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PROPOSED CHANGES TO TANZANIAN LEGISLATION

PERTH, Western Australia – 7 July 2017: Cradle Resources Limited (“Cradle” or “Company”) (ASX: CXX) provides an update in relation to proposed legislative changes in Tanzania (“**New Legislation**”).

The New Legislation is contained in three bills which were passed by the Tanzanian Parliament on 3 and 4 July 2017. Copies of the New Legislation are available in full on the websites of the Tanzanian Parliament and the Company.

The New Legislation appears to predominantly target the mining and export of precious metals and metal concentrates from existing operations in Tanzania that have been the focus of recent reviews conducted by Presidential Committees.

The New Legislation proposes to allow the Tanzanian Government (“**Government**”) to renegotiate all existing Mine Development Agreements (“**MDAs**”). In addition, the New Legislation proposes mandatory beneficiation within the country and no licence or permit shall be issued for exportation of raw minerals and mineral concentrates.

Cradle owns 50% of Panda Hill Tanzania Limited (“**PHT**”), which owns 100% of the Panda Hill Niobium Project (“**Project**”) in Tanzania. PHT does not have an MDA with the Government. The Project consists of three standard Mining Licences which do not require MDAs, as opposed to the Special Mining Licences used by larger projects which are eligible for concessional tax arrangements via MDAs.

The Company released a definitive feasibility study (“**DFS**”) on the Project in April 2016. The DFS was based on the Project upgrading its niobium concentrate to ferro-niobium on-site. Ferro-niobium is a final product that is sold directly to steel mills, with no further upgrading required.

Accordingly, a significant proportion of the New Legislation is not expected to impact Cradle or PHT. A non-exhaustive summary of some key aspects of the New Legislation as they relate to Cradle and PHT is discussed below.

The New Legislation proposes that in any mining operation (under a Mining Licence or Special Mining Licence) the Government shall have not less than 16% non-dilutable free carried interest in the capital of the mining company. The Company’s DFS did not factor in any Government free carried interest. It is expected that the debt funding costs of a new project would be recoverable underneath the free carried interest, although this needs to be clarified.

The New Legislation proposes that the Government shall be entitled to acquire, in total, up to 50% of the shares of the mining company, commensurate with quantified value of tax incentives incurred by the Government in favour of the mining company. The Government has not incurred any special tax incentives in favour of PHT, nor is PHT seeking the Government to incur any special tax incentives in favour of PHT under a MDA. Accordingly, it is unclear if this is relevant to PHT.

The New Legislation proposes an increase in the royalty rate for certain minerals, though not for ‘other’ minerals, which we understand includes niobium. In addition, under the terms of the new Finance Act which has already been passed by Parliament, a 1% clearing fee has been added on the value of all minerals exported from Tanzania from 1 July 2017. The Company’s DFS did not factor in a 1% clearing fee, although the impact of this fee is expected to be relatively minor.

The New Legislation proposes mandatory beneficiation of minerals within Tanzania and that no raw resources shall be exported for beneficiation outside Tanzania. It does not appear that this would apply to PHT, as the proposed Project will upgrade its niobium concentrate to ferro-niobium on-site.

The New Legislation proposes that any earnings from mineral developments must be retained in the banks and financial institutions established in Tanzania. The New Legislation does not restrict repatriation of profits in accordance with the laws of Tanzania.

The New Legislation proposes that any disputes that relate to the extraction, exploitation, acquisition or use of natural wealth and resources must be adjudicated in Tanzania in accordance with the laws of Tanzania. The New Legislation proposes that mineral right holders must participate in the growth of the Tanzanian economy by investing a portion of the returns from mining, and contains further provisions on local content, corporate social responsibility and the requirement for mineral rights holders to make an integrity pledge. PHT already has significant plans and commitments in this area. As a result, Cradle does not anticipate any issues in meeting such requirements.

The New Legislation proposes that the Government may renegotiate existing arrangements or agreements relating to the extraction, exploitation and use of natural resources. PHT is not a party to any such agreements with the Government, so this is not expected to apply to PHT.

There remains significant uncertainty regarding the operation of the New Legislation. The 16% Government shareholding and the 1% clearing fee appear to be applicable to PHT. Whether there is any other impact requires further advice and clarification. At this stage, the Company believes other impacts may be minor or manageable.

PHT will work with the Government to clarify the position and enable appropriate adjustments to the DFS and the Panda Hill development plans and will provide further updates as appropriate.

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