



**CRADLE RESOURCES LIMITED**

**ACN 149 637 016**

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**NOTICE OF ANNUAL GENERAL MEETING**

**For the Annual General Meeting of the Company to be held at  
Level 7, 1008 Hay Street, Perth, Western Australia on Friday,  
28 November 2014 commencing at 12pm (WST).**

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*This Notice of Annual 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 Secretary by telephone on +61 8 9389 2000.***

**Shareholders are urged to attend or vote by lodging the Proxy Form attached to the Notice.**

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# CRADLE RESOURCES LIMITED

ACN 149 637 016

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## NOTICE OF GENERAL MEETING

Notice is hereby given that an annual general meeting of shareholders of Cradle Resources Limited (**Company**) will be held at Level 7, 1008 Hay Street, Perth, Western Australia on Friday, 28 November 2014 commencing at 12pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and 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 of the Company on 26 November 2014 at 12pm (WST).

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

## AGENDA

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### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2014, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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### 2. Resolution 1 - Remuneration Report

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

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

#### Voting Prohibition Statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution and expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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### **3. Resolution 2 - Re-election of Director – Mr Evan Cranston**

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

*"That, pursuant to and in accordance with article 6.3(c) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Evan Cranston, Director, retires by rotation and being eligible, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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### **4. Resolution 3 – Authority to grant Incentive Options to a Director – Mr Evan Cranston**

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 10.11, and for all other purposes, Shareholders approve and authorise the grant of 1,000,000 Incentive Options to a Director, Mr Evan Cranston (or his nominee), on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Evan Cranston and his nominee and any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman 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.

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### **5. Resolution 4 – Authority to grant Incentive Options to a Director – Mr Didier Murcia**

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 10.11, and for all other purposes, Shareholders approve and authorise the grant of 1,000,000 Incentive Options to a Director, Mr Didier Murcia (or his nominee), on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Didier Murcia and his nominee and any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman 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.

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## 6. Resolution 5 – Ratification of Prior Placement

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

*“That in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve the issue of 18,000,100 Shares on the terms and conditions in the Explanatory Memorandum.”*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the issue of Securities under this Resolution and any associates of that person (or those persons).

The Company will not disregard a vote if:

- (c) 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
- (d) it is cast by the Chairman 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.

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## 7. Resolution 6 – Section 195 Approval

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

*“That, for the purposes of Section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Company to complete the transactions as contemplated in this Notice of Meeting.”*

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## 8. Resolution 7 - Approval of 10% Placement Facility

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

*“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital (on a post-Consolidation basis) of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink that reads "Sophie Raven". The signature is written in a cursive, flowing style.

Sophie Raven  
Company Secretary  
Dated: 28 October 2014

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# CRADLE RESOURCES LIMITED

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 7, 1008 Hay Street, Perth, Western Australia on Friday, 28 November 2014 commencing at 12pm (WST).

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

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolution 2 – Re-election of Director – Mr Evan Cranston
Section 6:	Resolution 3 – Authority to Grant Incentive Options to a Director – Mr Evan Cranston
Section 7:	Resolution 4 – Authority to Grant Incentive Options to a Director – Mr Didier Murcia
Section 8:	Resolution 5 – Ratification of Prior Placement
Section 9:	Resolution 6 – Section 195 Approval
Section 10:	Resolution 7 – Approval of 10% Placement Facility
Schedule 1:	Definitions
Schedule 2:	Terms and Conditions of Incentive Options

A Proxy Form is located at the end of the Explanatory Memorandum.

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### 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 attached to the Notice. 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.

Proxy Forms must be received by the Company no later than 12pm (WST) on Wednesday, 26 November 2014, being at least 48 hours before the meeting.

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

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### 3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2014.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.cradleresources.com.au](http://www.cradleresources.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the auditor's report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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### 4. Resolution 1 - Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting (**Spill Meeting**) should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report cease to hold office but may stand for re-election at the Spill Meeting.

The Company's Remuneration Report did not receive a Strike at the 2013 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2015 annual general meeting, this may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Shareholders appointing a proxy for this Resolution should note the following:

Proxy	Directions given	No directions given
Key Management Personnel <sup>1</sup>	Vote as directed	Unable to vote <sup>3</sup>
Chair <sup>2</sup>	Vote as directed	Able to vote at discretion of Proxy <sup>4</sup>
Other	Vote as directed	Able to vote at discretion of Proxy

Notes:

<sup>1</sup> Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.

<sup>2</sup> Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).

<sup>3</sup> Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

<sup>4</sup> The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

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## 5. Resolution 2 - Re-election of Director – Mr Evan Cranston

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer.

Article 6.3(c) of the Constitution requires that one third of the Directors must retire at each annual general meeting (rounded down to the nearest whole number). The Directors to retire shall be those who have held their office as Director the longest period of time since their last appointment at that office and if two or more Directors have held office for the same period of time since their last appointment, those Directors determined by the drawing of lots, unless those Directors agree otherwise.

Article 6.3(f) provides that a Director who retires under article 6.3(c) of the Constitution is eligible for re-election.

Resolution 2 therefore provides that Mr Evan Cranston retires by rotation and seeks re-election.

Details of the qualifications and experience of Mr Evan Cranston are in the Annual Report.



The Board (excluding Mr Evan Cranston) supports the re-election of Mr Evan Cranston to the Board and recommends that Shareholders vote in favour of Resolution 2. The Chairman intends to exercise all available proxies in favour of Resolution 2.

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## **6. Resolution 3 – Authority to Grant Incentive Options to a Director – Mr Evan Cranston**

### **6.1 General**

Resolution 3 seeks Shareholder approval in accordance with Listing Rule 10.11 for the grant of 1,000,000 Incentive Options (**Cranston Incentive Options**) to Mr Evan Cranston (or his nominee).

Each Cranston Incentive Option will be exercisable on or before 31 October 2018 at the greater of 25 cents and 125% of the last Share sale price on the ASX on the date that the Board approves the grant of the Option.

The purpose of the grant of the Cranston Incentive Options to Mr Cranston is for the Company to retain directors of high calibre and to provide cost effective remuneration to Mr Cranston for his ongoing commitment and contribution to the Company in his role as a Non-Executive Director.

The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed. If the Incentive Options are not granted, the Company could pay Mr Cranston additional cash remuneration. However, the Board considers it reasonable for the remuneration of Mr Cranston to have a cash component and an equity component to further align Mr Cranston's interests with Shareholders and maintain a better cash position for the Company.

### **6.2 Listing Rule 10.11**

Listing Rule 10.11 precludes a related party of the Company from participating in any issue of securities in the Company without the prior approval of Shareholders, unless an exception in Listing Rule 10.12 applies.

Mr Cranston is a related party of the Company by reason of his position as a Director.

If approval for the grant of the Cranston Incentive Options is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1. Shareholder approval of the grant of the Cranston Incentive Options means that the grant of the Cranston Incentive Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is an ordinary resolution.

The Chairman will cast all available proxies in favour of Resolution 3.

### **6.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information regarding the grant of the Cranston Incentive Options be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) The Cranston Incentive Options will be granted to Mr Evan Cranston (or his nominees) for nil consideration.
- (b) The maximum number of Incentive Options to be granted under Resolution 3 is 1,000,000.

- (c) The Company will grant the Cranston Incentive Options no later than one month after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (d) Each Incentive Option will be exercisable on or before 31 October 2018 at the greater of 25 cents and 125% of the last Share sale price on the ASX on the date that the Board approves the grant of the Option. Further terms and conditions of the Incentive Options are in Schedule 2.
- (e) A voting exclusion statement is included in the Notice.
- (f) No funds will be raised by the grant of the Cranston Incentive Options as each Incentive Option is being granted at nil consideration.

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## **7. Resolution 4 – Authority to Grant Incentive Options to a Director – Mr Didier Murcia**

### **7.1 General**

Resolution 4 seeks Shareholder approval in accordance with Listing Rule 10.11 for the grant of 1,000,000 Incentive Options (**Murcia Incentive Options**) to Mr Didier Murcia (or his nominee).

Each Murcia Incentive Option will be exercisable on or before 31 October 2018 at the greater of 25 cents and 125% of the last Share sale price on the ASX on the date that the Board approves the grant of the Option.

The purpose of the grant of the Murcia Incentive Options to Mr Murcia is for the Company to retain directors of high calibre and to provide cost effective remuneration to Mr Murcia for his ongoing commitment and contribution to the Company in his role as a Non-Executive Director.

The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed. If the Incentive Options are not granted, the Company could pay Mr Murcia additional cash remuneration. However, the Board considers it reasonable for the remuneration of Mr Murcia to have a cash component and an equity component to further align Mr Murcia's interests with Shareholders and maintain a better cash position for the Company.

### **7.2 Listing Rule 10.11**

Listing Rule 10.11 precludes a related party of the Company from participating in any issue of securities in the Company without the prior approval of Shareholders, unless an exception in Listing Rule 10.12 applies.

Mr Murcia is a related party of the Company by reason of his position as a Director.

If approval for the grant of the Murcia Incentive Options is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1. Shareholder approval of the grant of the Murcia Incentive Options means that the grant of the Murcia Incentive Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is an ordinary resolution.

The Chairman will cast all available proxies in favour of Resolution 4.

### 7.3 Specific information required by Listing Rule 10.13

Listing Rule 10.13 requires that the following information regarding the grant of the Murcia Incentive Options be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) The Murcia Incentive Options will be granted to Mr Didier Murcia (or his nominees) for nil consideration.
- (b) The maximum number of Incentive Options to be granted under Resolution 4 is 1,000,000.
- (c) The Company will grant the Murcia Incentive Options no later than one month after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (d) Each Incentive Option will be exercisable on or before 31 October 2018 at the greater of 25 cents and 125% of the last Share sale price on the ASX on the date that the Board approves the grant of the Option. Further terms and conditions of the Incentive Options are in Schedule 2.
- (e) A voting exclusion statement is included in the Notice.
- (f) No funds will be raised by the grant of the Murcia Incentive Options as each Incentive Option is being granted at nil consideration.

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## 8. Resolution 5 – Ratification of Prior Placement

### 8.1 General

On 26 June 2014 the Company issued 18,000,000 Shares (**Placement Shares**) each at an issue price of \$0.20 to various institutional and sophisticated private investors to raise \$3,600,000 (before costs). The Company also issued 100 Shares (**Cleansing Shares**) each at an issue price of \$0.20 pursuant to the cleansing prospectus dated 24 June 2014 which was issued for the purpose of facilitating secondary trading following the issue of the Placement Shares.

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The Placement Shares and the Cleansing Shares were issued within the Company's 15% placement capacity, without the need for Shareholder approval.

Listing Rule 7.4 provides that where a company in general meeting ratifies the 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 made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 5 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.

Resolution 5 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

### 8.2 Specific information required by Listing Rule 7.4

In accordance with Listing Rule 7.4, information is provided in relation to the Placement as follows:

- (a) 18,000,000 Placement Shares and 100 Cleansing Shares were issued on 26 June 2014 to various institutional and sophisticated private investors who are not related parties or associates of related parties of the Company.
- (b) The Placement Shares and Cleansing Shares were issued each at \$0.20, raising a total of approximately \$3,600,020 (before costs).
- (c) The Placement Shares are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (d) The Placement Shares and Cleansing Shares have been allotted and issued by way of placements to various institutional and sophisticated private 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 and Cleansing Shares were used to pay existing creditors and to provide a working capital buffer for the Company.
- (f) A voting exclusion statement is included in the Notice.

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## 9. Resolution 6 – Section 195 Approval

Approval of Resolutions 2, 3 and 4 may result in the Directors having a “material personal interest” in the matters referred to in this Notice. In the absence of this Resolution 6, the Directors may not be able to form a quorum at any meetings necessary to carry out the transactions contemplated by Resolutions 2, 3 and 4.

Accordingly, Shareholder approval is being sought to allow the Directors to form a quorum to implement the transactions contemplated in this Notice.

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## 10. Resolution 7 - Approval of 10% Placement Facility

### 10.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company has no immediate intention to use the 10% Placement Facility and is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility, if required. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 10.2(c) below).

The Board unanimously recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 7.

## 10.2 Listing Rule 7.1A

### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has two classes of quoted Equity Securities, being the Shares (ASX Code: CXX) and Listed Options (CXXO) on issue. In addition, the Company has one class of unquoted options, one class of unquoted class B performance shares and one class of unquoted performance rights on issue.

### (c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

### (d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 128,727,617 Shares and therefore has a capacity to issue:

- (i) 19,309,142 Equity Securities under Listing Rule 7.1; and

- (ii) subject to Shareholder approval being sought under Resolution 7, 12,872,761 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 10.2(c) above).

### 10.3 Listing Rule 7.1A

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

### 10.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:
  - (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
  - (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

#### **(10% Placement Period).**

- (c) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.

- (d) The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0875 50% decrease in Issue Price	\$0.175 Issue Price	\$0.35 100% increase in Issue Price
<b>Current Variable A</b> <b>128,727,617 Shares</b>	<b>10% Voting Dilution</b>	12,872,761	12,872,761	12,872,761
	<b>Funds raised</b>	\$1,126,366	\$2,252,733	\$4,505,466
<b>50% increase in current Variable A</b> <b>193,091,425 Shares</b>	<b>10% Voting Dilution</b>	19,309,142	19,309,142	19,309,142
	<b>Funds raised</b>	\$1,689,549	\$3,379,099	\$6,758,199
<b>100% increase in current Variable A</b> <b>257,455,234 Shares</b>	<b>10% Voting Dilution</b>	25,745,523	25,745,523	25,745,523
	<b>Funds raised</b>	\$2,252,733	\$4,505,466	\$9,010,933

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This table has been prepared on the following assumptions:

- (i) There are currently 128,727,617 Shares on issue.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iii) No Options are converted into Shares before the date of the issue of the Equity Securities;
- (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are converted into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (viii) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances
- (ix) The issue price is \$0.175 being the closing price of Shares on the ASX on 23 October 2014.

(e) The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration in relation to costs associated with the acquisition of resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards the acquisition of resource assets or

investments (which may include costs associated with due diligence and engagement of advisors in assessing new resource assets) and/or continued exploration on the Company's existing niobium assets in Tanzania.

- (f) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities. When the Company issued Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:
- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
  - (ii) the information required by Listing Rule 3.10.5A for release to the market.
- (g) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (h) The subscribers under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.
- (i) The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its 2013 annual general meeting held on 29 November 2013.

In the twelve months preceding the date of this Notice, the Company issued a total of 37,552,600 Equity Securities which represent approximately 41% of the total number of Equity Securities (including Shares, Listed Options, unlisted options, performance shares and performance rights) on issue at the commencement of that 12 month period, being 91,175,017 ordinary shares. The Equity Securities issued in the preceding 12 months were as follows:

Date of Issue	Number of Ordinary Shares	Name of person issued to, or basis of issue	Price, amount raised and use of funds or non-cash consideration and current value of that non-cash consideration
3 February 2014	15,000	Conversion of Listed Options	Exercise price of \$0.2667 per option. Funds of approximately \$4,000 raised, for general working capital purposes.
26 June 2014	18,000,100	Institutional and sophisticated private investor	\$3,600,020 raised (before costs). Use of funds* as per Cleansing Prospectus.
26 June 2014	19,537,500	Conversion of Class A Performance Shares to existing shareholders and conversion of Performance Rights to employees and consultants	Nil issue price.

\*Use of Funds was for repayment of existing creditors and to provide a working capital buffer as detailed in the Cleansing Prospectus dated 26 June 2014 available on the Company website [www.cradleresources.com.au](http://www.cradleresources.com.au).

- (j) A voting exclusion statement is included in the Notice.



- (k) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## Schedule 1 - Definitions

In the Notice and this Explanatory Memorandum:

**\$** means Australian dollars.

**10% Placement Facility** has the meaning given in Section 10.1.

**10% Placement Period** has the meaning given in Section 10.2(f).

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2014.

**ASIC** means the Australian Securities and Investment Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors from time to time.

**Chairperson** means the person appointed to chair the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Cradle Resources Limited ABN 60 149 637 016 and ACN 149 637 016.

**Constitution** means the constitution of the Company.

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

**Directors** mean the directors of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Explanatory Memorandum** means this explanatory memorandum.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listed Options** means the listed options (CXXO) exercisable at \$0.2667 and expiring on 24 January 2015.

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

**Notice** means the notice of general meeting which this Explanatory Memorandum accompanies.

**Option** means an option to acquire a Share.

**Optionholder** means the holder of an Option.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution in the Notice.

**Schedule** means a schedule to this Explanatory Memorandum.

**Section** means a section of this Explanatory Memorandum.

**Security** means a Share or Option.

**Securityholder** means a holder of a Share and/or Option.

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

**Shareholder** means a holder of a Share.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Trading Day** means a **day** determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP** means volume **weighted** average **price**.

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

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

## Schedule 2 – Terms and Conditions of Incentive Options

### 1. Exercise Date

Subject to clause 2, the Options are exercisable wholly or in part at any time before 5.00 pm WST on 31 October 2018.

### 2. Accelerated Exercise

If [name] ceases to be a consultant, employee or director of the Company (or subsidiary) prior to 31 October 2015 the Board may at any time thereafter place 500,000 of the Options (“Subject Options”) on 28 days’ notice, whereupon:

- I. The option holder will be given a notice that the Subject Options will expire 28 days after the date of such notice; and
- II. Failure to exercise the Subject Options within such period will result in such Subject Options lapsing.

### 3. Issue Price

The Options will be issued for nil consideration.

### 4. Exercise Price

Each Option shall entitle the option holder to acquire one fully paid ordinary Share upon payment of the exercise price. The exercise price will be either 25 cents or 125% of the last sale Share price on the ASX on the date of final Board approval (whichever is the greater).

### 5. Transfer of Options

The Options or shares purchased via exercise of the Options are fully transferable by the Option holder.

### 6. Notice of Exercise

Each Option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of an option received by the Company with payment in full of the exercise price will be deemed to be a notice of the exercise of that option as at the date of receipt.

### 7. Quotation of Options and Shares on Exercise

If the Company is admitted to the official list of ASX, application will be made for official quotation of the Shares issued upon exercise of Options. Unless the Board resolves otherwise, the application will not be made to ASX for official quotation of the Options.

### 8. Participation Rights or Entitlements

There are no participating rights or entitlements inherent in the Options and option holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced so as to give option holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.

### 9. Shares Allotted on Exercise

Shares allotted pursuant to the exercise of Options will be allotted following receipt of all the relevant documents and payments and will rank equally with the issued Shares.

## **10. Reconstruction of Share Capital**

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the Listing Rules.

## **11. Bonus Issues**

If, from time to time, before the expiry of the Options the Company makes a pro-rata issue of Shares to shareholders for no consideration, the number of Shares over which an option is exercisable will be increased by the number of Shares which the option holder would have received if the option had been exercised before the date for calculating entitlements to the pro-rata issue.

## **12. Shareholder and Board Approval**

The proposal to issue the Options is subject to:

- i. Shareholder's approval under Listing Rule 10.11 and Chapter 2 E of the Corporations Act
- ii. Final Board approval to issue the Options following receipt of shareholder's approval, and
- iii. the option holder has no right to be issued the Options until receipt of both such approvals.

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**PROXY FORM**

The Company Secretary  
Cradle Resources Limited

**By delivery:**  
Level 7, 1008 Hay Street  
PERTH WA 6000

**By post:**  
PO Box 7209 Cloisters Square  
PERTH WA 6850

**By facsimile:**  
+61 8 9389 2099

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark  to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

**Step 1 – Appoint a Proxy to Vote on Your Behalf**

I/we being Shareholder/s of the Company hereby appoint:

**The Chairperson**  
**(mark box)**

**OR** if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson of the Meeting to be held at Level 7, 1008 Hay Street, Perth, Western Australia on Friday, 28 November 2014 at 12pm (WST), as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit).

**AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS**

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

**CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES**

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [ ]% of the Shareholder's votes / [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

**Step 2 – Instructions as to Voting on Resolutions**

**INSTRUCTIONS AS TO VOTING ON RESOLUTIONS**

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report			
Resolution 2	Re-election of Director - Mr Evan Cranston			
Resolution 3	Authority to Grant Incentive Options to a Director – Mr Evan Cranston			
Resolution 4	Authority to Grant Incentive Options to a Director – Mr Didier Murcia			
Resolution 5	Ratification of Prior Placement			
Resolution 6	Section 195 Approval			
Resolution 7	Approval 10% Placement Capacity			

\* If you mark the Abstain box for the Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Authorised signature/s** This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

**The Chairperson intends to vote all available proxies in favour of the Resolution.**

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy, the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified, each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name, all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting, the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 7, 1008 Hay Street, Perth, WA, 6000, or by post to PO Box 7209 Cloisters Square, Perth, WA, 6850 or Facsimile (08) 9389 2099 if faxed from within Australia, or +618 9389 2099 if faxed from outside Australia), not less than 48 hours prior to the time of commencement of the Meeting (WST).