given in the JORC Code.

NPV means net present value.

Panda Hill means Panda Hill Mining Pty Ltd ACN 160 217 069.

Performance Share means a Class A Performance Share or a Class B Performance Share.

Performance Shareholder means the holder of a Performance Share.

Project means the niobium project located in Tanzania and contained within the Project Licences.

Project Licences means:

- (a) mining licences ML237/2006, ML238/2006 and ML239/2006 issued for niobium in Panda Hill, Mbeya District, Tanzania;
- (b) any other mineral right or mineral rights which may be granted in lieu or relate to the same ground as the mineral rights referred to in paragraph (a); and
- (c) includes all rights to mine and other privileges appurtenant to the mineral rights referred to in paragraph (a) as conferred by law.

Scoping Study means a preliminary assessment of the technical and economic viability of the exploitation of a Mineral Resource, based on the delineation of an Inferred Mineral Resource.

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

Shareholder means a holder of Shares.

Share Sale Agreement means the share sale agreement between the Company, Panda Hill and all of the holders of shares in Panda Hill.

2. Dividend

Performance Shareholders are not entitled to a dividend.

3. Conversion

- (a) Conversion

The Performance Shares will convert into Shares in accordance with this clause 3.

- (b) Conversion of Class A Performance Share

Subject to clause 3(f), each Class A Performance Share will convert into one (1) Share upon the satisfaction, prior to the Expiry Date, of the Class A Milestone.

(c) Conversion of Class B Performance Share

Subject to clause 3(f):

- (i) Where the Class B Milestone is satisfied each Class B Performance Share will convert into one (1) Share upon the satisfaction, prior to the Expiry Date, of the Class B Milestone.
- (ii) If the Class B Milestone is not met, but the NPV produced by the Definitive Feasibility Study is equal to or greater than US\$300 million (assuming a 10% discount rate and long term market contract price) the number of Class B Performance Shares which will convert to Shares will be reduced pro rata such that no Class B Performance Shares convert at an NPV of less than US\$300 million and all convert at an NPV of US\$400 million or more.

(d) Conversion on Change in Control

- (i) Subject to clauses 3(d)(ii) and 3(f), if prior to the Expiry Date a Change in Control Event occurs then each Performance Share will convert into one (1) Share.
- (ii) The maximum number of Performance Shares that can be converted into Shares and issued under this clause 3(d) upon a Change of Control Event must not exceed 10% of the issued Share capital of the Company (as at the date of the Change of Control Event). The Company shall ensure a pro-rata allocation of Shares issued under this clause 3(d) to all Performance Shareholders. Performance Shares that are not converted into Shares will continue to be held by the Performance Shareholder on the same terms and conditions.

(e) Conversion after Expiry Date

- (i) If the Class A Milestone is not met by 5.00pm (WST) on the Expiry Date the Company will, as soon as reasonably practical and in any event no later than ninety (90) days after the Expiry Date, convert the total number of Class A Performance Shares on issue into seven (7) Shares (one for each holder of the Performance Shares). For the avoidance of doubt, the Class B Performance Shares are independent and will not convert in such circumstances.
- (ii) If the Class B Milestone is not met and clause 3(c)(ii) does not apply by 5.00pm (WST) on the Expiry Date the Company will, as soon as reasonably practical and in any event no later than ninety (90) days after the Expiry Date, convert the total number of Class B Performance Share on issue into seven (7) Shares (being one Share for each holder of the Performance Shares). For the avoidance of doubt, the Class A Performance Shares are independent and will not convert in such circumstances.

(f) Takeover Provisions

- (i) If the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1). Following a deferment under this clause

3(f)(i), the Company shall at all times be required to convert that number of Performance Shares that would not result in a contravention of section 606(1).

- (ii) The Performance Shareholders shall give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1) failing which the Company shall assume that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) will not result in any person being in contravention of section 606(1).
- (iii) The Company may (but is not obliged to) by written notice request the Performance Shareholders to give notification to the Company in writing within seven (7) days if they consider that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1). If the Performance Shareholders do not give notification to the Company within seven (7) days that they consider the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1) then the Company shall assume that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) will not result in any person being in contravention of section 606(1).

(g) **After Conversion**

The Shares issued on conversion of any Performance Share will as and from 5.00pm (WST) on the date of allotment rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares upon the date of conversion. Shares issued on conversion of the Performance Share must be free from all encumbrances, securities and third party interests. The Company must ensure that Shares issued on conversion of the Performance Shares are freely tradeable, without being subject to on-sale restrictions under section 707 of the Corporations Act, on and from their date of issue.

4. Issue of Shares for No Consideration

The Company shall allot and issue Shares immediately upon conversion of the Performance Shares for no consideration and shall record the allotment and issue in the manner required by the Corporations Act.

5. Reconstruction

In the event of any reconstruction, consolidation or division into (respectively) a lesser or greater number of securities of the Shares and the Performance Shares shall be reconstructed, consolidated or divided in the same proportion as the Shares are reconstructed, consolidated or divided and, in any event, in a manner which will not result in any additional benefits being conferred on the Performance Shareholders which are not conferred on the Shareholders.

6. Winding Up

If the Company is wound up prior to conversion of all of the Performance Shares into Shares then the Performance Shareholders will have:

- (a) no right to be paid cash for the Performance Shares; and

(b) no right to participate in surplus assets or profits of the Company on winding up.

7. Non-transferable

The Performance Shares are not transferable.

8. Copies of Notices and Reports

The Performance Shareholders have the same right as Shareholders to receive notices, reports and audited accounts and to attend general meetings of the Company but are only entitled to vote in the circumstances referred to in clause 9.

9. Voting Rights

The Performance Shareholders shall have no right to vote, subject to the Corporations Act.

10. Participation in new issues

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

11. Quotation

The Performance Shares are unquoted. No application for quotation of the Performance Shares will be made by the Company.

Schedule 5 - Risks

Risks relating to the Change in Scale of Activities

Re-quotations of Shares on ASX

The acquisition of Panda Hill constitutes a significant change in the scale of the Company's activities and the Company needs to comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.

Risks relating to the Project

Risks associated with operating in Tanzania

The Project is located in Tanzania and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations.

Changes to Tanzania's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

Exploration and development risks

The business of niobium exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;
- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;
- (e) obtaining consents and approvals necessary for the conduct of niobium exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property,

natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of niobium. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

Niobium price volatility

The demand for, and price of, niobium is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative metals, actions taken by governments, and global economic and political developments.

A material decline in the price of niobium may have a material adverse effect on the Company's business, financial condition and results of operations.

Reserves and resource estimates

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations.

The Panda Hill carbonatite has been subject to multiple phases of exploration work since the 1950s. From 1953 to 1965, the Geological Survey of Tanzania (GST) undertook mapping, diamond drilling and trenching (17 diamond holes for 1,405m) to assess the Niobium and Phosphate potential of the deposit. From 1954 to 1963, the MBEXCO joint venture was formed between N.V. Billiton Maatschapij (Billiton) and Colonial Development Corporation, London. MBEXCO drilled 66 diamond holes for 3,708m, excavated numerous pits, sunk two shafts and undertook trial mining and constructed a trial gravity and flotation plant on site. Concentrate from site was sent to Holland for further processing, with positive early metallurgical testwork results noted. From 1978 to 1980 a Yugoslavian State Enterprise (RUDIS) undertook a joint study in collaboration with the Tanzanian Mining Industrial Association and State Mining Corporation (STAMICO). This work included mapping, diamond drilling and pitting (13 diamond holes for 1,306m) to test the Niobium endowment of the deposit. Detailed reports have been secured from this program. The resource update was undertaken by Coffey Mining in Perth in July 2012 (Table 3 in section 1.1 above of the Prospectus). The Coffey Inferred Resource only included fresh carbonatite mineralization. The mineralized fenite material has not yet been included in any resource studies. The resource estimate was based upon grade and lithological information derived from 96 historical diamond holes which was initially reviewed and validated by Verona Capital in 2012.

Relocation of Songwe Prison

A low security prison farm is located on one of the Panda Hill Licences, and a relocation agreement is underway and needs to be completed with the Tanzanian authorities prior to commencement of the construction of the mine. The current agreement allows for exploration and related study activities to continue without restriction from the Songwe Prison in the short to medium term, until a decision to mine is taken by the Board following completion of a Bankable Feasibility Study.

Tenement Title and Renewal

Interests in tenements in Tanzania are governed by legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. The Company could potentially

lose its interest in the licences comprising the Project if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise, in line with the Tanzanian Mining legislation. Since granting of the mining licences there have been delays in the development of the Project as a result of delays in agreeing terms with the Tanzanian authorities for the relocation of the Songwe Prison. Following meetings with Ministry of Mines officials in Tanzania, including the Minister, the Company does not believe that this will have consequences for renewal of the licences. However, any application for renewal of any licence comprising the Project involves the exercise of discretion by the relevant government authority. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection with the renewal. Under current Tanzanian Mining legislation a mining licence will qualify for renewal if all expenditure obligations and other requirements of that licence have been satisfied. If a licence is not renewed, the Company may suffer significant damage through loss of the opportunity to develop any mineral resources on that licence.

According to section 95(1)(b) of the Mining Act of Tanzania, no holder of a mineral right shall exercise any of its rights conferred by its licence over an area of land which is the site of, or which is within 200 metres of any inhabited, occupied or temporarily unoccupied house or building without prior consultation with the relevant local Government authority, including the village council and thereafter the written consent of the lawful occupier. Therefore, where a mineral right granted to an applicant is over an area of land inhabited by lawful occupiers then the holder of such a mineral right is required to obtain the lawful occupier's written consent, following necessary consultations, prior to exercising any of the rights conferred under its mineral right. Failure to obtain the lawful occupier's prior written consent would not invalidate the licence holder's mineral right but the lawful occupier may make a claim against the licence holder.

Interests in tenements in Western Australia are governed by legislation and are 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 Wyloo Tenement 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.

General economic and political risks

Changes in the general economic and political climate in Tanzania, Australia and on a global basis that could impact on economic growth, niobium prices, interest rates, the rate of inflation, taxation and tariff laws, or domestic security may affect the value and viability of any niobium activity that may be conducted by the Company.

Commodity price volatility and exchange rate risks

If the Company achieves success leading to niobium production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for niobium, technological advancements, forward selling activities and other macro-economic factors.

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

Environmental risks

The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the niobium industry, which operations are currently in Tanzania. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with

all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that 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 that 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.

The Wyloo Project is 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.

Competition

The Company will compete with other companies, including major niobium companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

Insurance

Insurance against all risks associated with niobium production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify niobium reserves, failure to achieve predicted production rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, adverse weather conditions, industrial and

environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

General Risks

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be.

Potential acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration 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.

Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by 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 Company's securities.

Schedule 6 - Pro Forma Balance Sheet

The pro forma balance sheet presented below is based on the reviewed statement of financial position of Cradle Resources Ltd as at 31 December 2012. The columns entitled Pro Forma Transactions has not been audited or reviewed.

	31-Dec-12	UNAUDITED		Notes
		Pro Forma Transactions	Pro Forma Balances	
	\$ AUD	\$ AUD	\$ AUD	
Assets				
Current Assets				
Cash and cash equivalents	4,195,174	(876,327)	3,318,847	1
Trade and other receivables	12,143	-	12,143	
Total Current Assets	4,207,317	(876,327)	3,330,990	
Non-Current Assets				
Exploration and evaluation	213,220	-	213,220	
Property, plant and equipment	1,073	-	1,073	
Investment in jointly controlled entity	-	15,613,827	15,613,827	2
Total Non-Current Assets	214,293	15,613,827	15,828,120	
Total Assets	4,421,610	14,737,500	19,159,110	
Liabilities				
Current Liabilities				
Trade and other payables	(18,912)	-	(18,912)	
Accrued expenses	(8,000)	-	(8,000)	
Total Current Liabilities	(26,912)	-	(26,912)	
Non-Current Liabilities				
Contingent consideration	-	(1,312,500)	(1,312,500)	3
Total Non-Current Liabilities	-	(1,312,500)	(1,312,500)	
Total Liabilities	(26,912)	(1,312,500)	(1,339,412)	
Net Assets	4,394,698	13,425,000	17,819,698	
Equity				
Contributed equity	(5,207,773)	(13,425,000)	(18,632,773)	4
Accumulated losses	813,075	-	813,075	
Total Equity	(4,394,698)	(13,425,000)	(17,819,698)	

See Notes on following page.

Notes:

Capitalised terms in these Notes have the meaning given to them in the Explanatory Memorandum.

- 1 The pro forma cash and cash equivalents are calculated based on the following transactions:

Balance at 31 December 2012	\$4,195,174
Amount lent by Cradle Resources before acquisition to be applied for the acquisition of the investment in jointly controlled entity	(\$3,238,827)
Capital raising of up to 12,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$2,500,000	\$2,500,000
Expected capital raising costs	(\$137,500)
TOTAL	\$3,318,847

- 2 The pro forma investment in jointly controlled entity is calculated based on the following transactions:

Amount lent by Cradle Resources before acquisition to be applied as part of acquisition of the investment in jointly controlled entity	\$3,238,827
Value of 3,750,000 shares at a fair value of \$0.20 per share to be issued to Loan Investors	\$750,000
37,500,000 ordinary shares valued at a fair value of \$0.20 per share to be issued for acquisition	\$7,500,000
18,750,000 Class A Performance Shares to be issued in part consideration for the acquisition. These have been valued at the fair value of the underlying shares at \$0.20 per share to be issued, multiplied by an expected 75% probability of the Class A Performance condition being met.	\$2,812,500
18,750,000 Class B Performance Shares to be issued in part consideration for the acquisition. These have been valued at the fair value of the underlying shares at \$0.20 per share to be issued, multiplied by an expected 35% probability of the Class B Performance condition being met.	\$1,312,500
TOTAL	\$15,613,827

- 3 18,750,000 Class B Performance Shares to be issued in part consideration for the acquisition. These have been valued at the fair value of the underlying shares at \$0.20 per share to be issued, multiplied by an expected 35% probability of the Class B Performance condition being met, to arrive at a pro forma balance of \$1,312,500. This has been classified, in accordance with Australian accounting standards, as a liability because the potential number of Class B Performance Shares that will convert to fully paid ordinary shares is variable based on the extent to which the Class B Performance condition will be met.

4 The pro forma contributed equity is calculated based on the following transactions:

Balance at 31 December 2012	\$5,207,773
3,750,000 shares to be issued to Loan Investors at a fair value of \$0.20 per share	\$750,000
37,500,000 ordinary shares valued at fair value of \$0.20 per share as part of the acquisition	\$7,500,000
18,750,000 Class A Performance Shares to be issued in part consideration for the acquisition. These have been valued at the fair value of the underlying shares at \$0.20 per share to be issued, multiplied by an expected 75% probability of the Class A Performance condition being met.	\$2,812,500
Capital raising of up to 12,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$2,500,000	\$2,500,000
Expected capital raising costs	(\$137,500)
TOTAL	\$18,632,773

5 This pro forma balance sheet does not contain any adjustment or amendment or otherwise updates in any way the statement of financial position of Cradle Resources Ltd as at 31 December 2012 except to the extent set out in these Notes as a result of the loan to Panda Hill Mining Pty Ltd and Pro Forma Transactions.