

26 July 2013

ASX Release

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**SUMMARY OF MATERIAL TERMS OF SUBSCRIPTION AGREEMENT
REGARDING RECB LIMITED**

Cradle Resources Limited confirms that a Subscription Agreement dated 22 March 2013 was entered into between RECB Limited (**RECB**), the original project vendor (as legal and beneficial owner of the issued capital of RECB) and Brett Mitchell (as subscriber and bare trustee for Panda Hill Mining Pty Ltd (**Panda Hill**)), the material terms of which are as follows:

1. The issue and allotment of 3,430,000 ordinary shares (**Subscription Shares**) in the capital of RECB, for the payment of US\$3,340,000 in consideration.
2. Execution of a shareholder' agreement dated 22 March 2013 (**Shareholders' Agreement**) between RECB, Brett Mitchell (as bare trustee for Panda Hill) and the original project vendor to regulate the manner in which the affairs of RECB will be undertaken. The key terms of the Shareholders' Agreement are set out below:
 - (a) Business of RECB:

The business of RECB will be the ownership and development of the Panda Hill Licences in accordance with the terms of the Option Agreement.
 - (b) Shareholdings:

The shareholders of RECB at the date of the Shareholders' Agreement are:

 - (i) original project vendor– 3,500,000 A class ordinary shares and 70,000 ordinary shares;
 - (ii) Brett Mitchell – 3,430,000 ordinary shares.
 - (c) Decision making:

All decisions of the directors and shareholders of RECB will be by simple majority unless they are specified as "reserved matters" in the Shareholders' Agreement or the law requires otherwise. Reserved matters, such as the issue of securities, the acquisition of any asset or new business and related party transactions, require written approval of both shareholders.

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- (d) Management:
- (i) Prior to the expiry or exercise of the Option Agreement, the exploration and development of the Panda Hill Licences will at all times be managed and operated pursuant to and in accordance with the terms of the Option Agreement.
 - (ii) Notwithstanding the above, prior to the expiry or exercise of the Option Agreement, the original project vendor shall have the sole and exclusive responsibility for directing that RECB:
 - (A) takes (or does not take) any decision or course of action; and/or
 - (B) gives its consent or approval in respect of any matter or thing; or
 - (C) makes any request for or grants any extension of any time limit; or
 - (D) exercises any discretion it may have,in connection with the Option Agreement.
 - (iii) Prior to the expiry or exercise of the Option Agreement, the management of the remainder of the activities of RECB other than in connection with the Option Agreement (being administration) will at all times be managed and operated by the corporate managers of RECB unless otherwise determined as a reserved matter.
 - (iv) Following expiry of the Option Agreement, the activities of RECB will be determined by the written approval of both shareholders (i.e. as reserved matters).
- (e) Funding: RECB will be funded as follows:
- (i) prior to the expiry or exercise of the Option Agreement:
 - (A) the activities on the Panda Hill Licences will be funded under and in accordance with the Option Agreement; and
 - (B) all other activities of RECB (being administration) will be funded by way of interest free loans from the shareholders of RECB pro rata their shareholding in RECB which will be repayable from the proceeds of the Option Agreement or otherwise from production from the Panda Hill Licences; and

- (ii) following expiry or exercise of the Option Agreement, the activities of RECB (to the extent necessary) will be funded by way of interest free loans from the shareholders of RECB pro rata to their shareholding in RECB.
- (f) Payments under Subscription Agreement and Option Agreement: any amounts received by RECB under the Subscription Agreement and the Option Agreement will entirely be distributed (less the amount of any tax RECB is required to pay on the payments (if any)) preferentially to the original project vendor as the A class ordinary shareholder of RECB by way of either a dividend or return of capital/distribution of assets.
- (g) Pre-emptive right: neither party shall transfer any shares in RECB to any third party without having first offered such shares to the other shareholder at the same price and on the same terms and conditions offered by a third party and such offer has been declined or accepted or a period of 21 days from the date such offer was made has elapsed and the offer has not been accepted. This right has been waived in respect of the future transfer of 3,430,000 ordinary shares in RECB from Brett Mitchell to Panda Hill.
- (h) Assignment: any assignment or transfer of shares in RECB by a shareholder requires the prior written consent of the other shareholder and the assignee to enter into a deed of accession covenanting that they will be bound by the terms of the Shareholders' Agreement.

A Declaration of Trust was executed on 25 March 2013 by Brett Mitchell, as trustee (**Trustee**), pursuant to which he declared that, at the request of Panda Hill, he agreed to hold the legal interest in 3,430,000 ordinary shares (**Beneficiary Shares**) in RECB on trust for Panda Hill, as beneficiary, and pursuant to which he undertook and acknowledged as follows:

- (a) that as a condition to the Trustee agreeing to hold the Beneficiary Shares, Panda Hill agreed to be bound by the Shareholders' Agreement of RECB, and that the Trustee will comply with the terms of the Shareholders' Agreement in respect of the Beneficiary Shares;
- (b) subject to the terms of the Shareholders' Agreement, to transfer the Beneficiary Shares to Panda Hill or any other person or company nominated in writing by Panda Hill on the request of Panda Hill;
- (c) to account to Panda Hill for all dividends declared and other dispositions made in respect of the Beneficiary Shares;
- (d) to exercise the vote or votes attached to the Beneficiary Shares as Panda Hill shall direct;
- (e) not to dispose of or transfer the Beneficiary Shares without the prior consent of Panda Hill; and

(f) that it is a bare trustee.

Grant Davey
Managing Director

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