



ACN 149 637 016

**Consolidated Interim Financial Report
for the half year ended
31 December 2016**

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2016

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CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

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Corporate Directory

Directors	Ian Middlemas (Non-Executive Chairman) Robert Behets (Non-Executive Director) Craig Burton (Non-Executive Director) James Kelly (Executive Director)
Company Secretary	Sam Smart
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	DLA Piper Australia Level 31, Central Park 152-158 St Georges Terrace Perth WA 6000
Share Registry	Link Market Services Limited Level 4, Central Park 152-158 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 2016

Directors' Report

The Board of Directors of Cradle Resources Limited present their report on Cradle Resources Limited ("Company" or "Cradle") and the entities it controlled during the half-year ended 31 December 2016 ("Consolidated Entity" or "Group").

Directors

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

Ian Middlemas	Non-Executive Chairman <i>(previously Non-Executive Director until 1 August 2016)</i>
Robert Behets	Non-Executive Director
Craig Burton	Non-Executive Director <i>(previously Non-Executive Chairman until 1 August 2016)</i>
James Kelly	Executive Director

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

Review of Operations

Scheme of Arrangement

Subsequent to the end of the half-year, the Company received an all-cash offer from Tremont Investments Limited ("Tremont"), its joint venture partner in the Panda Hill Niobium Project, to acquire all of the issued shares of the Company for A\$0.33 per share ("Offer Price") via a scheme of arrangement ("Scheme") under the Australian Corporations Act.

The Scheme values Cradle at approximately A\$55.0 million and the Offer Price of A\$0.33 per share represents a 43.5% premium to the last closing price of Cradle shares on the ASX prior to announcement of the Scheme.

Tremont is backed by Denham Capital, an energy and resources private equity firm which sponsors experienced mining management teams.

The cash offer enables Cradle shareholders to realise immediate value for their Cradle shares and reflects the size, strategic nature and development potential of the Panda Hill Niobium Project.

Definitive Feasibility Study (DFS)

All activities associated with the Company's DFS were completed during Q2 2016.

Front End Engineering and Design (FEED)

The FEED program was completed during the period, with the final report planned for issue in Q1 2017. The highlights from the work carried out by the various consultants are:

- Project capital costs have been reduced by circa US\$10 million compared to the DFS;
- Estimated operating costs (including mine, plant and overheads) are similar to the DFS values;
- Schedule for the execution of the project has been reduced by 3 months (to 18 months);
- Mine and infrastructure design have been significantly de-risked;
- Engineering, Procurement, Construction Management (EPCM) bids were received from three consultants and are being adjudicated;
- Preferred contractors have been selected for the project construction services and operations, including mining and plant operations;
- Drilling of the water bores was completed with significant water seen in four of the holes. Permit applications have been submitted;
- HAZOP 3 (hazard and operability study) was conducted in October and the drawings and design criteria updated to reflect the changes;
- Business Risk register was updated at the end of December; and
- Human Resources policies and conditions of service manual was completed and presented to the Panda Hill Tanzania Limited (PHT) board for approval in principle.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2016

Directors' Report (continued)

Review of Operations (continued)

Marketing

Marketing and offtake discussions are ongoing with parties who cover the major regions associated with the niobium market. Potential project financiers are engaged with the preferred offtake partners in order to ensure a holistic marketing and financing solution.

Financing

Senior project debt funding discussions continue to progress well. The project debt arranger, a leading European bank, is continuing with various work streams to enable it to complete project due diligence work, targeting credit approval for the loan facility prior to June 2017.

Prison Relocation

The PHT shareholders approved minor changes to the proposed Prison Agreement as requested by the Tanzanian Prison Service (TPS) and the final document was forwarded to the Commissioner General of Prisons for sign off. The final version was accepted by the TPS and has been submitted to the Department of Home Affairs and the Attorney General in Tanzania for sign-off.

Mining and Engineering Activity

The work carried out during the period focused on the progress of the activities defined in the FEED scope. Specifically, the following occurred during the period:

Engineering

- The MDM Engineering (MDM) FEED design team completed the HAZOP3 Review for all process areas. All comments and concerns were included in the revised process flow diagrams (PFDs) and piping and instrumentation drawings (P&IDS);
- MDM focused on finalising the CAPEX and OPEX costs through various clarification meetings held with all equipment suppliers and contractors;
- Review meetings were held to address critical cost items and optimisation opportunities. Areas identified included bulk earthworks, civils, structural steel, access road and tailings storage facility (TSF);
- Furnace bids were received from two furnace suppliers. Tender submissions were reviewed by the appointed furnace consultant and a preferred vendor recommended;
- MDM continued investigating the design of the acid and caustic leach circuit. An independent consultant has been brought in to assist in this;
- Paterson & Cooke submitted a final report on the hydraulic design of the TSF pipeline;
- Bids have been received for the following and preferred bidder status awarded:
 - a. Bulk earthworks;
 - b. TSF construction;
 - c. Road construction;
 - d. Civils construction;
 - e. Mining drill & blast; and
 - f. Mining load & haul;
- The revised CAPEX estimate was US\$186M (vs. US\$197M in the DFS). Significant savings were made in the TSF construction, mine haul road and access road;
- The revised Life of Mine (LOM) OPEX was US\$61.15/ t mill feed (vs. US\$61.63/ t mill feed in the DFS);
- Construction schedule reduced from 21 months to 18 months;
- The draft of the FEED Report has been completed; and
- EPCM bids were received from three consultants and are being adjudicated.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2016

Directors' Report (continued)

Review of Operations (continued)

Tailings and Water

- Modelling of the Intermediate Stockpile (ISP) and Low Grade Stockpile (LSP) pollution control dam and related storm water management trenches and berms was completed;
- Contractor rates were reviewed and final costing exercises were completed;
- Final drawings reviewed;
- The various FEED reports were finalised;
- Work continued on the TSF detailed design; and
- An opportunity was identified that can make the dam simpler to construct in the initial stages and delay some of the start-up capex until the third year. This proposal was modelled and it was agreed to use this concept in the detailed design.

Mining

- Mining tenders were received and evaluated. Clarification meetings were held and recommendation made as to the preferred contractor;
- FEED report was completed; and
- Contractors were asked to submit a separate bid for the drilling and blasting services (previously this bid was included in the Mining Tender). Sound Mining Solutions evaluated separate and combined bids and negotiations are ongoing which could result in a reduction to the overall mining costs.

Mine Site Activities

- Mine site visit was conducted with the EPCM major work package contractors and bidders;
- The mine site team assisted with the water drilling. Nine holes in total were completed to on average 150m in depth of which four encountered significant quantities of water;
- Water extraction permits for the yielding boreholes were submitted to the Lake Rukwa Water Board;
- The extraction permit application for the water from the Songwe River was published in the government gazette for a 40-day comment period. Lake Rukwa Water Board will meet in Q1 2017 to finalise and approve;
- The team continued its discussion with Tazara (rail) and Tanesco (power) around infrastructure requirements;
 - Tanesco approved offtake from their existing power line for the early works functions (construction camp etc.). This line will be upgraded later; and
 - Tazara approved the construction of the access road running parallel to their existing rail tracks; and
- Site team met with Mbeya Regional Commissioner and local Songwe Council to discuss the proposed stakeholder engagement plan.

Social and Environmental Activities

PHT continued with the various community and stakeholder liaison meetings during the period. An agreement was reached with the community to relocate the ritual site on Panda Hill and also for PHT to wall the burial site on the north-eastern side of the tenement.

There are no community impediments to the project proceeding.

Water flow sampling of the Songwe River continues for the environmental baseline assessment.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2016

Directors' Report (continued)

Results of Operations

The net loss of the Group after income tax for the financial period amounted to \$741,987 (31 December 2015: \$9,314,945).

A significant proportion of the losses in the prior period ending 31 December 2015 related to 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.

At the end of the financial period the Company had cash on hand of \$2,494,270 (30 June 2016: \$5,571,352).

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 recommend a dividend at present.

Events Subsequent to Reporting Date

On 10 March 2017, the Company announced that it had received an all-cash offer from Tremont to acquire all of the issued shares of the Company for A\$0.33 per share via a scheme of arrangement under the Australian Corporations Act.

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 6 for the half-year ended 31 December 2016.

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



Ian Middlemas
Chairman
14 March 2017

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 2016, 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

Ernst & Young



G Lotter
Partner
14 March 2017

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES
Consolidated Interim Financial Report 31 December 2016
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2016

	31-Dec-16	31-Dec-15
	\$	\$
Revenue	14,275	6,952
Expenses		
Administration	(158,277)	(226,092)
Professional fees	(286,708)	(79,735)
Directors fees	(170,259)	(110,656)
Exploration and evaluation expenditure	-	(308)
Employee benefits expense	(76,357)	(28,951)
Share based payment expense	(82,040)	34,270
Net foreign exchange gains	50,287	344,839
Impairment on joint venture interest	-	(3,922,657)
Write down of intercompany loans on deemed loss of control of subsidiary	-	(2,386,355)
Share of interest in joint venture losses	(32,908)	(87,861)
Gain on disposal of subsidiary	-	62,849
Loss on dilution of interest in PHT	-	(2,410,303)
Loss on re-measurement of financial liability	-	(510,937)
Loss before income tax expense	(741,987)	(9,314,945)
Income tax	-	-
Loss after income tax for the period	(741,987)	(9,314,945)
Attributable to:		
Members of parent entity	(741,987)	(7,320,880)
Non-controlling interest	-	(1,994,065)
	(741,987)	(9,314,945)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of foreign operations	594,500	452,402
Other comprehensive income for the period, net of tax	594,500	452,402
Total comprehensive (loss) for the period	(147,487)	(8,862,543)
Total comprehensive (loss) for the period attributable to :		
Members of parent entity	(147,487)	(6,868,478)
Non-controlling interest	-	(1,994,065)
	(147,487)	(8,862,543)
Loss per share		
Basic (loss) per share (cents)	(0.45)	(5.61)
Diluted (loss) per share (cents)	(0.45)	(5.61)

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 2016
Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31-Dec-16 \$	30-June-16 \$
Assets			
Current Assets			
Cash and cash equivalents		2,494,270	5,571,352
Trade and other receivables		50,588	33,078
Total Current Assets		2,544,858	5,604,430
Non-Current Assets			
Interest in joint venture	5	22,170,280	18,183,827
Other receivables		26,133	26,133
Total Non-Current Assets		22,196,413	18,209,960
Total Assets		24,741,271	23,814,390
Liabilities			
Current Liabilities			
Trade and other payables		100,119	118,002
Accrued expenses		1,125,597	79,827
Provisions and other liabilities		11,742	47,301
Total Current Liabilities		1,237,458	245,130
Total Liabilities		1,237,458	245,130
Net Assets		23,503,813	23,569,260
Contributed Equity			
Issued share capital	7	27,988,391	27,988,391
Issued share options	7	287,491	287,491
Share based payment reserve		571,359	489,319
Consolidation reserve		10,921,281	10,921,281
Foreign currency translation reserve		2,107,972	1,513,472
Accumulated losses		(18,372,681)	(17,630,694)
Equity attributable to equity holders of the Parent		23,503,813	23,569,260
Non-controlling interest		-	-
Total Equity		23,503,813	23,569,260

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 2016

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

	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 2016	27,988,391	287,491	489,319	10,921,281	1,513,472	(17,630,694)	-	23,569,260
Other comprehensive income for the period, net of tax	-	-	-	-	594,500	-	-	594,500
Loss after income tax expense for the period	-	-	-	-	-	(741,987)	-	(741,987)
Total comprehensive loss for the period	-	-	-	-	594,500	(741,987)	-	(147,487)
Share based payment	-	-	82,040	-	-	-	-	82,040
Balance as at 31 December 2016	27,988,391	287,491	571,359	10,921,281	2,107,972	(18,372,681)	-	23,503,813

	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 period, net of tax	-	-	-	-	452,402	-	-	452,402
Loss after income tax expense for the period	-	-	-	-	-	(7,320,880)	(1,994,065)	(9,314,945)
Total comprehensive loss for the period	-	-	-	-	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

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 2016
Consolidated Statement of Cash Flows

For the half year ended 31 December 2016

	31-Dec-16	31-Dec-15
	\$	\$
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)	(734,673)	(657,095)
Interest received	14,275	6,952
Net cash used in operating activities	(720,398)	(650,143)
Cash flows from investing activities		
Loss of control of subsidiary	-	(1,440)
Refund from research and development rebate	-	621,071
Cash calls received from joint venture partner	69,075	1,658,616
Parent entity's share of investor funding	-	537,480
Contributions to joint venture	(2,324,467)	-
Payments for exploration and evaluation	-	(1,408,744)
Net cash (used in)/from investing activities	(2,255,392)	1,406,983
Cash flows from financing activities		
Share issue costs	(38,104)	(6,597)
Funding for onsite exploration spend	(9,773)	4,314
Loans to other entities	(61,000)	-
Net cash (used in) financing activities	(108,877)	(2,283)
Net (decrease)/increase in cash and cash equivalents	(3,084,667)	754,557
Cash and cash equivalents at the beginning of the financial period	5,571,352	2,351,093
Effects of exchange rate changes on the balances held in foreign currencies	7,585	113,999
Cash and cash equivalents at the end of the financial period	2,494,270	3,219,649

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 2016

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2016

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 2016 were authorised for issue in accordance with a resolution of the Directors on 14 March 2017.

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 2016. 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 2016.

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 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the new and amended Standards and Interpretations described below.

Going Concern

The Group had a cash position at 31 December 2016 of \$2,494,270 (30 June 2016: \$5,571,352).

Subsequent to the end of the half-year, the Company received an all-cash offer from Tremont Investments Limited ("Tremont"), its joint venture partner in the Panda Hill Niobium Project, to acquire all of the issued shares of the Company for A\$0.33 per share ("Offer Price") via a scheme of arrangement ("Scheme") under the Australian Corporations Act. The Directors of the Company have agreed to unanimously recommend Tremont's offer, in the absence of a superior proposal. The Scheme is subject to a number of conditions including Cradle shareholder and Federal Court of Australia approval, regulatory approvals, and no material adverse change or prescribed occurrences.

Management's cash flow forecasts for the 12 months ending 31 March 2018 indicate that the Group is in a position to meet its corporate and administration expenditure requirements and currently approved Project expenditures. Should the Scheme not complete as anticipated, additional capital may need to be raised to enable the Group to contribute its share of any additional Project expenditures during the next 12 months.

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 the Scheme will complete, or otherwise 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.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2014

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

NOTE 2: BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Changes in Accounting Policy, Accounting Standards and Interpretations

In the half year ended 31 December 2016, 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 2016. 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 2016.

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: EXPLORATION AND EVALUATION COSTS

	31 December 2016	30 June 2016
	\$	\$
Opening balance at the beginning of the period	-	1,898,656
Research and development rebate	-	(533,812)
Deconsolidation of PHM following loss of control of subsidiary	-	(1,364,844)
Exploration and evaluation - at cost	-	-

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES
Consolidated Interim Financial Report 31 December 2016

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2016 (continued)

NOTE 5: INTEREST IN JOINT VENTURE

	31 December 2016	30 June 2016
	\$	\$
Interest in joint ventures		
Panda Hill Tanzania Ltd (note 5a)	22,170,280	18,183,827
Interest in joint venture	22,170,280	18,183,827

a) Panda Hill Tanzania Ltd

On 6 June 2014 the Company executed an Investment and Shareholders Agreement with Tremont Investments Limited ("Tremont"), Panda Hill Mining Pty Ltd ("PHM") and Panda Hill Tanzania Ltd ("PHT"), pursuant to which Tremont earned a 50% interest in the Project for a US\$20 million contribution.

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.

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 2016	30 June 2016
	\$	\$
Reconciliation of interest in joint venture - PHT		
Opening balance	18,183,827	11,273,872
Loss on dilution of interest in PHT on receipt of final tranche from Tremont	-	(2,410,303)
Acquisition of interest in/contributions to joint venture	-	4,701,815
Contribution to joint venture of interest in mining licences	-	4,482,764
Contributions to joint venture ¹	3,089,283	-
Project funding ²	335,494	-
Share of foreign currency translation reserve	594,584	95,853
Interest in joint venture	22,203,188	18,144,001
Share of joint venture (loss)/gain for the period	(32,908)	39,826
	22,170,280	18,183,827

¹Contributions include the Company's share of consideration payable as set out in the terms of the Sale of Mineral Rights Agreement of USD\$3 million completed on 14 September 2016. In addition, Cradle's share of accrued Project costs are recognised as a further contribution to the joint venture.

² Company's share of a total cash call request to cover Project spend of USD\$0.5 million, completed on 22 November 2016.

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2016

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2016 (continued)

NOTE 6: CONTROLLED ENTITIES

		Percentage Owned (%)*	
	Country of incorporation	31 December 2016	30 June 2016
<i>Subsidiaries of Cradle Resources Limited:</i>			
Songwe Hill Limited	Tanzania	100%	100%

** Percentage of voting power in proportion to ownership*

* Percentage of voting power in proportion to ownership

NOTE 7: CONTRIBUTED EQUITY

a) Issued capital	31 December 2016	30 June 2016
	\$	\$
Issued ordinary shares - fully paid	27,988,391	27,988,391
Issued share options	287,491	287,491
Total contributed equity	28,275,882	28,275,882

b) Ordinary shares

There was no movement in ordinary shares during the period.

c) Options

There was no movement in options during the period. It was resolved during the half year that vesting of the options previously issued to Mr Robert Behets be accelerated to 22 November 2016.

d) Performance rights

There was no movement in performance rights during the period.

NOTE 8: COMMITMENTS AND CONTINGENCIES

There has been no change to commitments, contingent assets or contingent liabilities since the date of the last annual report.

NOTE 9: EVENTS OCCURRING AFTER THE REPORTING DATE

On 10 March 2017, the Company announced that it had received an all-cash offer from Tremont to acquire all of the issued shares of the Company for A\$0.33 per share via a scheme of arrangement under the Australian Corporations Act.

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 2016

Directors' Declaration

In accordance with a resolution of the Directors of Cradle Resources Limited, I state that:

In the opinion of the Directors:

- (a) the attached financial statements and notes thereto for the period ended 31 December 2016 are in accordance with the Corporations Act 2001, including:
 - (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 305 (true and fair view); and
- (b) subject to the matters set out in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Ian Middlemas
Chairman
14 March 2017

Report on the half-year financial report to the members of Cradle Resources Limited

We have reviewed the accompanying half-year financial report of Cradle Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of 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 half-year financial report

The Directors of the company are responsible for the preparation of the half-year 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 half-year 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 half-year 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 half-year 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 2016 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 a half-year 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 half-year 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 2016 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 financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions 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

Ernst & Young



G Lotter
Partner
Perth
14 March 2017

CRADLE RESOURCES LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report 31 December 2016

Competent Person's Statement

The information in this document relating to the Panda Hill Mineral Ore Reserve is extracted from the announcement entitled 'ORE RESERVES FOR PANDA HILL DECLARED' dated 12 June 2016 and is available to view on www.cradleresources.com.au. The information in this document relating to the Panda Hill Definitive Feasibility Study is extracted from the announcement entitled 'DEFINITIVE FEASIBILITY STUDY ON PANDA HILL' dated 20 April 2016 and is available to view on www.cradleresources.com.au. The information in this document relating to the Panda Hill Mineral Resources is extracted from the announcement entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' dated 30 April 2015 and is available to view on 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 announcements 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 announcements.