

12/09/2011

Departures from the ASX Corporate Governance Council's Corporate Governance Recommendations

The following statement provides details of the recommendations set out by the ASX Corporate Governance Council that will not be followed by Cradle Resources Limited ("Company"). The Company has also identified reasons for not following these recommendations.

Principle 1: Lay solid foundations for management and oversight

1.2 Companies should disclose the process for evaluating the performance of senior executives

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principle 2: Structure the Board to add value

2.1 The majority of the Board should be independent directors

The Board consists of a Chairman and two Non-executive Directors. The Chairman Mr Michael Ashforth is an Independent Non- Executive Director. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.

2.4 The Board should establish a nomination committee

The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

2.5 Companies should disclose the process for evaluating the performance of the Board its committees and individual directors.

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principal 4: Safeguard integrity of financial reporting

4.1 The Board should establish an Audit Committee

See 4.3

4.2 The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair; who is not chair of the Board and has at least three members

See 4.3

4.3 The audit committee should have a formal charter

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Cradle Resources will carry out any necessary audit committee functions.

Principle 8: Remunerate fairly and responsibly

8.2 The Board should establish a remuneration committee

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Cradle Resources will carry out any necessary remuneration committee functions.