



ACN 149 637 016

Interim Financial Report

31 December 2015

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

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CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Corporate Directory

Directors

Craig Burton
Non-Executive Chairman (until 10 November 2015)
Executive Chairman (appointed 10 November 2015)

Grant Davey
Managing Director (resigned 10 November 2015)

Evan Cranston
Non-Executive Director

Didier Murcia
Non-Executive Director

James Kelly (appointed 4 February 2016)
Non-Executive Director

Company Secretary

Sophie Raven

Registered Office and Principal Place of Business

Level 7, 1008 Hay Street
Perth WA 6000

Tel: +61 8 9389 2000

Fax: +61 8 9389 2099

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Solicitors

GTP Legal
Level 1, 28 Ord Street
West Perth WA 6005

Share Registry

Link Market Services Limited
Level 4, Central Park
152 St Georges Terrace
Perth WA 6000

Securities Exchange Listing

Cradle Resources Limited shares are listed on the Australian Securities Exchange (ASX)

ASX Code: CXX

Website

www.cradleresources.com.au

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Directors' Report

The Board of Directors of Cradle Resources Limited ("the Consolidated Entity" or "the Company") has pleasure in presenting its report on the Company for the half-year ended 31 December 2015.

Directors and Company Secretary

The names of the Directors and Company Secretary in office at any time during or since the end of the report period are:

Craig Burton	Non-Executive Chairman (until 10 November 2015); Executive Chairman (appointed 10 November 2015)
Grant Davey	Managing Director (resigned 10 November 2015)
Evan Cranston	Non-Executive Director
Didier Murcia	Non-Executive Director
James Kelly	Non-Executive Director (appointed 4 February 2016)
Sophie Raven	Company Secretary

Financial Results

The net loss of the Company after income tax for the financial period amounted to \$9,314,945 (31 December 2014: \$1,266,939). A significant proportion of this relates to one-off items comprising a \$6,309,012 reduction in the carrying value of Cradle's Panda Hill interests following the acquisition and transfer of such interests into the joint venture company Panda Hill Tanzania Limited, which is now 50% owned by Cradle (refer to note 9 of the financial statements for further details). This aligns Cradle's carrying value of its Panda Hill interests with 50% of the carrying value of the assets held by Panda Hill Tanzania Limited.

The Company has not reached a stage in its development where it is generating an operating profit. All of the Company's efforts go into ongoing development of the Panda Hill project.

At the end of the financial period the Company had cash on hand of \$3,219,649 (30 June 2015: \$2,351,093).

More information on the operating results, financial position and cash flow movements are included in the Financial Statements.

Dividends

No dividend has been declared or paid by the Company since the start of the financial period and the Directors do not at present recommend a dividend.

The consolidated entity consists of Cradle Resources Ltd and the entities it controlled at any time during the period.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2014

Directors' Report

Review of Operations

Definitive Feasibility Study

The Definitive Feasibility Study (DFS) is ongoing, with the last major activity being completion of the final stage of pilot plant work and consequent fine tuning of the flow sheet. A 45t shipment of mixed mineralisation types arrived in Canada in November 2015 and preliminary bench scale and plant setup work was undertaken in December 2015. The full scale test pilot plant commenced in January 2016 with results due shortly. This second stage pilot plant will focus on water management, fines and desliming management. Initial bench scale testwork undertaken in December indicates likely favourable results.

All activities for the completion of the DFS are progressing well and the DFS is on track to be completed within a month.

Other Technical Activity

Bulk Sample Collection

In October 2015 approximately 45t of mineralised rock samples were collected from the Panda Hill Niobium project and sent to SGS in Lakefield, Canada for the use in a pilot plant in Canada. This program is a follow-up to the January 2015 bulk sample program. Fresh and moderately-oxidised lithologies were targeted with an aim to obtain carbonatite mineralisation with a range of Si, Ca and Fe concentrations representing the main weathering categories within the deposit.

Sand and gravel samples were taken from within the local area to assess the suitability of various materials for use in road and construction design. Sand samples were taken from the Nsungwe River, Songwe; Ikungi; and Mbalizi. Gravel samples were taken from within the Panda Hill region. Samples were sent to Mbeya University for particle size and physical properties testing.

Mining and Engineering Activity

The work carried out during the half year focused the continuation of the key activities associated with the DFS. Specifically the following was completed or initiated during the period:

Metallurgical Testwork

- The 45t of new bulk sample arrived at SGS Lakefield in November and sample preparation commenced. The final stage of piloting will focus on opportunities for improved recovery identified in the stage 1 plan through improved fines management and water quality control. Initial bench-scale testwork is positive and the pilot-scale testwork is expected to be finalised in January.

Mining & Geotechnical

- The second round of mining schedules have been received and are being evaluation against the latest schedules and layouts.
- Strategic schedules have been developed and the ultimate pit shell is being evaluated.
- The pit shells have been selected for the various pushbacks and the mine design of the ultimate pit shell is ongoing
- Waste rock dump and stockpile designs have been finalised.

Hydrology & Hydrogeology

- All field activities have been completed and all water samples have been analysed.
- Generation of site water balance (and associated salt balance) has been finalised
- Geochem testwork on waste rock and tailings samples is progressing.

Tailings Storage Facility (TSF)

- Tailings facility layouts and sizing completed
- Modelling of TSF by phase is close to completion
- Characterisation of waste rock material for TSF wall construction completed
- Material take-offs, bill of quantities have been developed

Engineering (Plant & Infrastructure)

- Smelter design well progressed with sizing, layouts and equipment list completed
- Preliminary Process Flow Diagrams (PFDs) developed
- Mass and water balance finalised
- Road design consultant selected and site investigations completed

The activities for the next period will focus on finalisation of the feasibility study. The field office has been closed and monthly water and dust monitoring will be the main field activities.

Social and Environmental Activities

The Environmental and Social Impact Assessment (ESIA) Certificate for the Project was issued on 18 August 2015. There were no restrictions or special instructions imposed on the ESIA certification.

Dry Season dust and water monitoring activities have continued during the half year. Meetings were held with local stakeholders over road designs and routing in the local area.

Competent Person's Statement

The information in this document that relates to Exploration Results and Resources 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 Pty Ltd. 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 information in this Interim Financial Report relating to the Panda Hill Resource Estimate is extracted from the announcement entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' dated 20 January 2014 and is available to view on <http://www.cradleresources.com.au>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that, in the case of Mineral Resources or Ore Reserves, all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this Interim Financial Report regarding Scoping Study results is extracted from the announcement entitled 'Panda Hill Project – Highly Positive Scoping Study Results' dated 30 January 2014 and is available to view on <http://www.cradleresources.com.au>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that all the material assumptions and technical parameters underpinning the production targets and the forecast financial information derived from the production targets in the Scoping Study continue to apply and have not materially changed.

Cautionary Statement concerning Scoping Study Results including Inferred Resources

The Company advises that the Scoping Study results and production targets reflected in this report are preliminary in nature as conclusions are drawn from partly from Indicated Mineral Resources and partly from Inferred Mineral Resources. The Scoping Study is based on lower level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

Corporate Activity

The three Panda Hill Mining Licences (ML 237/2006, 238/2006 and 239/2006) were renewed during the half year for a further 10 year term (to 16 November 2026) each as per the Tanzanian Mining Act and regulations. These Mining Licences cover all of the known niobium mineralisation in the area, as well as a sufficient footprint for the establishment of the requisite mine infrastructure (see announcement 14 July 2015).

In October 2015, Tremont Investments Limited exercised its right to acquire a further 12.5% of the Panda Hill Niobium Project for a further US\$5 million (AU\$7.15M) investment (taking Tremont to 50% in total). Tremont has now completed its investment of US\$20 million in four separate tranches of US\$5 million each. This investment has been used to de-risk the Project through an in-fill and extensional drilling program, extensive metallurgical work, a Preliminary Feasibility Study ("PFS") and a Definitive Feasibility Study ("DFS") which will be completed within a month.

During the half year, Panda Hill Tanzania Ltd ("PHT"), the joint venture entity owned 50% by the Company and 50% by Tremont, exercised its option to acquire 100% of the Mining Licences. As a result, PHT entered into an amended purchase agreement with, RECB Limited ("RECB"). Following approval by the Tanzanian Government of the transfer of the Mining Licences, completion under this amended agreement was achieved in November 2015. Under the amended purchase agreement, PHT has paid or is to pay RECB the following purchase consideration:

- US\$1 million option fee;
- US\$1.5 million, paid at completion;
- 6,200,000 million fully paid ordinary shares in Cradle, issued at completion, with half tradeable and half escrowed until the commencement of commercial production;
- US\$3 million, payable five days after project financing drawdown or 30 September 2016, whichever is earlier; and
- US\$5 million, payable out of production as a capped 5% net smelter return, with a time limit of four years from the commencement of commercial production.

The issue by Cradle of the 6,200,000 fully paid ordinary shares in order to meet PHT's obligations under the amended purchase agreement has created a credit in favour of Cradle with the PHT joint venture of US\$1.09 million (set using a notional value of A\$0.25 per share). Accordingly, Tremont will be liable to contribute a further US\$1.09 million to PHT prior to Cradle having to make any further contributions, in order to maintain the equal interests of the joint venture participants.

The Environmental and Social Impact Assessment documentation was submitted to the Tanzanian National Environment Management Council ("NEMC") in May 2015 after 18 months of baseline environmental studies within the project area which included extensive community engagement and various impact studies of the Project on the surrounding areas and communities. An NEMC visit to the project site took place in July 2015, following the initial ESIA submission to the department. The Environmental and Social Impact Assessment Certificate for the Project was issued on 18 August 2015. There were no restrictions or special instructions imposed on the ESIA certification.

Following the transfer of the mining licences, the RECB shares held by the Company were transferred to Celtic Trust Limited on 27 November 2015, and had nil interest in RECB thereafter. As a result of this transaction the Company recognised an impairment loss on the difference between the estimated fair value of the Group's pre-existing interest in the licences transferred, and the carrying value of the amount.

During November 2015, the Company's Managing Director, Mr Grant Davey, resigned and Mr Craig Burton became Executive Chairman of Cradle, pending the appointment of a new Managing Director. Mr Davey remains a consultant to PHT, and is assisting in completion of the DFS.

During the half year, 56,250,000 fully paid ordinary shares and 18,750,000 Class B performance shares were released from ASX imposed escrow (which ended on 1 August 2015), and the Company applied for and obtained quotation by ASX of the fully paid ordinary shares.

During November 2015, the Company held its Annual General Meeting, at which all resolutions were passed by shareholders, including the approval of a 10% additional placement capacity.

Events Subsequent to Reporting Date

James Kelly was appointed as a non-executive director of the Company and, subject to obtaining shareholder approval, the Company intends to issue Mr Kelly with 1,000,000 unlisted options exercisable at 25 cents each on or before 31 October 2018.

There are no other significant changes in the state of affairs of the Company after the reporting date.

Auditors' Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.



Craig Burton

Executive Chairman

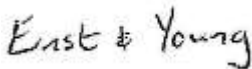
Signed at Perth, Western Australia this 15th day of March 2016

Auditor's independence declaration to the Directors of Cradle Resources Limited

As lead auditor for the review of Cradle Resources Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cradle Resources Limited and the entities it controlled during the financial period.



Ernst & Young



G Lotter
Partner
15 March 2016

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

		CONSOLIDATED GROUP	
		31-Dec-15	31-Dec-14
		\$	\$
	Note		
Revenue	5	6,952	8,243
Expenses			
Administration		(226,092)	(330,827)
Professional fees		(79,735)	(284,104)
Directors fees		(110,656)	(81,968)
Exploration and evaluation expenditure		(308)	(170)
Employee benefits expense		(28,951)	(57,146)
Share based payment expense	13b)	34,270	(243,901)
Net foreign exchange gains		344,839	321,688
Exploration and evaluation expenditure written off	8	-	(224,100)
Impairment on joint venture interest	9a)	(3,922,657)	-
Write down of intercompany loans on loss of control of subsidiary	9c)	(2,386,355)	-
Share of interest in joint venture losses		(87,861)	(77,276)
Gain on disposal of subsidiary		62,849	-
Loss on dilution of interest in PHT	9b)	(2,410,303)	(663,003)
(Loss)/Gain on re-measurement of financial liability	11	(510,937)	365,625
Loss before income tax expense		(9,314,945)	(1,266,939)
Income tax		-	-
Loss after income tax for the period		(9,314,945)	(1,266,939)
Attributable to:			
Members of parent entity		(7,320,880)	(1,261,338)
Non-controlling interest		(1,994,065)	(5,601)
		(9,314,945)	(1,266,939)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		452,402	815,233
Other comprehensive income for the period, net of tax		452,402	815,233
Total comprehensive (loss) for the period		(8,862,543)	(451,706)
Total comprehensive (loss) for the period attributable to :			
Members of parent entity		(6,868,478)	(446,105)
Non-controlling interest		(1,994,065)	(5,601)
		(8,862,543)	(451,706)
Loss per share			
Basic (loss) per share (cents)		(5.61)	(0.98)
Diluted (loss) per share (cents)		(5.61)	(0.98)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Consolidated Statement of Financial Position

As at 31 December 2015

		CONSOLIDATED GROUP	
		31-Dec-15	30-Jun-15
		\$	\$
Assets	Note		
Current assets			
Cash and cash equivalents	6	3,219,649	2,351,093
Trade and other receivables	7	14,310	1,087,486
Prepayments		27,853	-
Total current assets		3,261,812	3,438,579
Non-current assets			
Exploration and evaluation	8	-	1,898,656
Interest in joint venture	9	18,475,532	24,227,531
Other receivables		26,133	53,868
Total non-current assets		18,501,665	26,180,055
Total assets		21,763,477	29,618,634
Liabilities			
Current liabilities			
Trade and other payables		32,643	351,843
Accrued expenses	12	63,817	95,022
Contingent consideration	11	3,375,000	2,864,063
Provisions		58,543	111,994
Total current liabilities		3,530,003	3,422,922
Total liabilities		3,530,003	3,422,922
Net assets		18,233,474	26,195,712
Equity			
Issued share capital	13a)	20,332,085	19,005,683
Issued share options	13a)	287,491	287,491
Share based payment reserve	13b)	572,240	606,510
Consolidation reserve	10	10,921,281	8,682,016
Foreign currency translation reserve		1,869,402	1,417,000
Accumulated losses		(15,749,025)	(8,428,145)
Equity attributable to equity holders of the Parent		18,233,474	21,570,555
Non-controlling interest	9c)	-	4,625,157
Total equity		18,233,474	26,195,712

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES
Consolidated Interim Financial Report 31 December 2015

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Issued share capital	Issued share options	Share based payment reserve	Consolidation reserve	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2015	19,005,683	287,491	606,510	8,682,016	1,417,000	(8,428,145)	4,625,157	26,195,712
Other comprehensive income for the year, net of tax	-	-	-	-	452,402	-	-	452,402
Loss after income tax expense for the year	-	-	-	-	-	(7,320,880)	(1,994,065)	(9,314,945)
Total comprehensive loss for the year	-	-	-	-	452,402	(7,320,880)	(1,994,065)	(8,862,543)
Issue of share capital, net of transaction costs	1,326,402	-	-	-	-	-	-	1,326,402
Share based payment	-	-	(34,270)	-	-	-	-	(34,270)
Recognition of non-controlling interest	-	-	-	2,239,265	-	-	1,851,672	4,090,937
Distribution of interest in mining licenses to non-controlling interest	-	-	-	-	-	-	(4,482,764)	(4,482,764)
Balance as at 31 December 2015	20,332,085	287,491	572,240	10,921,281	1,869,402	(15,749,025)	-	18,233,474
	Issued share capital	Issued share options	Share based payment reserve	Consolidation reserve	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2014	19,005,683	287,391	114,117	2,619,709	-	(4,492,381)	2,152,848	19,687,367
Other comprehensive income for the period, net of tax	-	-	-	-	815,233	-	-	815,233
Loss after income tax expense for the period	-	-	-	-	-	(1,261,338)	(5,601)	(1,266,939)
Total comprehensive loss for the period	-	-	-	-	815,233	(1,261,338)	(5,601)	(451,706)
Share based payment	-	-	243,901	-	-	-	-	243,901
Recognition of non-controlling interest	-	-	-	3,456,208	-	-	962,674	4,418,882
Balance as at 31 December 2014	19,005,683	287,391	358,018	6,075,917	815,233	(5,753,719)	3,109,921	23,898,444

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES
Consolidated Interim Financial Report 31 December 2015

Consolidated Statement of Cash Flows
For the half year ended 31 December 2015

		CONSOLIDATED GROUP	
		31-Dec-15	31-Dec-14
Note			\$
Cash flows from operating activities			
	Payments to suppliers (inclusive of GST)	(657,095)	(1,208,980)
	Interest received	6,952	8,243
	Interest and other finance costs paid	-	-
	Net cash used in operating activities	(650,143)	(1,200,737)
Cash flows from investing activities			
	Loss of control of subsidiary	(1,440)	-
	Refund from research and development rebate	621,071	120,907
	Cash calls received from joint venture partner	1,658,616	7,586,913
	Parent entity's share of investor funding	537,480	440,865
	Payments for exploration and evaluation	(1,408,744)	(6,539,967)
	Net cash from investing activities	1,406,983	1,608,718
Cash flows from financing activities			
	Gross proceeds from issue of shares and options	-	200,000
	Share issue costs	(6,597)	-
	Funding for onsite exploration spend	4,314	-
	Net cash from/(used in) financing activities	(2,283)	200,000
	Net increase in cash and cash equivalents	754,557	607,981
	Cash and cash equivalents at the beginning of the financial period	2,351,093	2,054,453
	Effects of exchange rate changes on the balances held in foreign currencies	113,999	321,688
	Cash and cash equivalents at the end of the financial period	3,219,649	2,984,122
	6		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

NOTE 1: CORPORATE INFORMATION

The interim financial statements of Cradle Resources Limited (“the Company”) and its subsidiaries (collectively, “the Group”) for the six months ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 15th March 2016.

Cradle Resources Limited is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are mineral exploration and project development.

NOTE 2: BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The interim financial report is a general purpose condensed financial report prepared in accordance with the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. The interim financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the Company during the half-year ended 31 December 2015. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group’s position and performance since the consolidated financial statements as at and for the year ended 30 June 2015.

Going Concern

The Group had a cash position at 31 December 2015 of \$3,219,649.

Following the execution of an Investment and Shareholders Agreement with Tremont Investments Limited (‘Tremont’), Panda Hill Mining Pty Ltd (‘PHM’) and Panda Hill Tanzania Ltd (‘PHT’) to fund the Panda Hill Niobium Project (‘Project’) beyond definitive feasibility studies, pursuant to which Tremont has earned a 50% interest in the Project for a USD\$20 million contribution, the 4th tranche of US\$5 million was received by PHT on 1 October 2015, of which US\$375,000 was transferred to the Company (refer note 9(b) for further details).

Management’s cash flow forecasts for the 13 months ending 31 March 2017 indicate that, although the Group is in a position to meet its corporate and administration expenditure requirements, additional capital will need to be raised to enable the Group to contribute its share of the planned Project expenditure for the period. Should this not occur, or should Tremont not continue to fund its share of Project expenditure, the Group will need to pursue alternative funding options or significantly curtail its planned activities on the Project.

Having regard to the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis as they are satisfied they have a reasonable basis to conclude that sources of funding will be available to enable the Company to be able to meet its debts as and when they fall due.

The interim financial statements of the Company do not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that may be necessary should the Company not continue as a going concern.

Basis of Preparation

The interim financial report has been prepared on the basis of historical cost, except for financial instruments carried at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group’s 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the new and amended Standards and Interpretations described below.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

a) Changes in Accounting Policy, Accounting Standards and Interpretations

In the half year ended 31 December 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015. It has been determined that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to the Group's accounting policies.

Estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2015.

NOTE 3: SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker. The chief operating decision maker, who is responsible in assessing the performance and determining the allocation of resources of the operating segments, is considered to be the Board of Directors.

Discrete financial information is presented for the Company as a whole. Accordingly, the Board of Directors considers that its business operates in one segment, being that of mineral exploration.

NOTE 4: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All financial assets and liabilities for which fair value is measured in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (a) Quoted prices (unadjusted in active markets for identical assets or liabilities) (level 1).
- (b) Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly or indirectly (level 2).
- (c) Inputs for asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2015 and 30 June 2015.

31 December 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration:				
Opening balance as at 1 July 2015	-	-	2,864,063	2,864,063
Re-measurement to fair value (note 11)	-	-	510,937	510,937
Total	-	-	3,375,000	3,375,000

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

30 June 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration:				
Opening balance as at 1 July 2014			2,437,500	2,437,500
Re-measurement to fair value	-	-	426,563	426,563
Total	-	-	2,864,063	2,864,063

a) Valuation techniques used to derive level 3 fair values

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The contingent consideration was valued by applying the probability weighted payout approach as described in note 11.

b) Fair values of other financial instruments

The group also has a number of financial instruments that are not measured at fair value in the balance sheet. The carrying value of cash, trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

NOTE 5: REVENUE

	31 December 2015	31 December 2014
	\$	\$
Interest	6,952	8,243
Total revenue	6,952	8,243

NOTE 6: CASH AND CASH EQUIVALENTS

For the purposes of the interim statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2015	30 June 2015
	\$	\$
Cash at bank	3,219,649	2,351,093

NOTE 7: TRADE AND OTHER RECEIVABLES

	31 December 2015	30 June 2015
	\$	\$
Research and development rebate	-	621,071
Other receivables	14,310	466,415
Total trade and other receivables	14,310	1,087,486

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

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Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

NOTE 8: EXPLORATION AND EVALUATION COSTS

	31 December 2015	30 June 2015
	\$	\$
Opening balance at the beginning of the period	1,898,656	2,743,827
Write off ¹	-	(224,100)
Research and development rebate ²	(533,812)	(621,071)
Deconsolidation of PHM following loss of control of subsidiary	(1,364,844)	-
Exploration and evaluation - at cost	-	1,898,656

¹ The Wyloo tenement was relinquished during the prior financial year.

² During the year a Research and Development (R&D) claim was made in relation to the exploration and evaluation spend on the Panda Hill Niobium Project for the year ended 30 June 2015, resulting in a total expected refund of \$533,812 (30 June 2015: \$621,071).

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 9: INTERESTS IN JOINT VENTURES

	31 December 2015	30 June 2015
	\$	\$
Interest in joint ventures		
RECB Limited (refer note 9a)	-	12,953,659
Panda Hill Tanzania Ltd (refer note 9b)	18,475,532	11,273,872
Panda Hill Mining Ltd (refer note 9c)	-	-
Interest in joint venture	18,475,532	24,227,531

a) RECB Limited

During the half year to 31 December 2015, the mining licences held by RECB were transferred to PHT for purchase consideration with an estimated value of \$8,965,528 (refer note 9b) for further details) Following the transfer of the mining licenses to PHT, the RECB shares held by the Company were transferred to Celtic Trust Limited on 27 November 2015. As a result of this transaction, the Company has no further interest in RECB.

On de-recognition of the interest in RECB, an impairment loss of \$3,922,657 was recognised to reflect the difference between the estimated fair value of the Group's pre-existing interest in the licences transferred (determined based on the purchase consideration as noted above) and the carrying value of the investment in RECB as at the date of disposal.

	31 December 2015	30 June 2015
	\$	\$
Reconciliation of interest in joint venture - RECB		
Opening balance	12,953,659	13,036,992
Value of interest in joint venture	-	34,380
Share of joint venture losses	(65,474)	(117,713)
Impairment on interest in joint venture	(3,922,657)	-
Distribution to joint venturers of interest in mining licenses at fair value	(8,965,528)	-
Interest in joint venture	-	12,953,659

b) Panda Hill Tanzania Ltd

On 6 June 2014 the Company executed an Investment and Shareholders Agreement with Tremont, PHM and Panda Hill Tanzania Ltd ('PHT') to fund the Project beyond Definitive Feasibility Studies, pursuant to which Tremont earned a 50% interest in the Project for a US\$20 million contribution. PHT has paid the Company 7.5% of the funds subscribed by Tremont.

The Board of PHT is two representatives of each Party, and a Technical Committee which also comprises two representatives of each Party; certain significant decisions will require unanimous approval over the operations of PHT.

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As the relevant activities of PHT require approval by both Parties, the Company has assessed that the interest in PHT is a joint venture.

PHT is a company incorporated in Mauritius where its principal place of business is also located. Its carrying value is measured using the equity method of accounting.

31 December 2015

During the period the final tranche of USD\$5 million was contributed on 1 October 2015, with USD\$375,000 being contributed to the Company on 5 October 2015. As a result the interests held by the Company and Tremont were decreased and increased respectively to 50%.

On 5 October 2015, PHT executed a Sale of Mineral Rights Agreement with RECB, in addition to a Side Agreement with the Company and Tremont, executed on 20 November 2015, and a Further Deed of Amendment and Restatement executed on 29 September 2015 (an amendment to the Panda Hill Option Agreement in which RECB granted PHT the right to acquire the Mining Property as described below). As a result of the above, PHT exercised its option and on 9 November 2015 the License Registration and legal title of the mining rights passed to PHT, with the terms of consideration as follows:

- USD\$1 million option fee payable;
- USD\$1.5 million payable by the company on completion;
- Issue of shares by the Company to RECB of 3.1 million ordinary quoted shares and 3.1 million ordinary quoted shares (to be held in escrow until commencement of commercial production);
- USD\$3 million cash payable, either five business days after Project Financing or by 30 September 2016, whichever comes first; if the latter, as of 1 October 2015 the loan becomes an interest fee loan, repayable as per terms set out in the agreement, up until 30 September 2017, at which point the loan then becomes non-repayable;
- A 5% Consideration Royalty payable on product from the Mineral Rights up to a maximum royalty amount of \$5 million plus interest within a four year period from the commencement of commercial production.

	31 December 2015	30 June 2015
	\$	\$
Reconciliation of interest in joint venture - PHT		
Opening balance	11,273,872	4,374,811
Loss on dilution of interest in PHT on receipt of final tranche from Tremont	(2,410,303)	(2,109,036)
Acquisition of interest in/contributions to joint venture	4,699,720	7,642,601
Contribution to joint venture of interest in mining licences	4,482,764	-
Share of foreign currency translation reserve	451,866	1,417,127
Interest in joint venture	18,497,919	11,325,503
Share of joint venture (loss) for the period	(22,387)	(51,631)
	18,475,532	11,273,872

c) Panda Hill Mining Pty Limited

Following receipt of the final tranche of US\$5 million from Tremont, the Company now has a 50% interest in PHT. Per the Investment and Shareholders Agreement, Tremont is considered to have a present ownership interest in PHM equal to its interest in PHT. Accordingly, the Company's interest in PHM was reduced to 50%. The Group has also lost control of PHM which is now classified as a joint venture. The carrying amount of the Company's interest in PHM at 31 December 2015 was nil.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

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Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

NOTE 10: CONTROLLED ENTITIES

	Country of incorporation	Percentage Owned (%)*	
		31 December 2015	30 June 2015
<i>Subsidiaries of Cradle Resources Limited:</i>			
Panda Hill Mining Pty Ltd (refer Note 9c)	Australia	-	62.5%
Songwe Hill Limited	Tanzania	100%	100%

* Percentage of voting power in proportion to ownership

a) Songwe Hill Limited

On 6 October 2014 the Group, through the Parent entity and its subsidiary PHM, gained a 100% ownership interest in Songwe Hill Limited, an entity incorporated in Tanzania, setup primarily for the purposes of having access to a local Tanzanian bank for on-site project spend. The financial transactions of the entity have been consolidated.

NOTE 11: CONTINGENT CONSIDERATION

	31 December 2015	30 June 2015
	\$	\$
Class B Performance Shares – at fair value	3,375,000	2,864,063
Total contingent consideration	3,375,000	2,864,063

The contingent consideration liability arose from the acquisition of the Group's previous interest in RECB Limited (note 9a).

The Class B Performance Shares meet the definition of a financial liability because a variable amount of Class B Performance Shares ranging from zero, if the NPV produced by the Definitive Feasibility Study is less than US\$300 million (assuming a 10% discount rate and long term market contract price), to 18,750,000, if the Class B Performance Milestone is met of NPV US\$400 million or greater (assuming a 10% discount rate and long term market contract price), could be converted into fully paid Ordinary Shares at a rate of one ordinary share for every Performance Share that converts.

31 December 2015

Following a review by the Board it was determined that the probability weighted outcome as at 31 December 2015 was 90%, and as at that date the share price was \$0.20 (30 June 2015: \$0.235). The increase in value of \$510,937 was taken to the consolidated statement of profit or loss and other comprehensive income. Future developments may require further revisions to the estimate.

NOTE 12: ACCRUED EXPENSES

	31 December 2015	30 June 2015
	\$	\$
Audit fee	16,900	22,500
Tax consultants fee	4,000	12,000
Directors' fee	42,917	2,917
FBT provision	-	21,073
Exploration costs	-	36,532
Total accrued expenses	63,817	95,022

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES
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Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

NOTE 13: CONTRIBUTED EQUITY

a) Issued capital	31 December 2015	30 June 2015
	\$	\$
Issued ordinary shares - fully paid	20,332,085	19,005,683
Issued share options	287,491	287,491
Total contributed equity	20,619,576	19,293,174

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par values. Accordingly, the parent entity does not have authorised capital or par value in respect to its issued shares.

i) Movements in ordinary share capital

31 December 2015	No. of shares	Issue price	31 December 2015
		\$	\$
Opening balance at 1 July 2015	128,727,617	-	19,005,683
Share issue – 6 November 2015 ¹	6,200,000	0.22	1,333,000
Less: costs relating to share issue	-	-	(6,598)
Closing balance at 31 December 2015	134,927,617		20,332,085
30 June 2015			
Opening balance at 1 July 2014	128,727,617	-	19,005,683
Closing balance at 30 June 2015	128,727,617		19,005,683

¹ As per the Sale of Mineral Rights Agreement with RECB, Cradle contributed 6.2million shares towards the acquisition of the licences by PHT (refer note 9b) for further details).

Options

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

b) Share based payments reserve	31 December 2015	30 June 2015
	\$	\$
Balance at 1 July	606,510	114,117
Share based payment expense	(34,270)	492,393
Total share based payment reserve	572,240	606,510

Performance rights

In the 2014 financial year the Company issued 2,625,000 performance rights to certain employees and consultants. The principal terms and conditions of the performance rights include continuous employment with or provision of services to the Company, and the fulfillment of specific project-related milestones.

During the previous financial year, 787,500 performance rights were converted into ordinary shares upon completion of delivery of the Scoping Study, with 1,837,500 performance rights still outstanding.

The performance rights have performance based conditions that are required to be satisfied prior to milestone dates as below. If the performance conditions are achieved by the relevant milestone date the performance rights will vest and the performance rights may be exercised into an equivalent number of shares in the Company in accordance with the performance rights terms and conditions.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

Tranche of Performance Rights	Performance Conditions	Description	Number of Performance Rights to be issued	Weighting	Milestone Date	Expiry Date
Tranche 2	Definitive Feasibility Study Delivery	Delivery of a positive Definitive Feasibility Study with an NPV10 of >US\$400 million.	1,050,000	40%	30/09/16 ¹	30/09/16
Tranche 3	Project Construction Decision	The Company making a decision to proceed to project construction, evidenced by the Board resolving to continue as such.	787,500	30%	30/09/16	30/09/17

¹ The Directors resolved on 2 February 2016 to extend the Milestone Date for Tranche 2 of the Performance Rights to 30 September 2016.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Commitments

Estimated commitments for which no liabilities were included in the financial statements are as follows:

Rental commitments

	31 December 2015	30 June 2015
	\$	\$
Not later than one year	79,859	54,487
Later than one year and not later than five years	-	20,544
Total rental commitments	79,859	75,031

Rental commitments relate to annual rent required over the mining licence for the Panda Hill Mining Project.

Panda Hill Niobium Project - Definitive Feasibility Study

An estimated commitment of US\$1 million is required to complete the DFS stage of the Panda Hill Niobium Project to the end of the first quarter of 2016.

Contingencies

There were no contingent assets or contingent liabilities as at the date of this report.

NOTE 15: EVENTS OCCURRING AFTER THE REPORTING DATE

James Kelly was appointed as a non-executive director of the Company and, subject to obtaining shareholder approval, the Company intends to issue Mr Kelly with 1,000,000 unlisted options exercisable at 25 cents each on or before 31 October 2018.

There are no other significant changes in the state of affairs of the Company after the reporting date.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Directors' Declaration

In the Directors' opinion:

1. The interim financial statements and notes, are in accordance with the *Corporations Act 2001* including:
 - a) compliance with Accounting Standards AASB134 Interim financial reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the consolidated Group's financial position as at 31 December 2015 and their performance for the period ended on that date; and
2. Subject to the matters as set out in Note 2 to the interim financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors, pursuant to s 303(5) of the Corporations Act.



Craig Burton
Executive Chairman
Dated 15th March 2016

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2015

Independent Review Report

To the members of Cradle Resources Limited

Report on the interim financial report

We have reviewed the accompanying interim financial report of Cradle Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Cradle Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

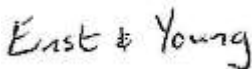
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cradle Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2 in the interim financial report. The matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



G Lotter
Partner
Perth
15 March 2016