



ACN 149 637 016

PROSPECTUS

An offer of up to 12,500,000 Shares at an issue price of \$0.20 each to raise up to \$2,500,000, together with up to 6,250,000 free attaching Listed Options (issued on the basis of one (1) Listed Option for every two (2) Shares issued), on a post-Consolidation basis.

This is a replacement Prospectus dated 31 May 2013. It replaces a Prospectus dated 30 May 2013 relating to Shares and Listed Options of Cradle Resources Limited.

The Offer is conditional upon the Conditions of the Offer outlined in Section 3.5 being satisfied. In the event that the Conditions of the Offer are not satisfied the Company will not proceed with the Offer and the Company will repay all application monies received.

This is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the Listing Rules and to satisfy ASX requirements for re-admission to the Official List following a change to the scale of the Company's activities.

Hard copies of this Prospectus may be inspected at both the Company's Share Registry and the registered office.

<p>This is an important document. Please consult your professional adviser(s) if you have any questions. The mineral properties described in this Prospectus are at the application, exploration and evaluation stage. Accordingly investment in the Securities offered by this Prospectus should be regarded as speculative in nature, and investors should be aware that they may lose some or all of their investment.</p>
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Corporate Directory

Directors

Michael Ashforth – Non-Executive Chairman
Grant Davey – Non-Executive Director
(Proposed Managing Director following re-Compliance)
Brendan Cummins – Non-Executive Director
Evan Cranston – Non-Executive Director

Company Secretary

Oonagh Malone

Registered and Corporate Office

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Subiaco WA 6008
Telephone: +61 8 6143 1869
Fax: +61 8 9388 8824
Email: admin@cradleresources.com.au

Stock Exchange Listing

Australian Securities Exchange
ASX Code : CXX / CXXO

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Solicitors (Australia)

Hardy Bowen Lawyers
Level 1, 28 Ord Street
West Perth WA 6005

Solicitors (Tanzania)

Rex Attorneys
Rex House
145 Magore Street, Upanga
Dar Es Salaam

Auditor

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

Investigating Accountant

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

Independent Geologist

Ravensgate
Suite 12, Level 3, 44 Parliament Place
West Perth WA 6005

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Important Notices and Statements

General

This Prospectus is dated and was lodged with ASIC on 31 May 2013. It replaces a prospectus dated 30 May 2013 which was lodged with ASIC on that date. Neither ASIC nor ASX take responsibility for the contents of this Prospectus.

The expiry date (**Prospectus Expiry Date**) of this Prospectus is 13 months after the date it was lodged with ASIC. No Securities will be issued on the basis of this Prospectus after the Prospectus Expiry Date.

This Prospectus will generally be made available in electronic form during the Exposure Period by being posted on the Company's website at www.cradleresources.com.au. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and the relevant Application Form (free of charge) from the Company's principal place of business during the Offer Period by contacting the Company. The Offer and Panda Hill loan offer constituted by this Prospectus in electronic form is only available to persons receiving an electronic version of this Prospectus and relevant Application Form within Australia.

Applications for Securities will only be accepted on the Application Form attached to or accompanying this Prospectus or in its paper copy form as downloaded in its entirety from www.cradleresources.com.au. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer other than as is contained in this Prospectus. Any information or representation not contained in the Prospectus should not be relied on as having been made or authorised by the Company or its Directors in connection with the Offer.

The Company will make application within 7 days of the date of this Prospectus for Official Quotation of the Securities.

Foreign Investors

No action has been taken to register or qualify the Securities, or the Offer, or otherwise to permit the public offering of the Securities, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

Exposure Period

Applications for Securities under this Prospectus will not be processed until after expiry of the Exposure Period pursuant to Chapter 6D of the Corporations Act. No preference will be conferred on Applications received during the Exposure Period. All Applications received

during the Exposure Period will be treated as if they were simultaneously received on the Opening Date. If the Exposure Period is extended by ASIC, Applications will not be processed until after expiry of the extended Exposure Period.

The purpose of the Exposure Period is to enable examination of this Prospectus by market participants prior to the acceptance of Applications and the raising of funds. That examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Speculative Investment

The Securities offered under this Prospectus are considered speculative. There is no guarantee that the Securities offered by this Prospectus will make a return on the capital invested, that dividends will be paid on the Securities or that there will be an increase in the value of the Securities in the future.

Prospective investors should carefully consider whether the Securities offered by this Prospectus are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Refer to Section 9 for details relating to the investment risks.

Using this Prospectus

Persons wishing to subscribe for Securities offered by this Prospectus should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses, and prospects of the Company and the rights and liabilities attaching to the Securities offered pursuant to this Prospectus. If persons considering subscribing for the Securities offered by this Prospectus have any questions, they should consult their stockbroker, solicitors, accountants or professional advisers for advice.

Prospective investors wishing to subscribe for Securities should complete the Application Form.

Competent Persons' Statement

The information in this Prospectus that relates to exploration results 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. 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 JORC Code. Mr Inwood consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

The competent person for the JORC Resource estimate and classification is Ms Ellen Maidens who is a Member of the Australian Institute of Geoscientists. Ms Maidens is a full time employee of Coffey Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the JORC Code. Ms Maidens consents to the inclusion in this Prospectus of the matters based on her information in the form and context in which it appears.

Glossary

Defined terms and abbreviations used in this Prospectus are explained in the Glossary in Section 13.

Investment Overview

On 3 April 2013 the Company announced it had executed a Share Sale Agreement to acquire all the share capital of Panda Hill in consideration of the issue of Shares and Performance Shares in the Company to the Vendors. Further details of the transaction are set out in Section 1.7 of this Prospectus.

Highlights

- ❖ **On completion of the Acquisition, the Company will acquire a 49% interest in the Panda Hill Project, Tanzania, with a right to acquire 100%**
- ❖ **The Panda Hill Project has an established niobium JORC Resource with potential to be highly economic. A scoping study will commence immediately following the Acquisition**
- ❖ **Part of the Vendor consideration is conditional upon a definitive feasibility study demonstrating a net present value of at least US\$400,000,000**
- ❖ **The resource was estimated and reported in accordance with the JORC Code (2004), being an inferred 56Mt deposit at 0.50% Nb₂O₅ with an indicative strip ratio of 1:1**
- ❖ **The mineralization is open both at depth and along strike. Extensional and in-fill drilling is planned immediately following completion of the Acquisition**
- ❖ **The preliminary metallurgical recoveries are confirmed by historical test work**
- ❖ **The Panda Hill Project is located on the granted Panda Hill Licences**
- ❖ **An experienced project management team has been assembled to drive the Panda Hill Project**

This information is a selective overview only. Prospective investors should read the Prospectus in full, including the experts' reports in this Prospectus, before deciding to invest in Securities.

Topic	Summary	Reference
Projects	<p>The Panda Hill Project is located in Tanzania.</p> <p>The Company is seeking to undertake exploration for niobium at the Panda Hill Project.</p> <p>The Company has executed a share sale agreement to acquire all of the share capital of Panda Hill. Panda Hill holds a 49% shareholding in RECB (which is the holder of the Panda Hill Licences), an option to acquire a further 1% shareholding in RECB, and the right to acquire the Panda Hill Licences or the remaining 50% of RECB under an Earn-In/Option Agreement.</p>	Section 1.3

Topic	Summary	Reference
Board	<p>An experienced Board with a proven track record that aims to grow the Company through exploration success and value creating acquisitions</p> <p>The members of the Board are Michael Ashforth, Grant Davey, Evan Cranston and Brendan Cummins</p> <p>The Directors each hold (or will, following the Acquisition, hold) Securities in the Company and are entitled to remuneration</p>	Section 2.1
Investment Opportunities	The Board may assess other global resource investment opportunities in various jurisdictions to create additional Shareholder value	
What is being offered	<p>12,500,000 new Shares are being offered by the Company at an issue price of \$0.20 each to raise up to \$2,500,000, together with up to 6,250,000 free attaching Listed Options (issued on the basis of one (1) Listed Option for every two (2) Shares issued), on a post-Consolidation basis</p> <p>Shares issued under the Offer will represent approximately 13.5% of the issued share capital of the Company following the Consolidation, Offer, completion of the Acquisition and conversion of the loans held by the Panda Hill lenders (on an undiluted basis)</p>	Section 3.1
How do I apply for Securities	Applications for Securities under the Offer can be made by completing the Application Form in accordance with the instructions	Application Form
What is the cost of the Offer	The expenses of the Offer are approximately \$270,160 (assuming the maximum subscription of \$2,500,000)	Section 3.5
Will dividends be paid	The Company is a mineral exploration company and is not mining, generating revenue or making profits and does not expect to pay dividends in the near future	
Further information	Further information can be obtained by reading this Prospectus or consulting your professional advisors	
Company contact	You can contact the Company Secretary on (+61) 8 6143 1869 for further details	Corporate Directory

This information is a selective overview only. Prospective investors should read the Prospectus in full, including the experts' reports in this Prospectus before deciding to invest in Securities.

Investment Risks

There are a number of risks associated with investing in the share market generally and in the Company specifically. The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.

An investment in the Securities of the Company is considered speculative in nature and investors should be aware that they may lose some or all of their investment. Prospective investors should read this Prospectus in its entirety before deciding on whether to apply for Securities and, in particular, consider the risk factors set out in Section 9 which include (but are not limited to):

Risk	Summary	Reference
Exploration and Development	General exploration and development risks associated with the Panda Hill Project.	Section 9.1(c)
Renewal of Title	Since granting of the Panda Hill Licences there have been delays in the development of the Panda Hill Project as a result of delays in agreeing terms with the Tanzanian authorities for the relocation of the Songwe Prison. Following meetings with the Ministry of Mines officials in Tanzania, including the Minister for Mining, the Company does not believe that this will have consequences for renewal of the Panda Hill Licences. However, any application for renewal of any licence comprising the Panda Hill Project involves the exercise of discretion by the relevant government authority. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection with the renewal.	Section 9.1(g)
Niobium Price Volatility	The demand for, and price of, niobium is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative metals, actions taken by governments, and global economic and political developments. A material decline in the price of niobium may have a material adverse effect on the Company's business, financial condition and results of operations.	Section 9.1(d)

Risk	Summary	Reference
Relocation of Songwe Prison	A low security prison farm is located on two of the Panda Hill Licences, and a relocation agreement is being negotiated and needs to be completed with the Tanzanian authorities prior to commencement of the construction of the mine. Management of the Panda Hill Mining Licences is currently in negotiations with the Tanzanian authorities regarding relocation and resettlement of the Songwe Prison, and the terms and conditions of any compensation payable as required under the relevant legislation.	Section 9.1(f)
Resource Estimate	Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations. Further details regarding the risks associated with the resource estimate are contained in Section 9.1 of this Prospectus.	Section 9.1(e)
Future Capital Requirements	There is no certainty regarding the ability of the Company to raise sufficient funds to meet the needs of the Company in the future.	Section 9.1(o)
Sovereign Risk	The Panda Hill Project is located in Tanzania and the Company will be subject to the risks associated with operating in that country (e.g. economic, social or political instability). Changes to Tanzania's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.	Section 9.1(b)
Limited Operating History	The Company has limited operating history on which an evaluation of its prospects can be made	
Reliance on key personnel	The Company is reliant on a number of key personnel and consultants, including members of the Board	Section 9.1(r)
General Risks	There are a number of general risks including share market conditions and economic risk	Section 9.2

Indicative Timetable for the Offer

Lodgement of Prospectus with ASIC	31 May 2013
Expected Opening Date¹	10 June 2013
Expected Closing Date²	5:00pm WST on 21 June 2013
Cut off for lodging Proxy Form for General Meeting	24 June 2013
Snapshot date for eligibility to vote at General Meeting	24 June 2013
Suspension of Securities from trading on ASX	26 June 2013
General Meeting of the Company	26 June 2013
Completion of Capital Raising	10 July 2013
Settlement of Acquisition	10 July 2013
Despatch of holding statements following Consolidation and Capital Raising³	11 July 2013
Anticipated date the suspension of trading is lifted and the Company's Securities are re-quoted on ASX³	15 July 2013

Notes

- 1 Subject to the Exposure Period. Any extension of the Exposure Period will impact on the Opening Date.
- 2 Prospective investors are encouraged to submit their Applications as early as possible. The Directors reserve the right to close the Offer earlier or later than as indicated above without prior notice to prospective investors.
- 3 Anticipated dates only. The date the Securities are expected to be issued and/or commence trading on ASX may vary with any change to the Closing Date.

Key Offer Statistics

The price of Shares offered under this Prospectus is \$0.20 per Share.

12,500,000 Shares are offered under this Prospectus to raise up to \$2,500,000, together with up to 6,250,000 free attaching Listed Options (issued on the basis of one (1) Listed Option for every two (2) Shares issued), on a post-Consolidation basis (**Offer**).

The capital structure of the Company following the Consolidation, Offer, the Acquisition and other matters will be as follows¹:

SHARES¹

Current issued share capital (on a post-Consolidation basis)	38,625,000
Shares issued to Vendors	37,500,000
Shares issued under the Offer ²	12,500,000
Shares issued to Panda Hill lenders ³	3,750,000
TOTAL SHARES	<u>92,375,000</u>

OPTIONS

Listed Options exercisable at \$0.2667 on or before 24 January 2015 ²	16,562,500
Unlisted Options exercisable at \$0.2667 on or before 31 May 2016	7,687,500
TOTAL OPTIONS	<u>24,250,000</u>

PERFORMANCE SHARES

Performance Shares issued to Vendors ⁴	37,500,000
TOTAL PERFORMANCE SHARES	<u>37,500,000</u>

Notes

¹ The number of Securities is approximate and will be subject to rounding of holdings. Where a fractional entitlement arises, the Directors will round that fraction up to the nearest whole Security.

² This assumes that 12,500,000 Shares and 6,250,000 free attaching Listed Options will be issued under the Offer pursuant to this Prospectus (i.e. full subscription). The minimum total subscription for the Offer is 11,000,000 Shares (together with 5,500,000 free attaching Listed Options). It is noted by the Directors that firm commitments have been received as at the date of this Prospectus for \$2,200,000 in respect of the Offer.

³ This assumes that Panda Hill has loans of \$600,000 from the Panda Hill lenders. The loans will be acquired by the Company in consideration for the issue of Shares under the Panda Hill loan offer at a deemed issue price of \$0.16 per Share (on a post-Consolidation basis).

⁴ This is comprised of 18,750,000 Class A Performance Shares and 18,750,000 Class B Performance Shares.

Chairman's Letter

31 May 2013

Dear Investor,

On behalf of the Board of Cradle Resources Limited, I am very pleased to present this Prospectus to you and invite you to become a shareholder in the company.

The purpose of the Offer is to raise up to \$2,500,000 by the issue of up to 12,500,000 Shares each at an issue price of \$0.20, together with up to 6,250,000 free attaching Listed Options (issued on the basis of one (1) Listed Option for every two (2) Shares issued), on a post-Consolidation basis.

The proceeds of the Offer will be used to fund Cradle's mineral exploration and development activities and meet the re-compliance costs associated with Cradle's proposed acquisition of all of the shares of Panda Hill Mining Pty Ltd.

This Prospectus provides information about Cradle, its assets and proposed operations assuming completion of the purchase of the Panda Hill niobium project. It also includes a statement of the risks associated with investing in the Company and I encourage you to read it carefully.

If you are interested in investing in the Company you should seek independent professional advice.

We look forward to welcoming you as a shareholder should you decide to take up this Offer.

Yours sincerely,


Michael Ashforth
Chairman

1. Overview of Company

1.1 Panda Hill Project Investment Highlights

- ❖ On completion of the Acquisition, the Company will acquire a 49% interest in the Panda Hill Project, Tanzania, with a right to acquire 100%
- ❖ The Panda Hill Project has an established niobium JORC Resource with potential to be highly economic. A scoping study will commence immediately following completion of the Acquisition
- ❖ Part of the Vendor consideration is conditional upon a definitive feasibility study demonstrating a net present value of at least US\$400M
- ❖ The resource was estimated and reported in accordance with the JORC Code (2004), being an inferred 56Mt deposit at 0.50% Nb₂O₅ with an indicative strip ratio of 1:1
- ❖ The mineralization is open both at depth and along strike. Extensional and in-fill drilling is planned immediately following completion of the Acquisition
- ❖ The preliminary metallurgical recoveries are confirmed by historical test work
- ❖ The Project is located on the granted Panda Hill Licences
- ❖ An experienced project management team has been assembled to drive the Panda Hill Project

1.2 Overview of Panda Hill Project

The Panda Hill Project (Figure 1) is located in the Mbeya region in south western Tanzania, near the borders with Zambia and Malawi, and approximately 650km west of the capital Dar es Salaam. The industrial city of Mbeya is situated only 35km from the Panda Hill Project area and will be a significant service and logistics centre for the Panda Hill Project. Mbeya has a population of approximately 280,000 people, is located on the main highway to the capital Dar es Salaam and is completing the construction of a new international airport.

The Panda Hill Project is covered by three granted Licences (Figure 2) totaling 22.1km², which will enable a quick transition to the study and development phases, and has access to infrastructure, with existing roads, rail, airports and 220kV power available in close proximity to the Panda Hill Project area. The Panda Hill Licences are due for renewal in November 2016 and under Tanzanian mining legislation can be renewed for a further 10 year period on completion of the approved work programs on the Panda Hill Project.

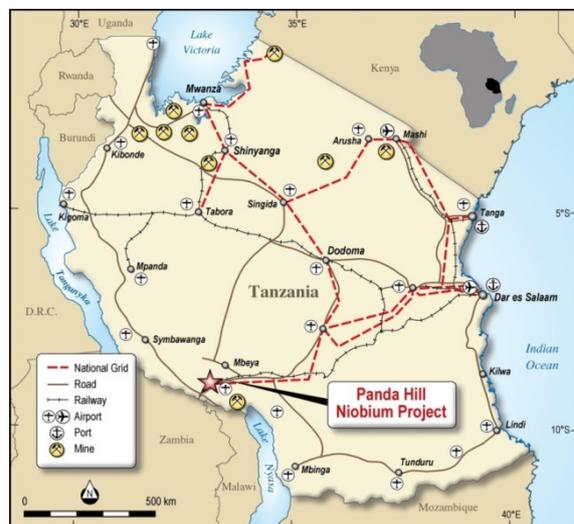


Figure 1: Location of the Panda Hill Project

A significant historical technical database on the Panda Hill Project has been acquired by Panda Hill, including drill core, mapping and assay data from campaigns undertaken in the 1950-1980s. This work has contributed to the resource information for an initial resource

estimate, in accordance with the JORC Code (2004), being an inferred 56Mt deposit at 0.50% Nb₂O₅ with an indicative strip ratio of 1:1.

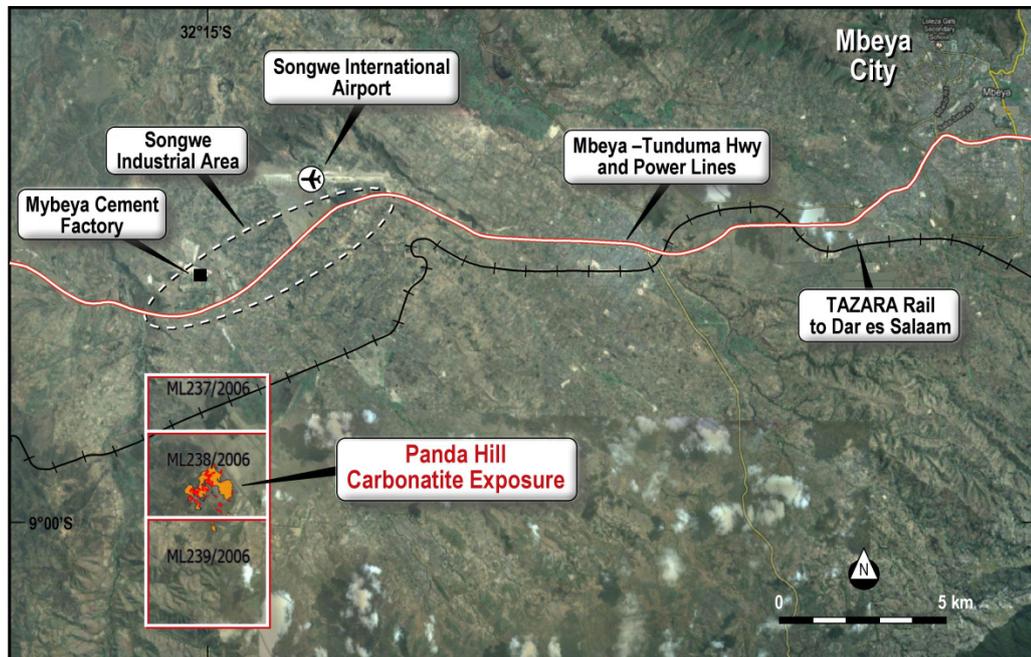


Figure 2: Mining Licences and Local Infrastructure

Historical Work

The Panda Hill carbonatite has been subject to multiple phases of exploration work since the 1950s. This work has targeted the niobium and phosphate endowment of the deposit. From 1953 to 1965, the Geological Survey of Tanzania (GST) undertook mapping, diamond drilling and trenching (17 diamond holes for 1,405m) to assess the niobium and phosphate potential of the deposit.

From 1954 to 1963, the MBEXCO joint venture was formed between N.V. Billiton Maatschappij (Billiton) and Colonial Development Corporation, London. MBEXCO drilled 66 diamond holes for 3,708m, excavated numerous pits, sunk two shafts and undertook trial mining and constructed a trial gravity and flotation plant on site. Concentrate from site was sent to Holland for further processing, with positive early metallurgical testwork results noted.

From 1978 to 1980 a Yugoslavian State Enterprise (RUDIS) undertook a joint study in collaboration with the Tanzanian Mining Industrial Association and State Mining Corporation (STAMICO). This work included mapping, diamond drilling and pitting (13 diamond holes for 1,306m) to test the niobium endowment of the deposit. Detailed reports have been secured from this program.

Panda Hill Niobium Resource

The resource update was undertaken by Coffey Mining in Perth in July 2012. The Coffey Inferred Resource only included fresh carbonatite mineralization. The mineralized fenite material has not yet been included in any resource studies. The resource estimate was based upon grade and lithological information derived from 96 historical diamond holes. The resource was constrained within a 3D wireframe based upon a nominal 0.2% Nb₂O₅ lower cutoff. Ordinary Kriging was used to estimate Nb₂O₅ using 2m down-hole composites with a 2.5% Nb₂O₅ upper cut applied.

Table 1 - Panda Hill Inferred Mineral Resource, 3 July 2012¹ (Preferred cut-off 0.3% Nb₂O₅)

Lower Cut-off (Nb ₂ O ₅ %)	Tonnage (Mt)	Grade (Nb ₂ O ₅ %)	Contained Mineral (Nb ₂ O ₅ tonnes)
0.2	72	0.45	322,000
0.3	56	0.50	280,000
0.4	38	0.58	220,000

Note: Figures have been rounded.
Reported using a Dry Bulk density of 2.75t/m³ and a 2.5% Nb₂O₅ top cut. Ordinary Kriged Estimate with a 25mX by 25mY by 5mZ block size

¹ The Competent Person for the resource estimation and classification is Ms Ellen Maidens, who is a full time employee of Coffey Mining. The Competent Person for the resource database is Mr Neil Inwood, who is a full time employee of Verona Capital. Both Ms Maidens and Mr Inwood are members of the AIG and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which was undertaken to qualify as a Competent Person as defined in the JORC Code. The detailed JORC Competent Persons statement is located in the Important Notices and Statements section of this Prospectus.

Exploration Upside

The Panda Hill Project retains significant upside for its exploration resource potential. The current resource is limited to drilling to an average depth of only 100m. This style of deposit is expected to have vertical depths in excess of 300m. The depth potential is supported by the deepest drillhole drilled by the GST (GS6) which finished in carbonatite at 253m from surface. Figure 3 provides a conceptual cross section of the Panda Hill niobium deposit based on the current geological understanding. The shallow resource provides an opportunity for open pit operations to occur.

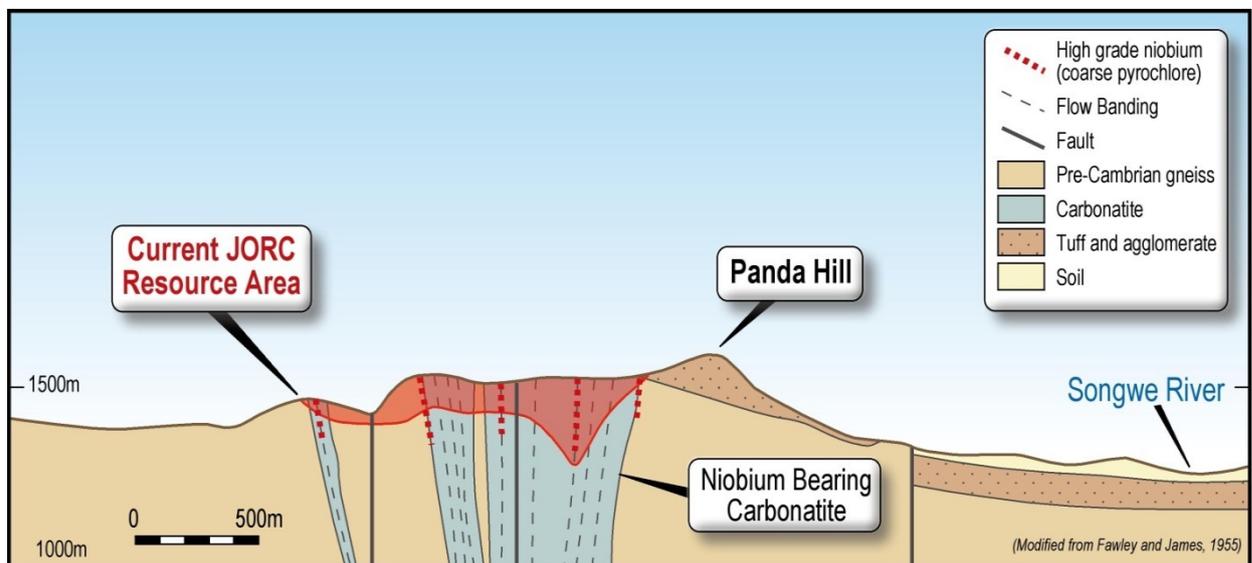


Figure 3: Conceptual cross section of the Panda Hill Niobium deposit

Additionally, the drilling has concentrated on the northern and central portions of the carbonatite intrusion on ML 238/2006, with the southern extents poorly explored. Carbonatite and fenite hosted mineralisation that has been mapped on ML239/2006 (Figure 4) has only been tested by one drillhole (VII/79) which terminated in mineralized carbonatite at 87m. This allows for possible trend extent to the south of the current resource.

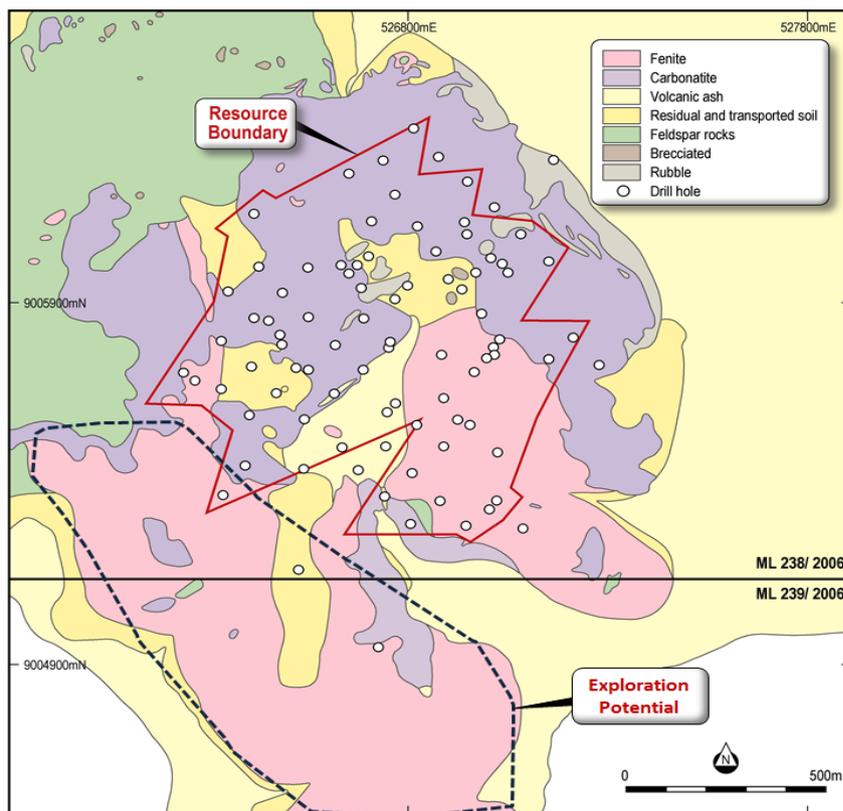


Figure 4: Local geology and exploration potential showing drill collars and resources outline

Processing Testwork

Initial processing testwork by SGS Lakefield in 2002 has also been encouraging. This work indicated metallurgical recoveries of between 61.5% and 79.4% for the carbonatite mineralization. These recoveries compare favorably to existing niobium producers. Further detailed metallurgical test work has been planned for the next phase of the Panda Hill Project development.

Regional Geology

The geology of Tanzania is dominated by the central, Achaean Tanzanian Craton which is surrounded by younger Proterozoic fold belts. To the north, linear east-west trending greenstone belts set within the Craton host significant gold discoveries. A NW-SE trending mobile belt (ca 2000-1800) flanks the southwest of the Craton, with geology dominated by high-grade metamorphic lithologies. The dominant rocks are felsic gneisses and amphibolites, although granulites, late granites and marbles are also found. Parts of this mobile belt are covered by younger sediments and volcanic rocks.

A younger mobile belt lies south of the Craton, and is also dominated by high grade granulites and biotite gneisses. The belt trends easterly, but its boundary with the Mozambique gneiss belt east of the Craton is obscured by Karoo and Neogene sediments.

During the Mesozoic and Cenozoic major rifting broke-up the eastern part of the African plate, affecting the older mobile belts surrounding the Tanzanian Craton. Two main branches of the rift system have been identified in Tanzania; east and west of the central Craton. This rifting created the basins that are now occupied by lakes Tanganyika, Rukwa and Nyasa in the western arm, and lakes Eyasi, Manyara and Natron in the eastern arm. Most of the known carbonatites in Tanzania occur in or close to the rift system.

The distribution of carbonatite intrusions in Tanzania is controlled by repeatedly rejuvenated deep shear zones within the Proterozoic mobile belts. All of the Cretaceous carbonatites are interpreted to have intruded along shear and fault zones; while the intrusions intruded during the Mesozoic are found close to post-Karoo faults and fault intersections. Carbonatite volcanism appears to be preferentially intruded along these persistently rejuvenated faults and shear structures, while rifting was a result of the reactivation of such structures.

Geology of Panda Hill

The Panda Hill carbonatite is a mid-Cretaceous volcanic intrusion which has intruded into gneisses and amphibolites of the NE-SE trending mobile belt. It forms a steeply dipping, near-circular plug of approximately 1.5km diameter and is partly covered by fenitized country rocks and residual soil material. The fenite forms a "cap" or roof over the carbonatite complex, and is in turn overlain by residual and transported soils. Volcanic ash over part of the complex suggests a later stage of volcanic activity. It is apparent that portions of fenite, ash and soil cover are underlain by carbonatite and these areas are only lightly explored.

In the main exposed portion of the carbonatite evidence supports three stages of carbonatite activity outwards from the centre of the plug. An early-stage calcite carbonatite forms the core, while intermediate and late-stage carbonatites, composed of more magnesian-rich and iron-rich carbonates, form the outer parts of the plug. Later stage apatite-magnetite rich rocks and ferro-carbonatite dykes are also found in the complex. Fenitization of the pre-existing gneisses led to the development of potassium-rich rocks containing K-feldspar and phlogopite.

Mineralogy

Carbonatite from the Panda Hill Project is composed mainly of calcite, which forms an average of 60-75% by volume. Samples containing up to 92% calcite have been reported from Panda Hill. The fresh carbonatite contains up to 5% Apatite, with pyrochlore, magnetite, phlogopite and quartz. These include quartz, Fe-oxides (goethite and hematite), and clay minerals dominated by kaolinite. Secondary phosphates belonging to the crandallite-goyazite-gorcexite group have also been found in the weathered products from Panda Hill.

Mineralisation

The bulk of the Panda Hill niobium mineralization is found within pyrochlore and lesser columbite. The bulk of the known mineralization is within fresh, un-weathered carbonatite, with Nb₂O₅ grades typically ranging from 0.1% to 1%. Higher-grade material is noted within flow-banding (schlieren) within the carbonatite. The fenitized-cap material is noted to contain elevated grades of up to 2% Nb₂O₅.

1.3 Niobium Market Overview

Niobium (Nb) is a transition metal primarily used in the production of high strength low alloy steel products. Niobium alloyed steel is stronger, lighter and more corrosion resistant. As such, niobium demand stems from industries requiring high grade steels including automotive, construction, shipbuilding and oil and gas pipeline development.

Figure 5 below provides a description of the benefits of niobium in the automotive industry. Utilizing US\$9 of niobium in a standard family sedan leads to a 100kg weight reduction and provides ongoing fuel savings of 1 litre per 200 km. This results in a reduction of 2.2 tonnes of CO₂ per vehicle, which is greater than the total amount of CO₂ created during the production of all steel required for the vehicle.



Figure 5: Automotive industry cost benefits of niobium alloying in steel

Figure 6 below provides a description of the benefits of niobium alloyed steel are also utilised in the construction industry. The Oresund Bridge connecting Sweden and Denmark was constructed with steel containing 0.022% niobium. This reduced the total weight by 15,000 tonnes and resulted in a saving of US\$25 million in construction costs.



Figure 6: Construction industry cost benefits of niobium alloying in steel

1.4 Niobium Demand

Niobium demand growth can be achieved from two sources, namely global steel production levels and also the intensity (concentration) of niobium used in steel alloying. As Figure 7 shows, significant growth in both these demand drivers has occurred since the early 2000s.

Consumption of niobium is forecast to increase substantially over the next twenty years due to a likely increase in the percentage of steel products utilizing niobium from current levels of 11.2% towards 20%. Increased usage intensity is anticipated to be particularly evident in developing nations, which currently utilize approximately 50% less niobium in steel compared with developed nations.

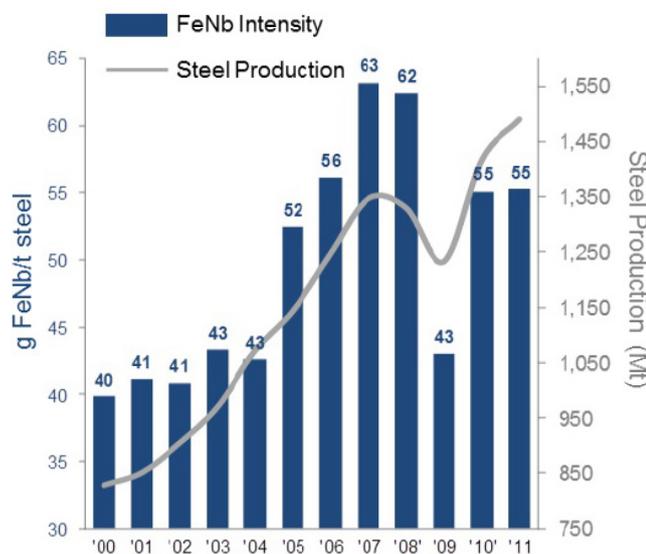


Figure 7: Historical niobium usage intensity and worldwide steel production

Niobium is also classified as a 'Strategic Metal' by the US Government and a 'Critical Metal' by the European Commission due to lack of substitutes, limited domestic availability, and the metal being considered essential to national security.

Table 2 below outlines recent purchases of equity in CBMM, the world's largest niobium producer. These transactions highlight the strategic importance to end users of access to niobium.

Table 2: Recent niobium market transactions

Seller	Seller Status	Buyer	Price	Equity	Transaction Date
CBMM	Producing Operations	Japanese & Korean Consortium (inc. Nippon Steel, POSCO & JFE Steel)	US\$1.95 Billion	15%	March 2011
CBMM	Producing Operations	Chinese Consortium (inc. CITIC Bank, Baosteel & Anshon Iron)	US\$1.98 Billion	15%	September 2011

1.5 Exploration Programme and Budget for the Panda Hill Project

The 12 month exploration budget for the Panda Hill Project exploration programme set out above is as follows:

Activity	Minimum Subscription \$2,200,000	Maximum Subscription \$2,500,000	Percentage of Total Budget
Drilling and seismic costs	\$800,001	\$800,001	45.98%
Community, environment, legal and government	\$24,570	\$24,570	1.41%
Scoping study and feasibility	\$346,749	\$346,749	19.93%
Employee Costs	\$386,855	\$386,855	22.24%
Travel Costs	\$43,419	\$43,419	2.50%
Office overheads and administration	\$21,271	\$21,271	1.22%
Camp and site costs	\$48,368	\$48,368	2.78%
Geology, geophysics and geochemistry	\$68,445	\$68,445	3.94%
Total	\$1,739,678	\$1,739,678	100%

Further details regarding the application of funds raised from the Offer are detailed in Section 3.3 of this Prospectus and the Independent Geologist's Report at Section 4.

1.6 Terms of Acquisition of Panda Hill

On 3 April 2013, the Company announced that it had executed a Share Sale Agreement (**Share Sale Agreement**) to acquire all the share capital (**Acquisition**) of Panda Hill Mining Pty Ltd (**Panda Hill**) in consideration of the issue of Securities in the Company to the Panda Hill shareholders (**Vendors**). The Share Sale Agreement is subject to:

- (a) the Company obtaining all necessary regulatory and shareholder approvals required to complete the Acquisition and the Offer;

- (b) the Company receiving in principle approval from the ASX for the re-admission of the Company's Securities to the official list of ASX on conditions reasonably acceptable to the Company;
- (c) completion of the Consolidation; and
- (d) completion of the Offer.

Under the Share Sale Agreement, the Vendors are entitled to nominate two Directors to the Board of the Company. Mr Grant Davey, a nominee of the Vendors, was appointed as a Director on 15 April 2013 and is seeking re-election at the General Meeting.

Panda Hill is owned by Verona Capital (and its principals), a private resource project development team.

Panda Hill, the company being acquired 100% by the Company, holds:

- (a) A 49% shareholding in RECB Limited (**RECB**) which it acquired for US\$3,340,000. RECB is a special purpose vehicle that owns 100% of the Panda Hill Project, which comprises the Panda Hill Licences and related data. RECB has no other material assets or liabilities.
- (b) An option to acquire a further 1% shareholding in RECB which was granted for a fee of US\$30,000 and is exercisable for an additional US\$30,000, subject to certain regulatory approvals.
- (c) The right to acquire the remaining 50% of RECB (or to acquire 100% of the Panda Hill Project assets directly) under an Earn-In/Option Agreement. Under this agreement, Panda Hill will sole fund Panda Hill Project expenditure for up to four years. The balance 50% of the Panda Hill Project can be acquired by Panda Hill at any time during this four year period for US\$17,100,000 less 25% of Panda Hill Project expenditure funded by Panda Hill (capped at a US\$5,000,000 reduction). Panda Hill can elect to pay US\$5,000,000 of the net purchase price in non-cash consideration, being either listed shares or a capped royalty, with the balance payable in cash.

Under the Earn-In/Option Agreement, Panda Hill has management control of the Panda Hill Project during the four year period. Further, there is a shareholders' agreement that protects Panda Hill's position as a shareholder of RECB with veto rights over significant decisions.

The Company has loaned Panda Hill US\$3,370,000 to fund completion of the acquisition of the 49% shareholding and the 1% option. If the Acquisition is not completed, this sum will be repaid to the Company by Panda Hill (or its shareholders).

Upon completion, the only other liability of Panda Hill will be \$600,000 in loans owed to the Panda Hill lenders, which will be converted to 3,750,000 Shares in the Company.

The 37,500,000 Performance Shares to be issued by the Company to the Vendors are convertible to ordinary Shares as follows:

- (i) 18,750,000 Class A Performance Shares subject to completion of a scoping study including metallurgical work and confirmatory drilling to the reasonable satisfaction of the independent Directors of the

Company as evidenced by a decision to proceed with work on the Panda Hill Project; and

- (ii) 18,750,000 Class B Performance Shares subject to completion of a definitive feasibility study on the Panda Hill Project which demonstrates a net present value of US\$400 million or greater (assuming a 10% discount rate and long term market contract price). There is a pro-rata conversion if the net present value is between US\$300 million and US\$400 million.

Following completion of the Acquisition, the Offer and related matters, the Company's position will be as follows:

- (a) Ownership of a 49% interest in the Panda Hill Project through shareholding in RECB.
- (b) Option Agreement to acquire a further 1% interest in RECB.
- (c) A 4 year option to acquire the balance 50% interest in the Panda Hill Project/RECB for approximately US\$14,000,000, of which US\$9,000,000 is payable in cash and US\$5,000,000 in shares or a capped royalty¹.
- (d) Management control of the Panda Hill Project.
- (e) Issued share capital of 92,375,000 Shares, 16,562,500 Listed Options, 7,687,500 Unlisted Options, and 37,500,000 Performance Shares².

Notes:

¹ Assumes about US\$12,400,000 is spent by Panda Hill on the Panda Hill Project development prior to exercise of the option

² Assumes subscription of the maximum capital raising of \$2,500,000.

Please refer to Section 8 for more detailed summaries of the above material contracts.

1.7 Shareholder Approval

The Offer is conditional upon, among other things, Shareholder approval of the Acquisition, the Offer and related matters (refer to Section 3.6) at the General Meeting of Shareholders of the Company scheduled to be held at 11:00am on Wednesday, 26 June 2013 at the registered office of the Company:

A copy of the Notice of General Meeting can be obtained from the Company's website at www.cradleresources.com.au.

1.8 Wyloo Tenement

The Company intends to continue exploration and evaluation work on its Wyloo Tenement to fully evaluate its commercial potential.

2. Board and Management

2.1 Directors Profiles

The names and details of the Directors in office at the date of this Prospectus are:

Mr Michael Ashforth – Non-Executive Chairman

Michael Ashforth is an Executive Director of Macquarie Capital (Australia) Limited. He was formerly a Managing Director of Gresham Advisory Partners Limited. Mr Ashforth has advised on a wide range of mergers and acquisitions transactions for Australian and international clients across a wide range of industry sectors. He has extensive experience in transactions across the resources sector.

Mr Ashforth is also Non-Executive Chairman of Castle Minerals Limited, where he was appointed 5 September 2005. He has not served as a director of any other listed company during the past three years.

Mr Grant Davey – Non-Executive Director

Grant Davey is a qualified Mining Engineer and has over 20 years' senior management and operational experience where he has operated and constructed mines at a senior executive level in Africa, Australia, South America and Russia, in the gold, platinum and coal industries. In recent years Mr Davey has gained significant experience in the resource venture capital industry internationally. Mr Davey is a member of the Australian Institute of Company Directors.

Mr Evan Cranston – Non-Executive Director

Evan Cranston is a Lawyer specialising in corporate and mining law. He has extensive experience in the areas of public listed entities including capital raisings, initial public offerings and liaison with market analysts and potential investors, together with Corporate Governance, the Listing Rules and the Corporations Act. His experience in mining law extends to tenement acquisition agreements, mineral right agreements, joint ventures and mergers and acquisitions. He holds both a Bachelor of Commerce and Bachelor of Laws.

Mr Cranston is currently an Executive Director of Attila Resources Limited and a Non-Executive Director of Boss Resources Limited and Carbine Resources Limited. Mr Cranston was previously Executive Director – Corporate of Ampella Mining Limited to April 2012.

Mr Brendan Cummins – Non-Executive Director

Brendan Cummins has over 18 years' world wide experience in the mining industry as both a mine and exploration Geologist. The majority of his experience has been in exploration geology, resource definition, project evaluation and acquisition having worked on a range of precious metal, base metal and industrial minerals projects throughout Australia and overseas.

Mr Cummins is currently an Executive of Westoria Capital and Director of Westoria Resource Investments Ltd, a private mineral resources investment group that sources, evaluates and funds early stage resource projects.

Mr Cummins graduated from the University of Western Australia with First Class Honours in Geology. He is a member of the Society of Economic Geologists (SEG) and the Australian Institute of Geoscientists (AIG).

During the last three years Mr Cummins has not served as a Director of any other listed company.

Ms Oonagh Malone – Company Secretary

Oonagh Malone is a Member of Chartered Secretaries Australia and currently acts as Company Secretary to three ASX-listed companies – Cradle Resources Limited, Attila Resources Limited and Boss Resources Limited. She has over 5 years' experience in the mining sector working in administrative and compliance roles.

2.2 Project Management Team

Mr Grant Davey – Managing Director (post Acquisition)

It is intended that Mr Davey will be appointed as the Managing Director of the Company following completion of the Acquisition.

As Managing Director, Mr Davey will receive remuneration of \$200,000 per annum plus superannuation. Mr Davey's employment contract will be terminable by either party on three (3) months' notice (or 12 months' notice in the event of change of control), and Mr Davey will dedicate at least 70% of his available time to the Company.

Please refer to section 2.1 above for Mr Davey's biography.

Mr Keith Bowes – Project Director

Keith Bowes is an experienced Project and Operations Manager with a metallurgical background and experience in flotation, leaching and roasting of base metals and gold. Mr Bowes has worked in Africa, Australia and South America and is experienced in leading multi-disciplinary owners' teams in delivering resource projects. As Project Director, Mr Bowes will receive remuneration of \$275,000 per annum plus superannuation, with a minimum incentive bonus of \$50,000 payable per annum. Mr Bowes' employment contract is terminable by either party on three (3) months' notice, and Mr Bowes will dedicate 100% of his available time to the Company. Subject to Shareholder approval at a General Meeting, it is envisaged that the Company will issue up to 2,000,000 performance rights to Mr Keith Bowes on terms to be agreed.

2.3 Corporate Governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The independent Directors of the Company are free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgement.

The responsibilities of the Board include:

- (a) protection and enhancement of Shareholder value;
- (b) formulation, review and approval of the objectives and strategic direction of the Company;
- (c) approving all significant business transactions including acquisitions, divestments and capital expenditure;
- (d) monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- (e) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (f) the identification of significant business risks and ensuring that such risks are adequately managed;
- (g) the review and performance and remuneration of executive Directors and key staff;
- (h) the establishment and maintenance of appropriate ethical standards; and
- (i) evaluating and, where appropriate, adopting with or without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board recognizes the need for the Company to operate with the highest standards of behaviour and accountability. Subject to the exceptions outlined below, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines. Copies of corporate governance policies will be accessible on the Company's website at www.cradleresources.com.au.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

The Company has complied with each of the eight Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council, other than in relation to the matters specified below.

Principle No	Principle	Commentary	Mechanism for Dealing with Non-Compliance
1	Lay Solid Foundations for Management and Oversight	<p>The Company complies with this Principle.</p> <p>The Company has a policy for the evaluation of the Board and a Senior Executives Evaluation Policy.</p> <p>A policy on matters reserved for the Board is outlined in this Prospectus and is available on the Company's website.</p> <p>The Company also has a Board Charter which is available for review on the Company's website.</p>	Not applicable
2	Structure the Board to Add Value	<p>The Company does not comply with the following recommendations:</p> <p>The majority of the Board should be independent Directors.</p> <p>Following the appointment of Mr Grant Davey as a non-executive Director on 15 April 2013, the Board does not have a majority of independent Directors.</p> <p>The Board should establish a Nomination Committee.</p> <p>Given the Company's size, it is not considered necessary to have a separate Nomination Committee.</p> <p>In addition to the above, the following information is provided:</p> <p>The skills, experience and expertise of each of the Directors are set out in Section 2.1 of this Prospectus.</p> <p>If a Director considers it necessary to obtain independent professional advice to properly discharge</p>	<p>Following completion of the Acquisition, the Board intends to review its composition in terms of the recommendation to have a majority of independent Directors.</p> <p>The Board, in consultation with external advisers where required, undertakes this role.</p> <p>A separate policy for <i>Selection and Appointment of New Directors</i> has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and</p>

Principle No	Principle	Commentary	Mechanism for Dealing with Non-Compliance
		the responsibility of his office as a director, then provided the Director first obtains approval for incurring such expense from the Chairman the Company will pay the reasonable expenses associated with obtaining such advice.	physical ability to undertake Board duties and responsibilities.
3	Promote Ethical and Responsible Decision Making	The Company complies with this Principle. The Company's Securities Trading Policy is available on the Company's website.	Not applicable.
4	Safeguard Integrity in Financial Reporting	The Company does not comply with the following recommendation: The Board should establish an Audit Committee. The Company does not presently have an Audit Committee. The Company has a separate policy for the Selection and Appointment of External Auditors. A copy of this policy is provided on the Company's website.	The Directors are of the view that given the size of the Company and the relatively small number of Directors, it is not practical to have an Audit Committee. The Board undertakes this role. The Board meets on a regular basis and discusses matters normally captured under the terms of reference of an Audit Committee, being company risk, controls and general and specific financial matters.
5	Make Timely and Balanced Disclosure	The Company complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Company complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	The Company complies with this Principle. The Board receives reports in relation to the effectiveness of the Company's management	Not Applicable.

Principle No	Principle	Commentary	Mechanism for Dealing with Non-Compliance
		<p>of the Company's material business risks.</p> <p>The Board receives assurance from the Chief Executive Officer and the Company's external accountants that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p> <p>The Company also has a separate policy in relation to risk management which is available on the Company's website.</p>	
8	Remunerate Fairly and Responsibly	<p>The Company does not comply with the following recommendation:</p> <p>The Board should establish a Remuneration Committee.</p> <p>The Company does not presently have a Remuneration Committee.</p> <p>There is presently no scheme for retirement benefits, other than superannuation for Directors.</p>	<p>The Directors are of the view that given the size of the Company and the relatively small number of Directors, it is not practical to have a Remuneration Committee.</p> <p>The Board undertakes this role with the assistance of any external advice which may be required from time to time.</p> <p>The Company has separate policies relating to the remuneration of non-executive Directors as opposed to senior executives.</p> <p>These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.</p>

3. Details of Offer

3.1 The Offer

This Prospectus invites investors to apply for up to 12,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$2,500,000 (before associated costs), together with up to 6,250,000 free attaching Listed Options (issued on the basis of one (1) Listed Option for every two (2) Shares issued), on a post-Consolidation basis.

All Securities offered under this Prospectus will rank equally with the existing applicable Securities on issue.

The Company believes that, following completion of the Offer, the Company will have sufficient working capital to achieve its objectives as set out in this Prospectus.

All application monies are payable in full on Application.

3.2 Capital Structure

The capital structure of the Company following the Consolidation, Offer, the Acquisition and other matters will be as follows¹:

SHARES¹

Current issued share capital (post-Consolidation)	38,625,000
Shares issued to Vendors	37,500,000
Shares issued under Offer ²	12,500,000
Shares issued to Panda Hill lenders ³	3,750,000
TOTAL SHARES	<u>92,375,000</u>

OPTIONS

Listed Options exercisable at \$0.2667 on or before 24 January 2015 ²	16,562,500
Unlisted Options exercisable at \$0.2667 on or before 31 May 2016	7,687,500
TOTAL OPTIONS	<u>24,250,000</u>

PERFORMANCE SHARES

Performance Shares issued to Vendors ⁴	37,500,000
TOTAL PERFORMANCE SHARES	<u>37,500,000</u>

Notes

¹ The numbers of Securities is approximate and will be subject to rounding of holdings. Where a fractional entitlement arises, the Directors will round that fraction up to the nearest whole Security.

² This assumes that 12,500,000 Shares and 6,250,000 free attaching Listed Options will be issued under the Prospectus (i.e. full subscription). The minimum total subscription for the Offer is 11,000,000 Shares (together with 5,500,000 free attaching Listed Options). It is

noted by the Directors that firm commitments have been received to date for \$2,200,000 in respect of the Offer.

³ This assumes that Panda Hill has loans of \$600,000 from the Panda Hill lenders. The loans will be acquired by the Company in consideration for the issue of Shares under the Panda Hill loan offer at a deemed issue price of \$0.16 per Share (on a post-Consolidation basis).

⁴ This is comprised of 18,750,000 Class A Performance Shares and 18,750,000 Class B Performance Shares.

3.3 Consolidation

The Company will seek approval from Shareholders at the General Meeting to consolidate the number of Securities on issue on a 3:4 basis. The Consolidation is required to ensure that the Company's capital structure is appropriate for it to be able to re-comply with the admission requirements of ASX.

Under Section 254H of the Corporations Act and Article 3.4 of the Constitution, the Company may, by a resolution passed at a general meeting of Shareholders, convert all or any of its shares into a larger or smaller number of shares. Listing Rule 7.22.1 provides that in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

If such resolution is passed at the General Meeting, the number of Securities then on issue will be reduced on a 3:4 basis, the exercise price of all Options then on issue will be increased in inverse proportion to that ratio, and all holding statements for such Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Securities. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Optionholders.

3.4 Purpose of the Offer

The purpose of the Offer is to assist the Company to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the Listing Rules and provide additional funds to enable the Company to:

- (a) commence the required exploration and study programs to advance the potential development of the Panda Hill Project located in Tanzania;
- (b) meet the costs of the Offer; and
- (c) provide working capital.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

3.5 Objectives of the Offer and Use of Funds

Funds raised from the Offer will be utilised over a one year period as follows:

	Minimum Subscription \$2,200,000	Percentage of Funds	Maximum Subscription \$2,500,000	Percentage of Funds
Funds on hand ¹	\$474,723	17.75%	\$474,723	15.96%
Offer funds raised	2,200,000	82.25%	\$2,500,000	84.04%
Total funds available	\$2,674,723	100%	\$2,974,723	100%
Exploration and development expenditure ²	\$1,739,678	65.04%	\$1,739,678	58.48%
Net administration expenses	\$600,650	22.46%	\$600,650	20.19%
Expenses of the Offer	245,160	9.16%	270,160	9.08%
Unallocated working capital ³	89,235	3.34%	364,235	12.25%
Total funds allocated	\$2,674,723	100%	\$2,974,723	100%

Notes

1. As at 31 May 2013, following payment of accrued creditors.
2. Refer Section 1.6.
3. Unallocated working capital will be utilised by the Company to pay for unbudgeted or additional exploration expenditure or the administration costs of the Company.

Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the development of new opportunities, the results obtained from exploration and other factors (including the risk factors outlined in Section 9).

For further details in respect to the exploration programme and budget refer to the Section 1.5 and the Independent Geologist's Report in Section 4.

Depending on the results from the Projects, there may be adjustments to the expenditure budgets in the table above.

To capitalise on future opportunities and depending on the success of its activities, the Company may require debt or further equity fundraisings.

The Directors believe that the Company will have sufficient working capital to meet its immediate business obligations, as set out in the above table, upon completion of the Offer.

3.6 Conditions of the Offer

The Offer is conditional upon:

- (a) Shareholder approval of the following matters at the General Meeting:
 - (i) a significant change in scale of the Company's activities as a result of the Acquisition;
 - (ii) the Consolidation;
 - (iii) the issue of Shares and Performance Shares to the Vendors under the Share Sale Agreement;
 - (iv) the terms of the Performance Shares;
 - (v) the issue of Shares to the Panda Hill lenders;
 - (vi) the re-election of Grant Davey as a Director; and
 - (vii) the Offer;
- (b) completion of the Acquisition pursuant to the Share Sale Agreement; and
- (c) the Company re-complying with Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotations on ASX on conditions reasonably acceptable to the Company,

(together, the **Conditions of the Offer**)

The Company's Securities will be suspended from Official Quotation from the time of the General Meeting and will not be re-instated until the Conditions of the Offer are achieved. There is a risk that the Conditions of the Offer will not be achieved.

In the event the Conditions of the Offer are not achieved the Company will not proceed with the Offer and will repay all application monies received.

3.7 Forecasts

The Company is a mineral exploration company. Due to the speculative nature of exploration and project studies, there are significant uncertainties associated with forecasting future revenues from the Company's proposed activities.

The Directors believe that given these inherent uncertainties, it is not possible to include a reliable forecast in this Prospectus.

Section 1 includes information in relation to the Company's activities.

3.8 Minimum Application under Offer

Applications under the Offer must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 1,000 Shares (\$200). Applications to subscribe for Shares under the Offer will only be accepted on the Application Form.

3.9 Minimum Subscription

The minimum total subscription under the Offer is \$2,200,000 (11,000,000 Shares) (together with 5,500,000 free attaching Listed Options) (**Minimum Subscription**).

None of the Securities offered by this Prospectus will be issued if Applications are not received for the Minimum Subscription. Should Applications for the Minimum Subscription not be received within 4 months from the date of this Prospectus, the Company will either repay the Application Monies (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and Application Monies will be repaid (without interest).

3.10 Brokers

Brokerage and/or handling fees on Applications for Securities will be payable to member firms of ASX or licensed investment advisers on such Application Forms bearing their stamp and accepted by the Company.

3.11 How to Apply

If you wish to invest in the Company, complete the Application Form. Completed Application Forms should be returned to the Company, together with the Application Monies in full, prior to 5.00pm (WST) on the Closing Date.

Completed Application Forms and Application Monies should be returned to the Company as follows:

By Post To:	Or Delivered To:
Cradle Resources Limited C/- Security Transfer Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953	Cradle Resources Limited C/- Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WA 6153

Refer to the instructions on the back of the Application Form when completing your Application. Cheques must be made payable to "Cradle Resources Limited – Offer Account" and crossed "Not Negotiable". All cheques must be in Australian currency.

An original completed and lodged Application Form, together with a cheque for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form. The Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon allotment of the Securities.

The Offer may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offer or accept late Applications.

3.12 Official Quotation

An application will be made to ASX not later than seven (7) days after the date of this Prospectus for the Company to be re-admitted to the Official List and for Official Quotation of the Securities on ASX.

The fact that ASX may re-admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Securities offered by this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

3.13 Allotment

Application Monies will be held in trust for Applicants until the allotment of the Securities. Any interest that accrues will be retained by the Company. No allotment of Securities under this Prospectus will occur unless the Minimum Subscription is raised.

The Company reserves the right to reject any Application or to issue a lesser number of Securities than those applied for. Where the number of Securities issued is less than the number applied for, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

Securities under the Offer are expected to be allotted on the Allotment Date. It is the responsibility of Applicants to determine their allocation prior to trading in the Securities issued under the Offer. Applicants who sell Securities before they receive their holding statements do so at their own risk.

If ASX does not grant permission for Official Quotation within 3 months after the date of this Prospectus (or within such longer period as may be permitted by ASIC) none of the Securities offered by this Prospectus will be allotted and issued. If no allotment and issue is made, all Application Monies will be refunded to Applicants (without interest).

3.14 CHESS

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**), operated by ASX Settlement Pty Ltd (**ASXS**) (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASXS Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's register of Shareholders.

The Company will not issue certificates to Shareholders. Instead, as soon as is practicable after allotment, successful Applicants will receive a holding statement which sets out the number of Securities issued.

A holding statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) (in the case of a holding on the CHESS sub-register) or Shareholder Reference Number (**SRN**) (in the case of a holding on the issuer sponsored sub-register).

Following distribution of these initial holding statements, an updated holding statement will only be provided at the end of any month during which changes occur to the number of Securities held. Security holders may also request statements at any other time (although the Company may charge an administration fee).

3.15 Dividend Policy

The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company.

At the date of issue of this Prospectus the Company does not intend to declare or pay any dividends in the immediately foreseeable future.

3.16 Risk Factors of an Investment in the Company

Prospective investors should be aware that an investment in the Company should be considered speculative and involves a number of risks inherent with exploration and project development. Section 9 contains details of key risk factors which prospective investors should be aware of. It is recommended that prospective investors consider these risks carefully before deciding whether to invest in the Company.

This Prospectus should be read in its entirety as it provides information for prospective investors to decide whether to invest in the Company. If you have any questions about the desirability of, or procedure for, investing in the Company please contact your stockbroker, accountant or other independent adviser.

3.17 Overseas Applicants

No action has been taken to register or qualify the Securities, or the Offer, or otherwise to permit the public offering of the Securities, in any jurisdiction outside Australia.

The distribution of this Prospectus within jurisdictions outside Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

3.18 Restricted Securities

Chapter 9 of the Listing Rules prohibits holders of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods. The holder is also prohibited from granting a security interest over those securities.

9,862,500 Shares (on a post-Consolidation basis) currently on issue are classified by ASX as restricted securities and are escrowed until 14 September 2013.

The Securities to be issued to the Vendors under the Share Sale Agreement are classified by ASX as restricted securities and will be escrowed for a period of 24 months commencing on the date on which re-quotations of the Company's Securities commences.

None of the securities issued pursuant to the Offer are expected to be restricted securities.

3.19 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application Monies (without interest) within 28 days of giving notice of their withdrawal.

3.20 Enquiries

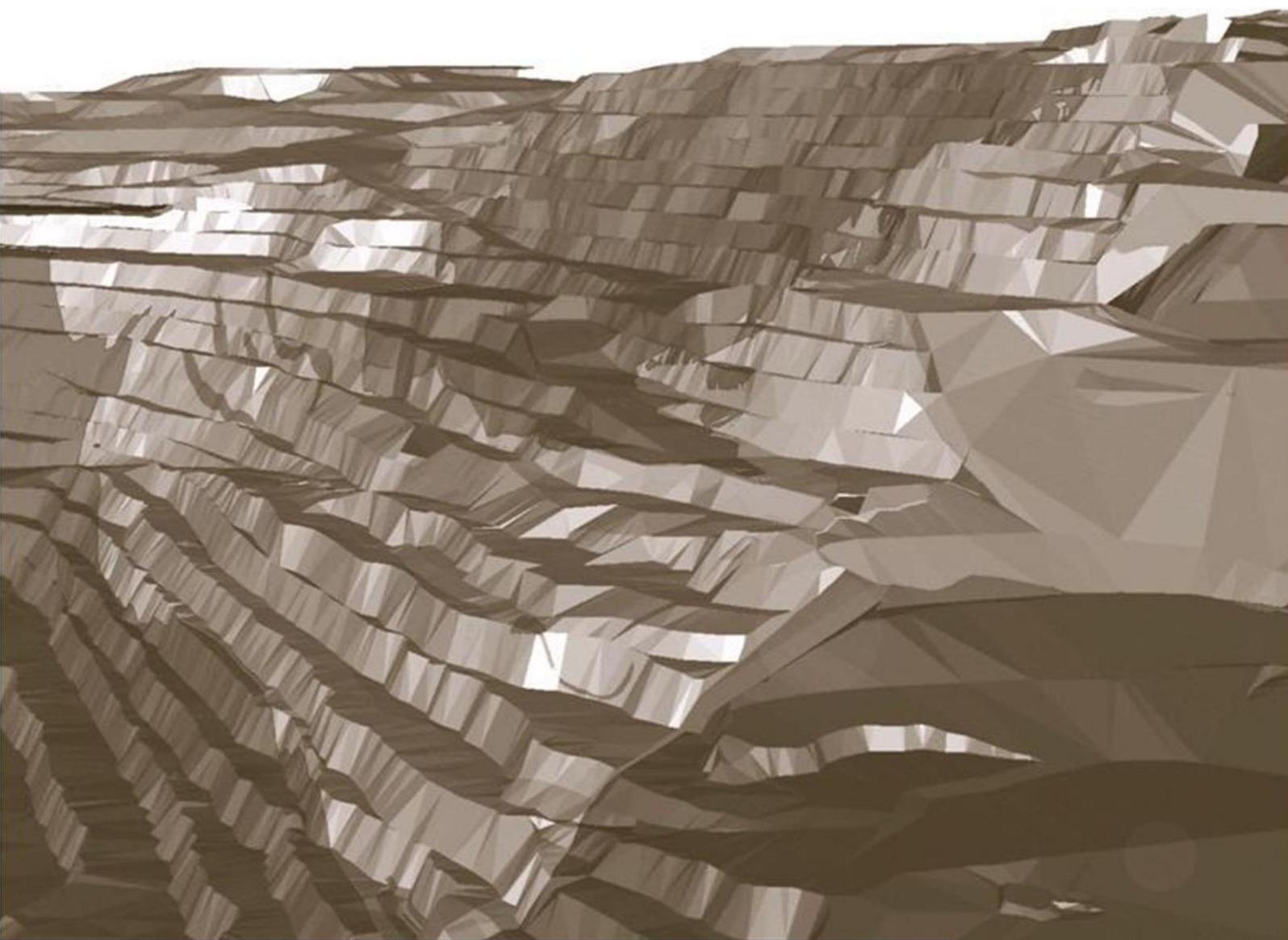
Enquiries relating to this Prospectus, or requests for additional copies of this Prospectus, should be directed to:

The Company Secretary

Telephone: (+61) 8 6143 1869



INDEPENDENT GEOLOGIST'S REPORT
ON THE
PANDA HILL NIOBIUM PROJECT IN SOUTHWEST TANZANIA
FOR
CRADLE RESOURCES LIMITED





23 May 2013

The Directors
Cradle Resources Limited
Suite 23, 513 Hay Street
SUBIACO WA 6008

Dear Sirs,

Independent Geologist's Report on the Panda Hill Niobium Project of Cradle Resources Limited

Corvidae Pty Ltd as Trustee for Ravensgate Unit Trust Trading as Ravensgate (Ravensgate) has been commissioned by Cradle Resources Limited (ACN 158 336 317) (Cradle) to provide an Independent Geologist's Report on the Panda Hill project located in southwest Tanzania on behalf of Cradle Resources Limited. Ravensgate understands that this report is to be included in a prospectus (Prospectus) to be lodged by Cradle with the Australian Securities Exchange (ASX) and may be relied upon by shareholders or potential investors.

This report is to be included in a prospectus to be lodged by Cradle Resources Limited with the Australian Securities and Investments Commission (ASIC), for an offer of a minimum of 11,000,000 to a maximum of 12,500,000 fully paid ordinary shares in Cradle at an issue price of \$0.20 per share (Shares), to raise a minimum of \$2.2 million and up to a maximum of \$2.5 million (before costs), together with up to 6,250,000 free-attaching Listed Options (issued on the basis of one (1) Listed Option for every two (2) Shares issued) on a post-Consolidation basis (Offer). Ravensgate understands that at least half of the liquid assets held, or funds proposed to be raised by Cradle are to be committed to the acquisition, exploration, development and evaluation of Cradle's Tanzanian mineral properties.

On behalf of Ravensgate, Independent consultant geologist, Jeff Nichols, carried out a site visit to the Panda Hill Project in Tanzania from the 10th to 11th of May 2012, and visited the Tanzanian Geological Survey archives and STAMICO (State Mining Corporation, where core from the project is stored) in Dodoma, Tanzania from the 8th to 9th of May 2012. As part of the site visit Jeff Nichols reviewed the Panda Hill project's technical aspects; including previous work, geology, planned exploration and exploration potential. Ravensgate is of the opinion that the site visit reasonably covered all significant areas for the purposes of this report.

In addition to the site visit, this report is based on information provided by the title holders along with technical reports by consultants, previous tenement holders and other relevant published and unpublished data for the project areas. A listing of the principal sources of information is included in this report. Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. Cradle has been given a final draft of this report and thereby given an opportunity to identify any material errors or omissions in it. Ravensgate has not verified the status of tenure or any related access issues, which is being addressed elsewhere in the Prospectus. Cradle provided Ravensgate with detailed information including numerous technical reports. Ravensgate has made all reasonable enquiries to verify the exploration data provided by Cradle.

The Panda Hill niobium project is at the **Advanced Exploration** classification.

This report has been prepared in accordance with the rules and guidelines issued by such bodies as the ASIC and the Australian Securities Exchange (ASX), which pertain to Independent Expert Reports. If statements made in this report have been attributed to third parties, Ravensgate warrants that consent has been sought and obtained and not withdrawn before lodgement of the Prospectus with ASIC.



The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Neal Leggo, who is a Member of The Australian Institute of Geosciences. Mr Leggo is a full-time employee of Ravensgate and has sufficient experience which is relevant to the styles of mineralisation and types 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 Leggo consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

In consideration of the definition provided by the ASX and in the JORC Code, these properties are classified as advanced exploration projects which are inherently speculative in nature. The properties are considered to be sufficiently prospective, although subject to varying degrees of risk, to warrant further exploration and development of their economic potential consistent with the programs proposed by Cradle.

Cradle intends to raise at least \$2.2 million and up to a maximum of \$2.5 million under the Offer and Ravensgate understands that at least half of the liquid assets held, or funds proposed to be raised by Cradle are to be committed to the acquisition, exploration and development of their mineral properties. Ravensgate considers the proposed exploration program to be consistent with the status and mineral potential of the projects. The planned exploration expenditure is considered to be sufficient to meet the costs of the exploration program and is adequate to meet the statutory annual expenditure requirements for the tenements. This independent geologist's report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears.

Ravensgate and its employees are not, nor intend to be, directors, officers or employees of Cradle and have no material interest in any of the projects or Cradle. The relationship with Cradle is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

Neal Leggo
For and on behalf of:
RAVENSGATE



INDEPENDENT GEOLOGIST'S REPORT

on the

PANDA HILL NIOBIUM DEPOSIT IN SOUTH WEST TANZANIA
for

CRADLE RESOURCES LIMITED

23 May 2013



INDEPENDENT GEOLOGIST'S REPORT

Prepared by RAVENSGATE on behalf of:

Cradle Resources Limited

Author:	Neal Leggo	Principal Consultant	BSc (Hons) Geol, MAIG, MSEG
Co-author:	Kate Holdsworth	Senior Geologist	BSc (Hons) Geology, MAusIMM
Site Visit:	Jeff Nichols	Consultant Geologist	BSc Geology, MSc, FGS
Reviewer:	Don Maclean	Principal Consultant	MSc (Hons) Geology, MAIG, R.P. Geo, MSEG
Date:	23 May 2013		
Copies:	Cradle Resources Limited	(2)	
	Ravensgate	(1)	



Neal Leggo
For and on behalf of:
RAVENSGATE

This report has been commissioned from and prepared by Ravensgate for the exclusive use of Cradle Resources Limited.
Each statement or opinion in this report is provided in response to a specific request from Cradle Resources Limited to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading.
Each statement or opinion contained within this report is based on information and data supplied by Cradle Resources Limited to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.



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1. EXECUTIVE SUMMARY

1.1 Introduction

Ravensgate has been commissioned by Cradle Resources Limited (ACN 149 637 016) (Cradle) to provide an Independent Geologist's Report on the Panda Hill niobium project on behalf of Cradle. Ravensgate understands that this report is to be included in a prospectus (Prospectus) to be lodged by Cradle on the Australian Securities Exchange (ASX) and may be relied upon by shareholders or potential investors.

1.2 Panda Hill Project

The Panda Hill niobium project is located in southwest Tanzania 26km west southwest of the district capital Mbeya. It is located 1km south of the major Tazara railway line, 5km south of the Songwe regional airport and 3km south of the Tanzam Highway which provides access to the capital Dar es Salaam (960km). The climate is sub-tropical with a wet season occurring from December to April. Panda Hill is a smooth grass covered peak surrounded by a plateau area transected by deep gullies dropping away to the plain of the rift valley floor. The sides of the gullies are steep.

The property comprises three Mining Licences granted to Panda Hill Mines Ltd on 16 November 2006 with a total area of 21.162km². Title was then transferred to RECB Limited (RECB) on 18 December 2012. Panda Hill Mining Pty Ltd (a wholly owned company of Verona Capital Pty Ltd) acquired an option to acquire the properties in May 2012 and subsequently purchased a 49% shareholding in RECB with a further option to purchase 1% of RECB and an additional right to acquire the remaining 50% of RECB over a four year period. Cradle announced the acquisition of all of the share capital of Panda Hill Mining Pty Ltd on April 3, 2013, subject to the approval of Cradle shareholders and compliance with ASX Listing Rules.

The project comprises the Panda Hill niobium deposit which is hosted within the Panda Hill carbonatite, an igneous intrusion approximately 1.5km in diameter composed primarily of coarsely crystalline calcite with broad zones containing the niobium bearing mineral pyrochlore.

Carbonatites are a class of igneous rock containing more than 50% carbonate minerals; usually occurring in the centre of zoned alkaline igneous complexes. Carbonatites can contain anomalous or economic concentrations of rare earth elements, phosphates, niobium, tantalum, titanium, thorium, copper, iron, barium, thorium and uranium.

Niobium is a relatively rare transitional metal which is used in the production of high grade steel. The demand for niobium has grown at an average compounded rate of about 10% over the last decade and is considered to remain relatively insensitive to changes in its price. Approximately 97% of niobium production is found in pyrochlore ore with CBMM, Niobec (IAMGOLD), and Catalão (Anglo American) the principal three global producers from mines in Brazil and Canada.

Panda Hill and several other carbonatite bodies in the area were intruded during the Cretaceous period (116 Ma) and are structurally associated with repeatedly rejuvenated normal faults proximal to the older East African Rift system. The Panda Hill carbonatite intrudes gneisses and amphibolites of the Ubendian Fold Belt. It is interpreted to have formed in the vent of an alkaline volcano, which has since been almost completely removed by erosion, exposing the crystalline plug. The carbonatite intrusive pipe is surrounded, and partly covered, by fenitised (altered) country rocks, which are also mineralised.

The Panda Hill carbonatite was first identified in the 1950s during field mapping by the Geological Survey of Tanzania who followed up with a program of diamond drilling (17 holes for 1405m) and pitting. The government offered mining rights to the deposit to a joint venture between Billiton and the Colonial Development Corporation (MBEXCO) in 1954. MBEXCO drilled 66 diamond holes for 3780m, dug pits, mined adits and processed ore through a pilot plant, but determined the project unviable. In 1972, Canadian National Geological Exploration Ltd updated the previous geological interpretation and evaluated the project for underground mining. Between period 1978-1980, a Yugoslav government organisation (RUDIS) explored Panda Hill for



phosphate and metals, drilling 13 diamond holes and undertaking various testworks. During the period 2000 - 2002, Euromet conducted a program of geochemical and metallurgical testwork based on bulk samples collected from the previously mined adits. In 2005 Panda Hill Mines Ltd. conducted a program of relogging and reassaying of the historic core samples.

In July 2012, Coffey Mining completed a mineral resource estimate of the Panda Hill niobium deposit on behalf of Verona. Ravensgate has reviewed this mineral resource estimate for reasonableness and against standard mining industry practice. This resource was estimated and reported in accordance with the JORC Code (2004). Coffey estimated an Inferred Resource for Panda Hill of 56Mt grading 0.50% Nb₂O₅ at a lower cut-off of 0.3%. A number of historic estimates were made by past explorers, but they do not conform to current codes and hence are not included in this report. The competent person for the JORC Resource estimate and classification is Ms Ellen Maidens who is a Member of the Australian Institute of Geoscientists. Ms Maidens is a full time employee of Coffey Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the JORC Code.

Coffey Mining's classification of the resource as Inferred was based on confidence levels rated for 15 key categorisation criteria. Ravensgate have applied a rating against the same criteria based on our review of the project data, which largely concurred with the Coffey ratings. Ravensgate rated each criteria with the following confidence ratings:

- low: logging, drill sample recovery, bulk density;
- low/moderate: drilling techniques, sub sampling techniques, quality of assay data, verification of sampling and assaying;
- moderate: location of sampling points, data density and distribution, audits, database integrity, geological interpretation, estimation and modelling techniques;
- moderate/high: cut-off grades;
- high: mining factors and assumptions.

Ravensgate considers that the resource estimation methodology employed was suitable, that a conservative approach was used in geological interpretation and grade interpolation, that an appropriate cut-off grade was selected, and that classification of the resource as Inferred is appropriate. Detailed commentary on the resource modelling and problems with the exploration data on which the model is based have also been made. Most of the issues relate to the age of the data, the standard practices operating during the time of the exploration and loss of data with time. Ravensgate considers that twin and infill drilling and re-modelling proposed by Cradle will provide an opportunity to readily address the concerns with the data expressed in this report.

A number of mining and metallurgical studies have been completed on the Panda Hill niobium deposit. In the 1950s MBEXCO dug a number of pits and trenches, and mined six galleries. A pilot flotation plant was erected in 1959 for ore dressing experiments. The project was terminated in 1963. In the 1970s a Canadian company undertook a mining study based on existing data and recommended selective mining of pyrochlore-rich zones. In 2001 Euromet sent five bulk samples of mineralised rock to Lakefield Research for metallurgical test work. Mineralised carbonatite material yielded positive results from the testwork and an effective metallurgical flow sheet involving flotation was established by the investigation. Mineralised fenite material and oxide material yielded much poorer test results.

In Ravensgate's opinion the Panda Hill niobium project has the potential to be developed; however the mineral resource requires additional work and drilling information to improve confidence to higher JORC (2004) resource classifications (ie Indicated or Measured Resource) for definitive mining, processing and economic studies to be undertaken. There is potential for the



discovery of additional niobium mineralisation within the carbonatite and the deposit remains completely open at depth. There is some enrichment of other metals in the deposit including rare earth elements, tantalum and phosphate, and their concentration should be monitored. Ravensgate also considers further exploration drilling of the carbonatite to the south of the resource area is warranted.

1.3 Corporate Strategy and Budget

Cradle has indicated to Ravensgate that they will undertake a staged approach with respect to their exploration program with an estimated budget of \$2.34 in the first year. Phase 1 would comprise a 15 hole 1,500m program of twin and confirmatory diamond drilling into the main regions of niobium mineralisation. Drilling is anticipated to commence early July 2013. Phase 2 would comprise metallurgical test-work, geological mapping, resources and scoping-level mine studies.. Phase 3 would comprise infill drilling in a selected region in order to develop an updated resource estimate. Phases 2 and 3 would be dependent on the results of the Phase 1 work.

Cradle has indicated to Ravensgate that approximately half of the funds intended to be raised in the capital raising for the acquisition will be committed to exploration and development of its mineral properties. The proposed staged annual expenditure of \$2.34M in Year 1 is considered to be consistent with the mineral potential and status of the Panda Hill niobium project.

Ravensgate considers the proposed exploration program to be consistent with the status and mineral potential of the project and Cradle's initial objectives. The proposed expenditure is sufficient to meet the costs of the exploration program and to meet statutory tenement expenditure requirements.



2. INTRODUCTION

2.1 Terms of Reference

Ravensgate was requested by Cradle Resources Limited (Cradle), to complete an Independent Geologist's Report on the Panda Hill niobium project in southwest Tanzania. Cradle is seeking to raise working capital to fund the future technical assessment of the project. A requirement of listing is the completion of an Independent Geologist's Report (IGR) on the Panda Hill mineral assets of Cradle.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (VALMIN Code, 2005) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004).

2.2 Tenements Status Verification

Ravensgate has not independently verified the status of the tenements that are referred to in this report as set out in the Tenement Schedule in Table 1, which is a matter for independent tenement experts. Details of the legal ownership of the mineral assets are dealt with elsewhere in the Prospectus.

2.3 Disclaimer

The authors of this report and Ravensgate is independent of Cradle, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for review work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are listed elsewhere in the Prospectus.

The relationship with Cradle is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of Cradle or any group, holding or associated companies of Cradle.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 23 May 2013 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

2.4 Consent

Ravensgate consents to this report being distributed, in full, in the form and context in which the technical assessment is provided, for the purpose for which this report was commissioned. Ravensgate provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

2.5 Qualifications, Experience and Independence

Ravensgate is an independent, privately owned consulting firm and has been providing exploration, mining and mineral resource consulting services to the minerals industry since 1997.



Primary Author: Neal Leggo, BSc (Hons) Geology, MAIG, MSEG

Principal Consultant

Neal Leggo has over 28 years' experience in minerals geology including senior management, consulting, exploration, development, underground mining and open pit mining. He has extensive experience with a wide variety of commodities including gold, copper, iron ore, silver, lead and zinc, tin, tungsten, uranium and manganese across numerous geological terrains within the Asia-Pacific region. He offers extensive knowledge of available geological, geophysical, geochemical and exploration techniques and methodologies, combined with strong experience in feasibility study, development and mining of mineral deposits.

Prior to joining Ravensgate, Neal worked for FMG leading a large field team undertaking fast-track exploration, delineation and feasibility study of a major new iron ore discovery in the Pilbara of WA. Previous to this he was Exploration Manager at Crescent Gold where he led a successful exploration team and also managed feasibility study and development work on seven gold deposits in preparation for mining. At Hatch he undertook numerous geological consulting assignments including scoping, prefeasibility and review studies, geological audit and due diligence. At BHP he modelled mineral resources including the Cannington, Mt Whaleback and Yandi world-class deposits. Previous to this Neal worked 8 years in Mt Isa for MIM where roles included chief geologist for the Hilton underground lead zinc mine and exploration manager for Isa District. During the 1980s he worked as a field geologist across northern Australia on a wide variety of exploration projects and mines.

Neal completed an Honours degree in Geology at the University of Queensland in 1980 and is a Member of the Australian Institute of Geoscientists. Neal holds the relevant qualifications, experience and professional associations required by the ASX, JORC and VALMIN Codes in Australia 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.

Co-author: H. Kate Holdsworth, BSc (Hons) Geology, MAusIMM

Senior GIS Geologist

H. Kate Holdsworth is a senior GIS geologist with over 17 years GIS experience who joined the Ravensgate team in September 2006. During her tenure at Ravensgate, she has contributed to the compilation of numerous Independent Geologists Reports, Valuation Reports, GIS projects as well as having assisted clients with their exploration reporting requirements and QA/QC investigations into client's data quality. Prior to joining Ravensgate, she worked for Giscoe Pty Ltd, a GIS company in Johannesburg, for ten years, where she was involved in diverse GIS projects, including database creation, database population and data validation. Kate has four years' experience in GIS with the Geological Survey of South Africa.

Site Visit: Jeff Nichols, BSc Geology, MSc Mineral Exploration, FGS

Managing Director, Exploration Services Ltd.

Jeff Nichols has over 25 years' exploration experience ranging from fieldwork to Board level. His experience predominantly covers African projects where he has been involved in exploration projects at all levels. Since 2004, Jeff has been running his own mineral exploration consultancy out of UK. Prior to this, he was employed as Senior Project Geologist on two West African projects that were brought up to operational mines. Jeff recently completed 7 years' management of a large gold project in West Africa taking it from initial data review stage to early feasibility study level. He has also provided technical project management and consultation on a large high grade silver project in eastern Asia. Jeff undertakes numerous project assessments for clients and provides input to client corporate strategy. In the late 1980s, following completion of an MSc, Jeff worked in Ghana for four years, leading a team on a gold project that was brought to feasibility study. He then moved to Guinea where he was involved in setting up and running the hard-rock exploration at the Sigui gold project (now



Anglo-Gold Ashanti). Subsequently he joined Canadian-listed Consolidated African Mining Corporation, where he became Technical Director, responsible for project strategy, exploration and technical communications with investors and shareholders.

Jeff graduated from Exeter University in 1982 and gained a Masters in Mineral Exploration at the Royal School of Mines in 1988. He is a Fellow of the Geological Society of London, which is a recognised overseas professional organisation accepted for the purpose of reporting in accordance with Appendix 5a of the Australian Securities Exchange listing rules (the JORC Code, 2004).

Peer Reviewer: Don Maclean, MSc (Hons) Geology, MAIG, R.P Geo, MSEG

Principal Consultant - Geology

Don Maclean is a geologist with more than 18 years' experience in the minerals industry. Don has worked in a number of different geological environments in Australasia, Africa, Central and Southeast Asia and Europe. He has a broad skill base, having worked in regional and near mine exploration, resource development and estimation, open pit and underground geology as well as in senior global management roles.

Don has completed a Master of Science degree in geology and is a Member of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist (Mineral Exploration and Mining). Don holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia 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.

2.6 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by Cradle and their partners or consultants, publically available information such as ASX releases, government reports and discussions with Cradle technical and corporate management personnel. A listing of the principal sources of information is included in the references attached to this report.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Cradle, prior to finalisation by Ravensgate, requesting that Cradle identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

This review is based on the information provided by the current title holders, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area.

On behalf of Ravensgate, Independent consultant geologist, Jeff Nichols, carried out a site visit to the Panda Hill Project in Tanzanian, from 10th to 11th of May 2012, and visited to the Geological Survey archives and STAMICO (State Mining Corporation, where drill-core from the project is stored) in Dodoma Tanzania from 8th to 9th of May 2012. As part of the site visit Mr Jeff Nichols reviewed the Panda Hill project's technical aspects, including previous work, geology, planned exploration and exploration potential. Ravensgate is of the opinion that the site visit reasonably covered all significant areas for the purposes of this report.



2.7 Country Information

Tanzania is located in East Africa. It is bordered by many countries, to the north Kenya and Uganda; to the west Rwanda, Burundi and the Democratic Republic of the Congo; to the south Zambia, Malawi and Mozambique; and to the east the Indian Ocean.

Tanzania is a republic with President Jakaya Kikwete, the head of state since 2005. Elections are held every five years with the president and vice president elected on the same ballot by popular vote for five-year terms (eligible for a second term). Elections were last held on 31 October 2010 with the next elections scheduled to be held in 2015. The prime minister is appointed by the president. The president is both chief of state and head of government (CIA World Fact Book, 2013).

The official capital of Tanzania is Dodoma. The main coastal city is Dar es Salaam which is Tanzania's commercial centre and major seaport for the country and its landlocked neighbours. Tanzania has a tropical climate. The highlands experience temperatures that range between 10°C and 20°C during cold and hot seasons respectively. The hottest period extends between November and February and the coldest period occurs between May and August. Tanzania has two major rainfall regions. Rainfall from December to April is experienced in southern, south-west, central and western parts of the country, while rainfall from October to December and March to May is found in the north of the country and the northern coast. The legal system is based on English common law.

Economy

Tanzania is one of the world's poorest economies in terms of per capita income however it has achieved high growth based on gold production and tourism. The economy depends on agriculture, which accounts for more than one-quarter of GDP, provides 85% of exports and employs about 80% of the work force. The World Bank, the IMF and bilateral donors have provided funds to rehabilitate Tanzania's aging economic infrastructure, including rail and port infrastructure that are important trade links for inland countries. Recent banking reforms have helped increase private-sector growth and investment and the government has increased spending on agriculture to 7% of its budget. Continued donor assistance and solid macroeconomic policies supported a positive growth rate, despite the world recession. In 2008, Tanzania received the world's largest Millennium Challenge Compact grant, worth \$698 million. The government used fiscal stimulus and loosened monetary policy to ease the impact of the global recession. GDP growth in 2009-12 was a respectable 6% per year due to high gold prices and increased production. In 2012, GDP was at US\$73.5 billion with a growth rate of 6.5%. Inflation was 15.3% in 2012. The currency is the Tanzanian shilling (CIA World Fact Book, 2013).

Mining is the fastest growing sector in Tanzania in terms of contribution to GDP and exports. This growth was assisted by the World Bank and the introduction of investor-friendly mining laws in 1998. The Mining Act of 1998, subsequently amended in 2010, guarantees investor's security of tenure, provides transparency in issuance and administration of mineral rights (Peak Resources, 2013).

The first of the large mining projects in Tanzania began producing gold approximately 10 years ago. One of the key drivers behind the expansion of the Tanzanian gold mining sector, is the prospective greenstone belts and in particular, the Lake Victoria Goldfields. This has led to a number of Australian and international corporations being attracted to the region including African Barrick, AngloGold Ashanti Limited and Resolute Mining Limited, all of whom have a significant presence in the country. Tanzania offers a well-balanced and competitive package of fiscal incentives in comparison with other African countries (Peak Resources, 2013).

2.8 Background Information

Cradle Resources is an Australian minerals exploration company with tenements located in the Pilbara of northwest Western Australia and has an aim of expanding into Africa. The locality of Cradle's Panda Hill property in Tanzania is indicated on the tenement schedule for the project is listed in Table 1.



Figure 1 Locality Map of the Panda Hill Project

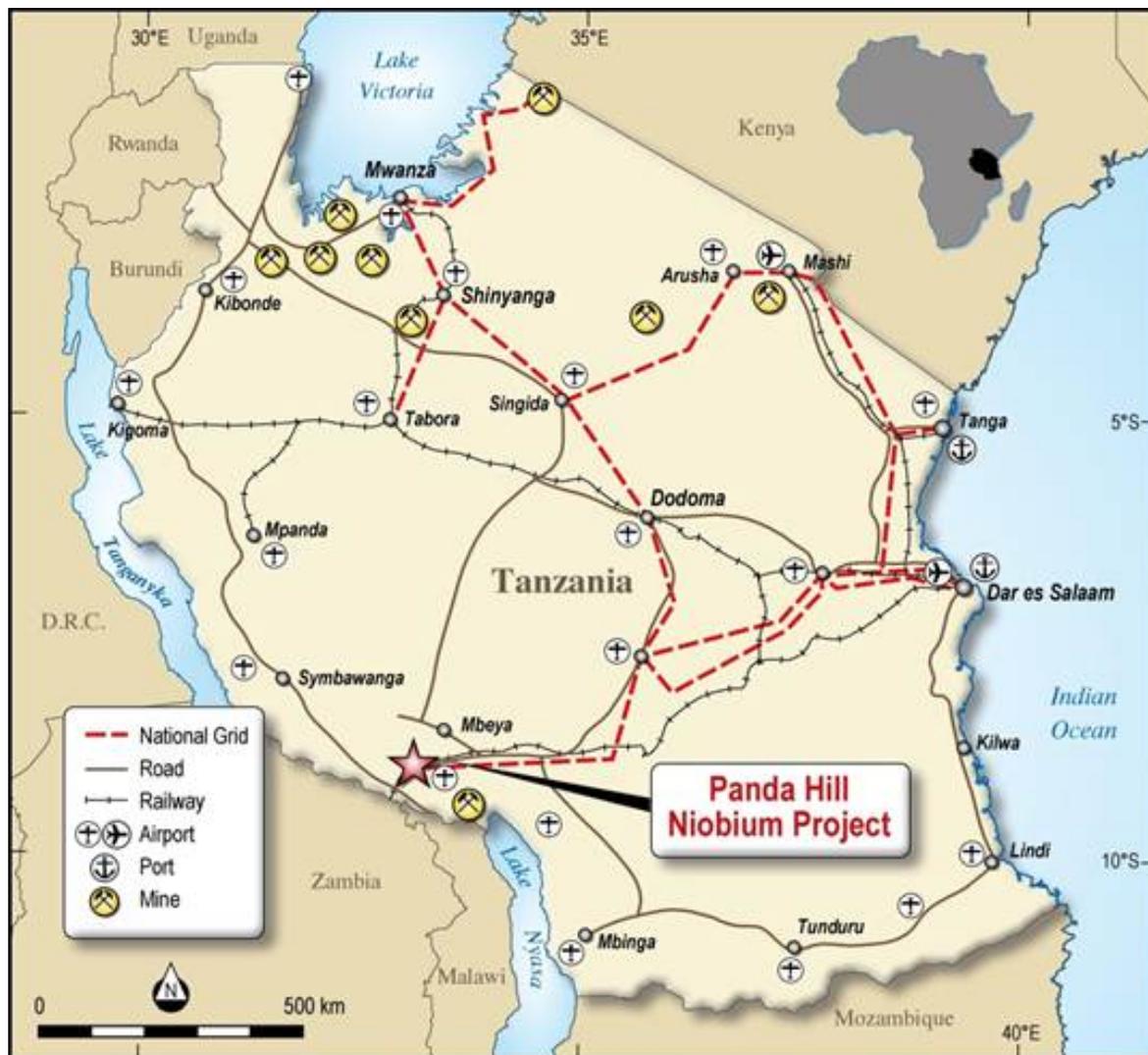


Table 1 Cradle: Panda Hill Tenement Schedule

Tenement	Area (km ²)	Status	Expiry
ML237/2006	4.96	Granted	15 Nov 2016
ML238/2006	7.704	Granted	15 Nov 2016
ML239/2006	9.498	Granted	15 Nov 2016



3. PANDA HILL PROJECT

3.1 Location and Access

The Panda Hill Niobium Project is located in southwest Tanzania in the Mbeya District. The project is located approximately 26km west south-west of the district capital Mbeya (Figure 1).

The project is located 3km south of the Great North (Tanzam Highway) road and 1km south of the Tanzania Zambia Railway (TAZARA) railway line that connects Dar es Salaam in Tanzania to Lusaka in Zambia with Mbeya being a regional TAZARA railway hub as illustrated in Figure 2.

The project can be accessed from Dar es Salaam by bitumen road (960km) via Morogoro, Iringa and Mbeya; as well as by air from Dar es Salaam and Mbeya to the new Songwe International Airport located about 5km north of the project (Mgonde, 1994). From Mbeya the project is accessed via a track from the Songwe industrial area along the Great North road.

The Mbeya District experiences temperatures that range between 10°C and 30°C during cold and hot seasons respectively. The hottest period extends between November and February and the coldest period occurs between May and August. Rainfall occurs from December to April.

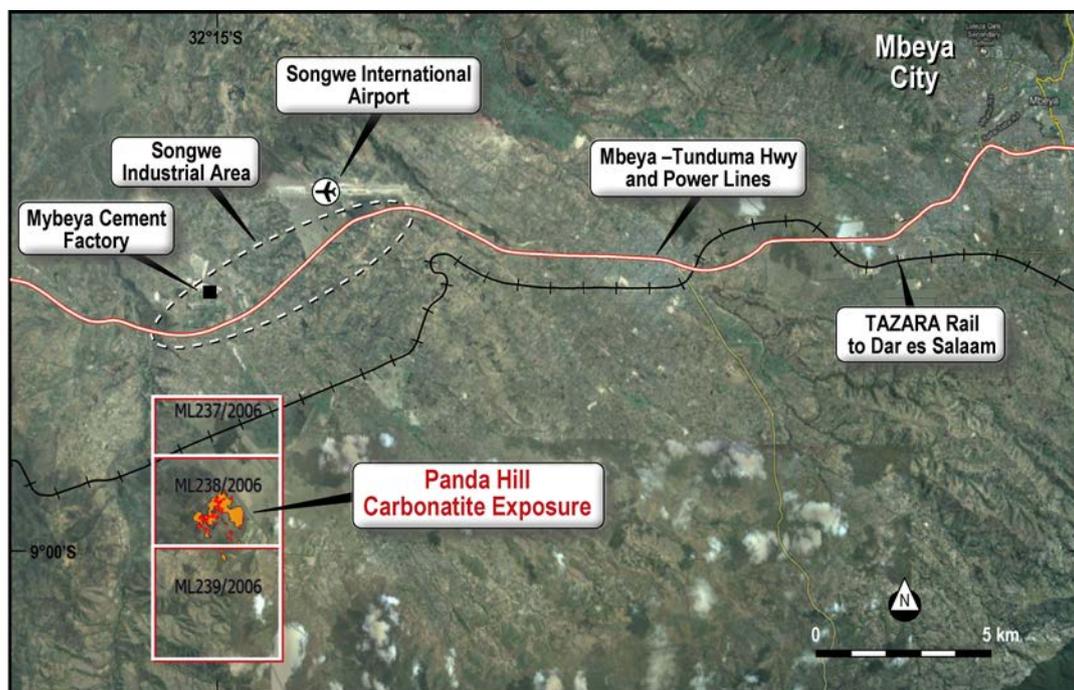
3.2 Tenure

The property comprises three Mining Licences granted to Panda Hill Mines Ltd on 16 November 2006 with a total area of 21.162km². Title was then transferred to RECB Limited (RECB) on 18 December 2012. Panda Hill Mining Pty Ltd (a wholly owned company of Verona Capital Pty Ltd) acquired an option to acquire the properties in May 2012 and subsequently purchased a 49% shareholding in RECB with a further option to purchase 1% of RECB and an additional right to acquire the remaining 50% of RECB over a four year period. Cradle announced the acquisition of all of the share capital of Panda Hill Pty Ltd on April 3, 2013, subject to the approval of Cradle shareholders and compliance with ASX Listing Rules. Mining Licence details are presented in Table 1 and in Figure 2.

The MLs are specified under their title conditions as search for, mine, dig, mill, process, transport, use and or market niobium or other minerals found to occur in association with that mineral (Mbasha, 2012).



Figure 2 Panda Hill Project: Tenement Plan and Infrastructure



3.3 Technical Background Information

3.3.1 Niobium

Niobium and its uses:

Niobium is a relatively rare transitional metal which is used in the production of high grade steel. Its chemical symbol is Nb and its atomic number is 41. The element was formerly named columbium (Cb). In its pure form niobium is a soft grey ductile metal with a high melting point (2,468°C) and a relatively low specific gravity (8.57) compared with other refractory metals. Niobium exhibits superconductivity properties and is corrosion resistant. Chemically, niobium is similar to tantalum which falls below it on the periodic table of the elements. This similar chemistry results in these metals frequently occurring together in mineral deposits. Niobium is mainly found in the minerals pyrochlore and columbite which contain both niobium and tantalum in varying amounts. Approximately 97% of world niobium production is found in pyrochlore ore with CBMM, Niobec (IAMGOLD), and Catalão (Anglo American) the principal three global producers from mines in Brazil and Canada. Non-pyrochlore production is principally as a by-product from numerous small tantalum mines.

The principal niobium products and their uses are: **standard grade ferroniobium** (~60%Nb) which is used in the production of stainless steels, heat resistant steels and especially high strength low alloy steel; **vacuum grade ferroniobium** (99% Nb) which is used in super alloys; **niobium metals and alloys** used in superconductors e.g. the Large Hadron Collider contains hundreds of tonnes of niobium alloys; and **niobium chemicals** which are used in catalysts and ceramics.

The demand for niobium has grown at an average compounded rate of about 10% over the last decade. This has principally been driven by the increasing global demand for steel as well as the demand for high quality steel products. Steel production currently accounts for approximately 90% of niobium demand. Niobium adds considerable value to steel products which include additional strength, durability, anti-corrosion properties, heat resistance and reduced weight. This demand is being driven by the construction industry, the automotive industry, the oil and gas industry as well as shipbuilding and aeronautics. High strength low alloy steel is used in applications where lightweight steel is required and is subject to high stress. Niobium content is



a small proportion of the overall costs to steel production, typically less than 0.5% of total costs for structural steel with less than 0.1%Nb. Niobium demand is therefore considered to remain relatively insensitive to changes in its price (IAMGOLD 2012).

3.3.2 *Carbonatite*

Carbonatite is a somewhat unusual class of igneous rock. Carbonatites are both intrusive and volcanic rocks that contain more than 50 per cent modal carbonate minerals and characteristically occur in the centre of zoned alkaline igneous complexes, although they may also be found as: dykes, sills, breccias or veins. Carbonatites usually occur in stable intraplate regions but may also occur near plate margins or associated with rifting. Many carbonatites contain anomalous or minable concentrations of rare earth elements (REE), phosphates, niobium, tantalum, titanium, thorium, copper, iron, barium, thorium and uranium (Modreski et al., 1995; Richardson and Birkett, 1996).

Carbonatites are highly variable in composition with the principal carbonate minerals being calcite, dolomite, ankerite or sodium/potassium carbonates. Other minerals include diopside, olivine, phlogopite, apatite and sodic amphiboles or pyroxenes. Carbonatites are also host to many rare or exotic minerals in which economic concentrations of REE, niobium, tantalum are found. Ore minerals may be disseminated throughout the carbonatite or concentrated in certain bands or zones. These minerals may include pyrochlore, columbite, monazite and xenotime. Carbonatite associated deposits constitute the world's largest repositories of niobium, much of the rare earth elements and a minor source of phosphate. (Richardson and Birkett, 1996).

Fenitisation is the term given to the associated hydrothermal and metasomatic alteration of the country rock into which a carbonatite has intruded. The process produces rocks of hybrid characteristics named fenite, which are characterised by addition of carbonate and removal of silica from the country rock. In places this process forms metasomatic deposits which may host economic mineralisation (Richardson and Birkett, 1996).

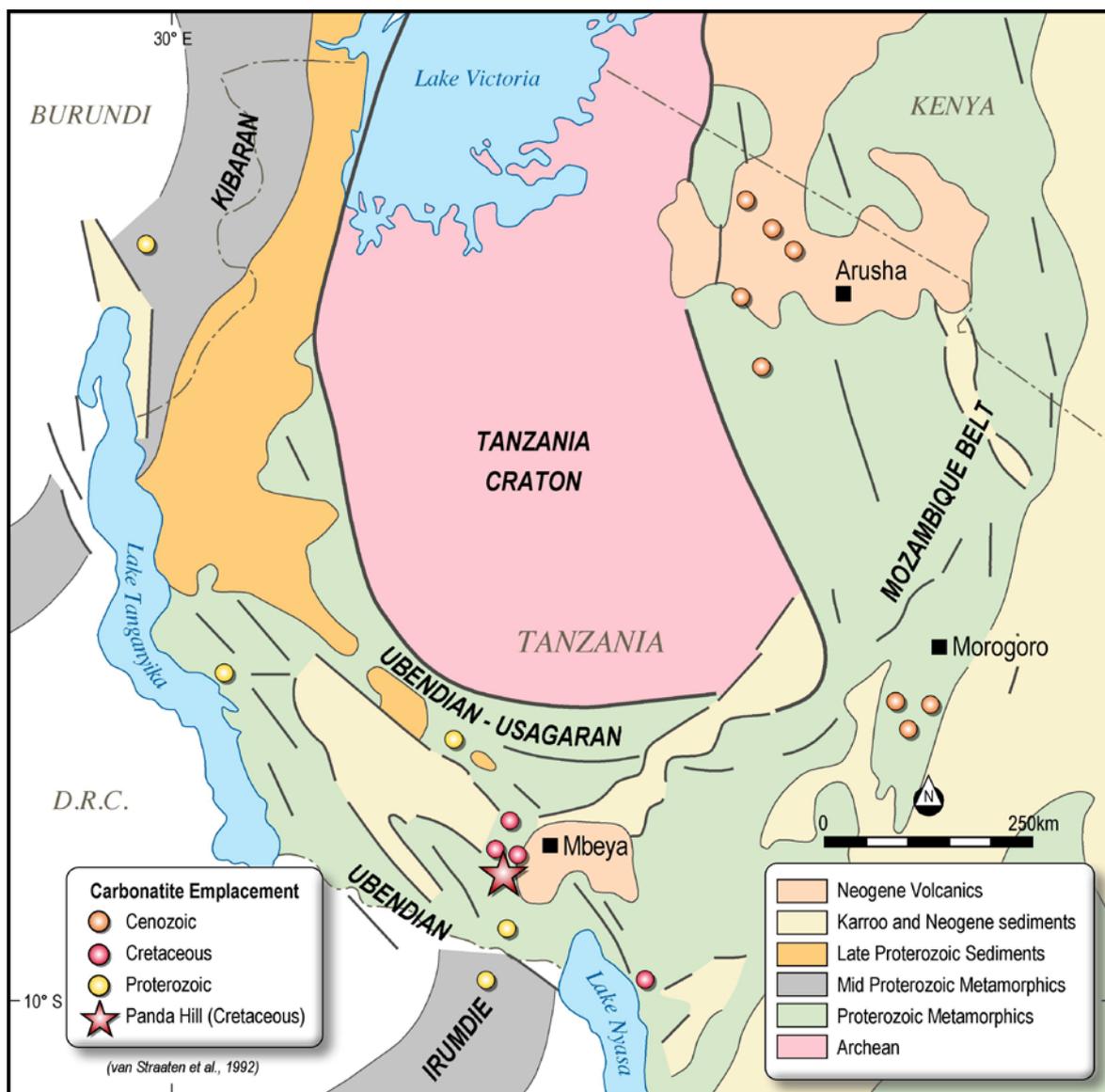
3.4 **Regional Geology**

The Archaean (2,600Ma) Tanzanian craton is surrounded by Proterozoic fold belts and is dominated by east-west trending greenstone belts within granitoid terranes which both pre and post date the greenstones. The northwest-southeast trending Ubendian Mobile belt (2,000 to 1,800Ma) lies to the southwest of the craton and contains high grade metamorphic garnet amphibolite facies dominated by gneisses and amphibolites with accessory granites, granulites and marbles. The belt is covered, in places, with younger sediments and volcanics. The Usagaran belt (650Ma), south of the Craton, is dominated by granulites and biotite gneisses and its boundary with the Mozambique belt (500Ma) is obscured by younger Permian to Jurassic age Karoo clastic sediments with coal deposits as well as Neogene (Tertiary) sediments comprised of carbonates, clastics and evaporates (Mgonde, 1994).

Continental scale rifting during the Mesozoic and Cenozoic broke off the eastern part of the African plate. Rifting occurred to both the east and the west of the Craton and many of the basins thus formed are currently occupied by lakes. Most of the known Tanzanian carbonatites are associated with these rift systems. The spatial distribution of carbonatites in Tanzania is controlled by deep repeatedly-rejuvenated shear zones in the Proterozoic belts. Cretaceous carbonatites are associated with shear and fault zones whereas the Mesozoic carbonatites are found close to post-Karoo faults and the intersections thereof (Mgonde, 1994). The Panda Hill carbonatite, along with the Sengeri Hill and Songwe-Scarp carbonatites, are located where the rift bifurcates.



Figure 3 Regional Geological Map of Tanzania



Straaten (1989) reviewed the structural relationships of carbonatites in southwestern Tanzania. He established that although Panda Hill and other carbonatite bodies in the area are in or close to the East African Rift, they are not associated with rifting. Rather, they are spatially associated with repeatedly rejuvenated faults and shear zones. Van Straaten argued that Panda Hill, and other Cretaceous carbonatites in the western arm of the rift, are associated with normal faults formed after the main pre-Cretaceous rifting phases and after the break-up of Gondwanaland.



3.5 Local Geology and Mineralisation

3.5.1 Geology

Panda Hill is a smooth grass covered peak surrounded by a plateau area transected by deep gullies dropping away to the plain of the rift valley floor. The sides of the valleys are steep, with hill slopes up to 30°. The Panda Hill carbonatite was first identified during field mapping for the Tanganyika Geological Survey in 1950 when geologist A. Spurr observed unusual crystalline limestone he believed had been injected into the surrounding rocks. Further study by the geological survey soon revealed this to be a pyrochlore bearing carbonatite intrusive which was named the Panda Hill carbonatite (Fawley and James, 1955).

The Panda Hill carbonatite intrudes gneisses and amphibolites of the Ubendian Fold Belt and forms a steeply dipping, near-circular pipe of approximately 1.5km diameter. It is interpreted to have formed in the lower part of an alkaline volcano, when carbonate magma cooled and crystallised in the neck connecting the underlying magma chamber to the volcanic vent, thus forming a plug shaped intrusive. The overlying volcanic pile has since been almost completely removed by erosion, exposing the crystalline plug.

The carbonatite was intruded during the mid-Cretaceous, based on a 116 ± 6 Ma age obtained from isotopic dating by Snelling (1965) and regional stratigraphic evidence. It is situated on the side of a rift valley called the Rukwa Trough.

The carbonatite intrusive pipe is surrounded, and partly covered, by fenitised country rocks. Evidence supports three stages of carbonatite activity outwards from the centre of the plug. An early-stage calcite carbonatite forms the core, while intermediate- and late-stage carbonatites, composed of more magnesian and ferroan carbonates, form the outer parts of the plug. Later stage apatite-magnetite rich rocks and iron-carbonatite dykes are also found in the complex. Fenitisation of the pre-existing gneisses led to the development of potassium-rich rocks containing potassium-feldspar and phlogopite. Fenite lithologies form a thin veneer over parts of the carbonatite complex which has been interpreted as a cap by some workers. Residual soils, transported soils and recent volcanic ash form thin superficial covers over parts of the complex (van Straaten, 1989).

The Panda Hill area was mapped by the Tanganyika Geological Survey from 1953 and 1954 and then immediately followed up by a program of diamond drilling, pitting and metallurgy to investigate the extensive pyrochlore mineralisation identified during mapping (Fawley and James 1955). Over the subsequent years, numerous geo-scientific studies have been undertaken by various companies, organisations and academics. This has resulted in the publication of a number of scientific papers, reports and studies. Unfortunately much of the original data, such as geological logs of drill holes, test pits and mine workings along with the analytical results of sampling, has been lost.

3.5.2 Lithology

The Panda Hill carbonatite comprises a heterogeneous mix of alkaline igneous lithologies of four main compositional types:

- Sovite Carbonatite: crystalline igneous intrusive predominantly composed of calcite;
- Dolomitic Carbonatite: crystalline igneous intrusive comprising calcite and dolomite;
- Ferruginous Carbonatite: crystalline igneous intrusive comprising calcite, ankerite and siderite; dykes are typically of this lithology;
- Feldspathic Sovite: crystalline igneous intrusive comprising calcite and alkaline feldspars.

Mapping has not been successful in differentiating these different lithologies within the carbonatite unit into coherent mappable units. The carbonatite body is porous containing cavities and fissures to considerable depth.



Other rock types occurring at Panda Hill include:

- Travertine: fine grained carbonate rock with distinctive banding - associated with fault zones and deposited by carbonate rich meteoric fluids;
- Fenite: the host gneiss proximal to the carbonatite which has been increasingly affected by metasomatic alteration by heat and fluids emanating from the intrusive;
- Feldspar Rock: intrusives, agglomerates and breccias with a potassium-feldspar and carbonate mineralogy occurring at the contact of the carbonatite plug with the altered basement gneiss;
- Volcanic Ash: fine unconsolidated ash fall tuff derived from the Rungwe volcanic system to the north. This occurs at the central part of Panda Hill forming a surficial deposit of more than 10m in places;
- Residual Soil: eluvial material formed by the weathering of carbonatite and fenite.

The lithology descriptions above are after Fick and Van der Heyde (1959).

3.5.3 *Mineralogy and Geochemistry*

Early work by Fick and Van der Heyde (1959) on the petrography and geochemistry of Panda Hill deposit, together with subsequent studies by Basu and Mayila (1986) and Mchihiyo (1990) established the following observations.

Carbonatite from Panda Hill is composed mainly of calcite, containing an average of 60 to 75% with up to 92% calcite reported. Apatite typically comprises 5 to 8% of the carbonatite with significant pyrochlore the main ore mineral, plus accessory magnetite, phlogopite and quartz. The pyrochlore is particularly coarse grained with some crystal laths reaching 10mm in length, generally 1-3mm. Mineralised carbonatite at Panda Hill is characterised by distinctive streaks and schlieren which are interpreted to reflect flow textures in the cooling magma. Schlieren are defined by higher concentrations of apatite and pyrochlore and are typically orientated steeply with dips of 70° to 80°.

Weathered carbonatite comprises secondary minerals including phosphates, quartz, goethite, hematite, kaolinite and minor smectite and vermiculite.

The most distinctive geochemical feature of this carbonatite is its significant enrichment in the rare metal niobium (Nb). Major element geochemistry is dominated by a very high calcium (Ca) and carbon (as carbonate CO₃) content, with significant sodium (Na), potassium (K) and iron (Fe), but anomalously low concentrations of silica (Si) and alumina (Al). Other trace elements with elevated contents include tantalum (Ta), lithium (Li) yttrium (Y), zirconium (Zr) and uranium (U). Panda Hill niobium ores are also associated with rare earth element (REE) contained within the minerals bastnaesite, monazite and REE-carbonates. The lighter or lanthanide series rare earths are also enriched within the mineralisation. These include lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), ytterbium (Yb), lutetium (Lu) and thorium (Th). The heavy rare earths are not a feature of the Panda Hill mineralisation. The main mineralised rock types exhibit very slightly elevated radioactivity.

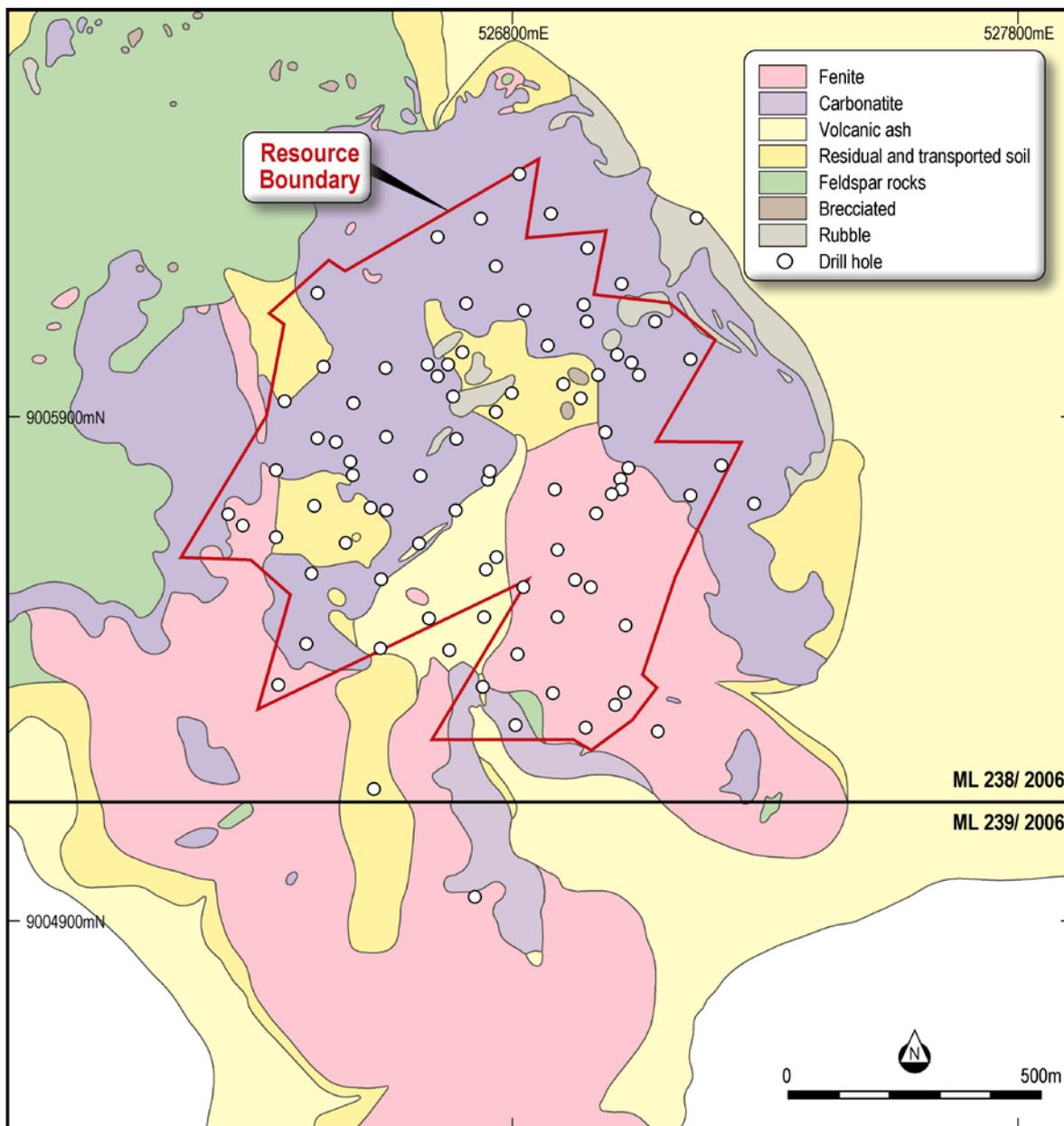
3.6 Mapping

The Panda Hill deposit is situated on a prominent hill providing good outcrop for surface mapping which has been conducted at a variety of scales (1:5000, 1:2500 and 1:1000) by a number of geologists (Fawley and James 1955, Fick and Van der Heyde 1959, Straaten 1989). This has provided a reliable geological map of the outcropping mineralisation, alteration zones and surrounding host rocks. Detailed surface work has included structural mapping, soil sampling, rock chip sampling and bulk point sampling. Further exposure has been obtained through excavation of channels and shallow shafts, mining of two adits several hundred metres into the hill and excavation of four mine slots into the hill. All these were recorded as being sampled and mapped. Although the majority of records have been lost through the intervening years, the



detailed geological understanding of the mineralising system was captured in a number of scientific papers published in international geoscience journals (Fawley and James, 1955; Fick and Van der Heyde, 1959).

Figure 4 Geological Map of the Panda Hill Carbonatite





3.7 Exploration History

3.7.1 Historical Exploration

The Panda Hill Niobium Project area has been explored since the 1950s. Details of exploration programs undertaken are listed in Table 2.

<i>Table 2 Panda Hill Project: Exploration History</i>		
Date	Company	Findings
1950 to 1954	Tanganyika Geological Survey	Undertook geological mapping. Specific gravity was determined on at least five carbonatite samples (Fawley and James, 1955).
1954 to 1955	Tanganyika Geological Survey renamed the Geological Survey of Tanzania (GST)	Undertook detailed geological mapping, petrology and sampling. Drilled 17 diamond holes for 1,405m. A network of pits were sunk to a maximum depth of 30 feet. Several hundred pounds of pyrochlore crystals (Nb bearing) were obtained from a small quarry in residual soil by washing, screening and hand sorting, which were used for metallurgical testwork. Explored for phosphate, barium and water as well as niobium. Little original data is retained from this period of exploration (Fawley and James, 1955).
1954 to 1963	Mbeya Exploration Company (MBEXCO)	Following a tender process the government offered mining rights to the deposit to a joint venture between Billiton and the Colonial Development Corporation (MBEXCO). Drilled 66 diamond holes for 3,780m. The holes were drilled on a 100 x 100m NE-SW to NW-SE grid. They explored for niobium. Numerous shallow pits were dug but no information is available (Fick and Van der Heyde, 1959). Trial mining and concentration was carried out on about 200,000t of sample; which was collected from four locations into the side of the hill. Little information is available with regards to this program.
1972 to 1973	Canadian National Geological Exploration Ltd (CINGEX)	No drilling or sampling were conducted by CINGEX who reviewed existing work, updated the previous geological interpretation and evaluated the project for underground mining.
1978-1980	Mining Industrial Association (Rudis) in joint venture with State Mining Company (STAMICO)	Thirteen diamond holes were drilled on a 300m x 300m grid for a total of 1,306m. Rudis primarily focused on the carbonatite as a source of phosphate for agriculture and but also tested for metals. They twinned some of the holes drilled by MBEXCO and tested the western and southern mineralisation extents. The core is stored at the STAMICO facility in Dodoma but there is some loss of core and core labels.



3.7.2 Recent Exploration

During the period 2000 - 2001, Euromet (Tanzania) Limited commissioned MTL Consulting Company Ltd to conduct a sampling campaign at Panda Hill. The sampling covered an area of about 5.51km² the same area covered by previous explorers. The work was carried out in two stages. Stage 1 involved collection of bulk sample of rocks and soils for geochemical analysis and rock hand specimens for geological studies. Stage 2 involved field sampling of rocks and soils by the point sampling method. The aim of the program was to provide suitable and representative samples of carbonatites, fenites and residual soils as well as a better understanding of the mineralisation and distribution of tantalum grades. The samples were sent to a number of different laboratories for comparison. The work carried out by the laboratories consisted of:

- chemical analysis of samples;
- microscopic investigation of rock samples; and
- SEM-EDS analysis of selected grains and determination of niobium (Nb), tantalum (Ta), uranium (U) and thorium (Th) metals.

The results of analyses carried out at SEAMIC in Dar es Salaam - Tanzania. The analysis of major elements was carried out by X-ray fluorescence spectrometry and the analysis of Nb, Ta, P, Si, Al, and P by wet chemical method.

Panda Hill Mines Ltd. appointed MTL Consulting Company Ltd to carry out re-logging of drill cores stored at the State Mining Corporation (STAMICO) core shed in Dodoma in 2005. The aim of re-logging and re-sampling the cores was to determine the variation in grades of niobium and tantalum with depth.

3.8 Mineral Resources

In July 2012, Coffey Mining completed a mineral resource estimate of the Panda Hill niobium deposit on behalf of Cradle. Ravensgate has reviewed this mineral resource estimate for reasonableness and against standard mining industry practice. This resource was estimated and reported in accordance with the JORC Code (2004). Competent Person for the Mineral Resource estimates is Ms Ellen Maidens. Competent Person for the drilling database and data quality is Mr Neil Inwood (Maidens 2012).

Coffey estimated an Inferred Resource for Panda Hill of 56 Mt grading 0.5% Nb₂O₅ at a lower cut-off of 0.3%. The mineral resources are summarised at various cut-off grades in Table 3.

Category	Cut-off Nb ₂ O ₅ %	Tonnes (t)	Grade (Nb ₂ O ₅ %)	Metal Content (kT)
INFERRED	0.0	76.0	0.43	327
	0.2	71.6	0.45	322
	0.3	56.0	0.50	280
	0.4	37.9	0.58	220
	0.6	12.7	0.77	98
	0.7	6.9	0.87	60

3.8.1 Historical Estimates

Over the 60 years since discovery, a number of workers have made estimates of the mineral resources contained within the Panda Hill carbonatite. In Ravensgate's opinion, all these previous estimates have major deficiencies and fall well short of the reporting requirements for the JORC (2004) Code, therefore their results are not provided in this report.



3.8.2 *Drilling Data and Database*

Several sources of geological logging were provided to Ravensgate by Cradle: a drill hole database consisting of four Excel files; a report by Mbasha (2001) containing a compilation of drilling logs which summarises drilling logs obtained from various historic company reports; and copies of some of the original assay and sampling sheets.

Drilling

Between 1953 and 1965 the GST drilled one diamond drill hole for 1405m of core. Samples were to the GST laboratory in Dodoma and to Johnson, Matthey and Co Ltd laboratories, Wembley in England. Logging records have not been located, but sampling and assay records are available including original laboratory certificates for the bulk of the holes.

Between 1954 and 1963 MBEXCO drilled 66 diamond drill holes for 3780m of core. Additional holes may have been drilled, but records are not available for these. Samples were sent for assaying by paper-chromatography and colorimetry (post-1955) at MBEXCO's laboratory. Check samples were also sent the GST laboratory in Dodoma for analysis by colorimetry. Ten check samples identified from November 1955 showed similar results between the two laboratories.

Between 1978 and 1980 RUDIS drilled 13 NQ and BQ-size diamond drill holes for 1,306m of core. Drilling was undertaken using a Boart Longyear 38 DC rig owned by STAMICO. Samples were halved or quartered, then pulps were prepared on site and sent to Yugoslavia for multi-element analysis on pulverised samples by x-ray fluorescent spectrometry (XRF) using a Philips 1410 machine.

Geological Logging

A detailed geological understanding of the deposit was developed by GST and MBEXCO in the 1950s, as is documented by scientific papers published in the *Journal of Economic Geology*. Unfortunately, the underlying data has only been partially retained to the present.

The database has one logging field - lithology, with 9 codes representing each main lithology type. No original core logs remain from any of the earlier two programs of drilling, but the RUDIS logging is available. Some core is available at STAMICO facility in Dodoma, but due to poor storage practices, hole depth marker information has been lost preventing effective re-logging and verification of assay intervals. As such the recorded geological logging codes provide little more than a broad guide to lithology.

In 2000, Panda Hill Mines Ltd. appointed MTL Consulting Company Ltd to write a compilation report on the geological and analytical data of the deposit (Mbasha, 2001). Review by Cradle and Ravensgate have found that the relationship between the geology in the drill hole database and the report of Mbasha is not always consistent.

Ravensgate rates confidence in the **geological logging** as low (but useable for estimation of an inferred resource), due to inconsistencies between different generations of data compilation and a lack of core available for re-logging.

Survey Data Verification

All efforts have been made by Cradle to sight original data where possible to verify the drill hole data. During the site visit, Mr Jeff Nichols has sighted the original GST assay data and some original sampling sheet data, which has been photographed and transcribed into the database by Verona Capital (Inwood, 2013).

GPS measurements made during the site visit indicated a consistent difference of approximately 110m in Northing between the satellite derived coordinates of drill hole collars and the grid coordinate in the database. This will not affect the magnitude of the mineral resource determined from the drill holes as their relative locations will remain similar, but needs to be rectified through professional survey of the site. Confidence in the location of the drill holes relative to each other was confirmed by the GPS readings.

Downhole surveys of the drill holes are limited and the methods used to take the surveys in the database are not known. This lack of downhole surveys means any deviations in the holes are



not captured. However, the drill holes are short and each is well separated from the other drill holes, therefore error caused by hole deviation would form an insignificant variation to the tonnage and the estimate.

Diamond Core Sampling

Core drilled by GST and MBEXCO was sampled by breaking into half splits with sample intervals selected according to rock type with three geological units considered as the main niobium-phosphate bearing units: carbonatite, fenite and residual soils. Sample intervals reportedly varied between 2m and 20m, however the assay data contains sample intervals much larger than this. Sample lengths for holes drilled by GST range from 1 foot to 34 feet (~0.3m to 10.4m). By far the most common length sampled was 10 feet (3.05m). Core drilled by RUDIS in the 1980s was mostly sampled over 5m intervals.

Density Determination

Specific gravities were determined for five carbonatite samples (Fawley and James 1955) although there is no description of the samples or the source of the samples or the determination. However the average value of 2.75t/m³ is similar to values recorded for other carbonatites.

Assay Data Verification

Quality assurance and quality control (QAQC) data has not been captured for any of the assay data in the database. Given the vintage of the data it would not be expected that QAQC samples would have been submitted with the drill samples.

A data collation was undertaken in 1970 by CINGEX. The CINGEX collation correlated almost 100% to the raw data obtained. Mr Inwood of Verona has also checked the RUDIS assay database against the individual assay data collated in the 1980 RUDIS report (Inwood, 2013). The sample intervals have been verified against the original drill hole logs for two drill holes, and for the remainder against a summary section which displayed sample intervals and sample IDs for each hole. Where there have been marked differences between Mbasha's drill log compilation and the drill hole section intervals. The most conservative result in each case has been used (Inwood, 2013).

Original assay data for GST are available. Several concerns exist in the MBEXCO assay data. No original data has been sighted and the database contains numerous assay intervals with an excessive length. In most cases an arbitrary low-grade has been applied (0.15% or 0.01% Nb₂O₅) for intervals within the mineralised interpretation for purposes of the resource estimation.

A programme for re-logging the old drill cores that were stored at the State Mining Corporation (STAMICO) core shed in Dodoma was carried out by Panda Hill Mining (Tanzania) Limited through the agency of MTL Consulting Company Ltd. Each core box produced one sample of the core. The re-logging program was limited in effectiveness because the drill core had been stored under poor conditions with much core missing, and depth and box labels lost. Drill cores from 11 bore holes were logged and then sampled yielding 34 drill core samples with each sample representing one core box. Samples were sent for laboratory analysis in the Republic of South Africa. The assay results returned a maximum value for Nb₂O₅ of 5,200ppm and a minimum value of 429ppm. The maximum value for Ta₂O₅ was 148.8ppm with a minimum value of 14.64ppm. The samples returned minor quantities of barium and strontium. Results were inconclusive due to the inability to compare matching intervals between assay campaigns.

Ravensgate rate confidence in the analytical database as low (but useable for estimation of an inferred resource) due to lack of QAQC, apparent application of arbitrary grades to waste and low grade zones and some inconsistencies identified from the data verification work.



3.8.3 Methodology of Resource Estimation

Summary

A resource estimate was completed by Coffey Mining in 2012 (Maidens, 2012). The ordinary kriging interpolation method was used to estimate Nb₂O₅ grades into block model cells from diamond drill data composited to 2m length intervals. No other metals or constituents were estimated. The estimate was undertaken using Vulcan software and geologically constrained inside a single wireframe domain built using a cut-off of 0.2% Nb₂O₅. A top-cut of 2.5% Nb₂O₅ was applied to the assay data based on a statistical analysis a uniform bulk density of 2.75 t/m³ was applied. A cell size of 25 x 25 x 5m was used with sub-celling at boundaries. Kriging parameters were derived from a geostatistical analysis of the assay dataset. The final model was validated by statistical analysis and visual review.

Drill Data

Drill hole spacing and orientation is irregular but broadly done on a 100m x 100m grid. Problems with the exploration drill data set, as described in Section 3.8.2, required specific handling to minimise detrimental effects on the grade interpolation and hence resource estimation. Ravensgate is satisfied that an appropriate approach was utilised.

Drill hole data was loaded into Vulcan software and de-surveyed to generate three-dimensional drill hole traces coded by geology and assay.

Ore Domaining

Ore domains were established by building wireframes linking mineralised intercepts in each hole using a lower cut-off of 0.2% Nb₂O₅. Only carbonatite lithologies were included in the ore wireframes, excluding mineralisation in soil, overburdened and fenite lithologies. Wireframes were not extrapolated below drill sampling when it ended in mineralisation. These appear to form irregular sub horizontal bodies confined within the upper part of the carbonatite plug.

Compositing

Drill holes were composited to 2m intervals and flagged by mineralised zone. The 2033 composite grades were statistically analysed resulting in a top cut of 2.5% Nb₂O₅ being selected and affecting two composites yielding a 1% reduction in contained metal. Waste intervals identified or suspected as being assigned arbitrary/default grades in the database, were removed from the estimate or assigned zero grade for the interpolation (Maidens 2012).

Bulk Density

A bulk density value of 2.75 was assigned to all ore domain cells - based on specific gravity measured for 5 samples collected and analysed by Fawley and James (1955).

Block Model

A block model was created using Vulcan software with a cell size of 25m (X) by 25m (Y) by 5m (Z) which was sub-celled to 5m (X) by 5m (Y) by 1m (Z) to improve resolution. Variables were coded into the model from the wireframes for grade estimation, with additional variables added to allow for statistical analysis, validation and assessment of the quality of the estimate (Maidens, 2012).

Grade Estimation

The Nb₂O₅ grade (%) was estimated utilising ordinary kriging interpolation using the cut 2m composites, with kriging parameters derived from a geostatistical analysis of assay data. Coffey Mining fitted an omnidirectional variogram model for the composite data. While the mineralisation wireframes are horizontal, a sub-vertical banding of pyrochlore ore minerals has been mapped at surface and in underground adits. As a compromise between these different orientations, an omnidirectional variogram model and a spherical search was used for the estimation. The sample search strategy and kriging parameters applied were reviewed by Ravensgate and deemed appropriate. Block discretisation was used to improve the interpolation of grade (Maidens, 2012).



Validation

The resulting block model was visually validated against the drill hole data and the geological interpretation and statistically validated by comparing the population distribution of the models cell grades to the distribution of the drill composite grades, both with favourable results (Maidens, 2012).

Classification

Coffey Mining classified the resource as Inferred - the lowest level of confidence allowed for resources under the JORC Code (2004). This was based on confidence levels rated for 15 key categorisation criteria as detailed in Table 4. The Coffey rating have two categories not rated, four categories rating low, three categories rating low-moderate, five categories rating moderate, and one category rating moderate-high. Ravensgate have applied a rating to use the same criteria based on our review of the project data, which largely concurred with the Coffey ratings. A brief discussion for each criteria, is also provided in Table 4.

<i>Table 4 Mineral Confidence Levels of Key Characterisation Criteria Panda Hill Project Mineral Resource Estimation</i>			
Criteria	Discussion by Ravensgate	Coffey Rating	Ravensgate Rating
Drilling techniques	All diamond core. Core size is generally BQ or NQ. No drilling records. Little core remains to view quality.	Low	Moderate
Logging	Only several holes of RUDIS available for Ravensgate review. Original logs sighted by client for RUDIS, but not the other two drilling programmes. Reported logs do not have full compatibility with drill hole geology provided.	Low	Low
Drill sample recovery	Core recovery is not recorded. Little core remains to view quality.	-	Low
Sub-sampling techniques and sample prep	Mostly half core submitted. Only RUDIS documented sample preparation which was robust. No QAQC	-	Low/mod
Quality of assay data	Some original analysis certificates. Generally assayed by paper chromatography at reputable laboratories. Limited suite of other elements.	Low/mod	Low/mod
Verification of sampling and assaying	No QAQC data. Original data for some GST and RUDIS holes viewed at GST office in Tanzania.	Low/mod	Low
Location of sampling points	Relative drill hole location verified. ~100 m offset in absolute northings discovered.	Moderate	Moderate
Data density and distribution	Drill hole spacing generally 100 m x 100 m to depth of up to 90 m.	Low/mod	Moderate



Table 4 Mineral Confidence Levels of Key Characterisation Criteria Panda Hill Project Mineral Resource Estimation			
Criteria	Discussion by Ravensgate	Coffey Rating	Ravensgate Rating
Bulk density	Five specific gravity measurements on carbonatite by unknown method. Values within acceptable range for typical carbonatite.	Low	Low
Audits or reviews	Several historic reviews of project. The database is consistent between reviews and corresponds well with the original data that has been sighted.	Moderate	Moderate
Database integrity	Database is internally consistent. Random checks against original data positive.	Moderate	Moderate
Geological interpretation	Simple and conservative model used. Logging is insufficient to build a more detailed geological model. Conservative approach to constructing ore domain.	Low	Moderate
Estimation and modelling techniques	Estimates based on geostatistical analysis. Estimation by ordinary kriging is satisfactory with good correlation between modal grades and input data. Conservative approach taken with intervals of missing assays.	Moderate	Moderate
Cut-off grades	Statistical analysis used to determine a top cut of 2.5% Nb ₂ O ₅ . Only two composites cut for 1% decrease in metal content. Grade-tonnage table provided with 0.3% Nb ₂ O ₅ cut-off used.	Mod/high	Mod/high
Mining factors and assumptions	Deposit outcrops on a hill and some historic mining, so can assume open pit mine. Similar grades to existing operations. Good recoveries from metallurgical test work. Therefore reasonable prospects for eventual extraction.	Moderate	High

3.8.4 Conclusions

Ravensgate has reviewed the block model estimation process and documentation relating to the Panda Hill niobium resource undertaken by Coffey Mining (Maidens 2012) and confirm that this resource estimate conforms to the reporting guidelines of the JORC Code (2004). The mineral resource estimate has been undertaken according to standard practice for the Australian mineral exploration industry. A conservative technical approach has been adopted by the Competent Persons in developing the estimate, reducing the risk of overestimation of tonnage and grade. Ravensgate considers that twin and infill drilling and re-modelling proposed by Cradle will provide an opportunity to readily address our concerns with the data expressed in Sections 3.8.2 and 3.8.3 of this report.



3.9 Mining and Metallurgical Studies

3.9.1 *Historic Mining*

MBEXCO dug a number of pits and trenches, and mined six galleries totalling 800 m in length. Mining and milling of the ore was under operation from 1957 to 1959 with approximately 200 tons of ore mined per day. A pilot flotation plant was erected in 1959 for ore dressing experiments, though the dressed concentrates had to be shipped to Europe for further tests. The project was terminated in 1963 (Fick & van der Hyde, 1959, Morisset, 1992).

A Canadian company consulting for CIDA in 1972/73 studied the existing borehole data from MBEXCO, and recommended selective mining of pyrochlore-rich zones identified through their interpretation of the drill data. No follow-up work was conducted after the termination of that project (RUDIS, 1980).

3.9.2 *Metallurgical Test work*

In 2001 Euromet sent five bulk samples of mineralised rock to Lakefield Research for metallurgical test work.

The results from the testwork indicated that an effective treatment process had been developed for the carbonatite; that preliminary work on the high-iron fenite gave promising results and that further optimisation work could allow for better metallurgical results; and that the high-silica fenite and the oxide material were refractory (Bulatovic, 2002). The material sent to Lakefield Research consisted of:

- Carbonatite material - grading 0.52% Nb₂O₅;
- Oxide material (soil) - grading 0.82% Nb₂O₅;
- Fenite material - High iron composite - grading 2.57% Nb₂O₅;
- Fenite material - High silica composite - grading 0.70% Nb₂O₅;
- Carbonatite material - 2 individual hole composites assaying 0.69% and 0.33% Nb₂O₅.

Lakefield Research reported the following results (Bulatovic, 2002):

Primary slimes averaged about 8% in the carbonatite material and niobium losses were similar for the two individual hole composites. Grind fineness did not, however, significantly influence niobium loss to the slimes.

Grind testing indicates that the oxide and fenite materials contains a large fraction of primary slimes (iron hydroxides) exceeding 20% of the mass. Secondary slimes averaged 3.5% for the coarser grind increasing up to 10% for the finer grind.

Flotation tests were conducted focusing on the altered material and the carbonatite material. Indications are that the following treatment is effective for the carbonatite material but not the oxide and fenite material:

- Dolomite and calcite gangue flotation which also removes some iron hydroxide slimes. This process recovered about 65% of the mass containing less than 6% of the total niobium and increases the Nb₂O₅ grades from 0.5 in the feed to 1.5%.
- Flotation of the deslimed niobium bearing minerals from the tails of the above process. The low grade concentrate can be readily upgraded to 58% Nb₂O₅.
- Hydrochloric acid leaching of the concentrate.
- Removal of the magnetic fraction.

The locked cycle tests on the carbonate samples resulted in recoveries of between 61% and 79% for concentrate grades of between 59% to 52% Nb₂O₅.

The high-silica fenite and oxide materials are refractory and do not respond well to conventional treatment and a high grade concentrate was not achieved despite extensive testing. Additional



metallurgical work will be required to establish an effective process for such material types. (Bulatovic, 2002).

Preliminary work on the high-iron fenite ore gave promising results (up to 42% Nb₂O₅ for 68% recovery) and it was summarised that further optimisation work could allow for better metallurgical results (Bulatovic, 2002).

Collector optimisation for the calcite/ dolomite flotation as well as the niobium flotation was also established during the investigation.

3.9.3 Ore Characterisation

The deposit contains at least two dozen minerals but, at the present time, only two of them are of economic interest: pyrochlore and columbite. Pyrochlore does not have a rigid chemical composition and contains REE, tantalum, titanium, strontium and zirconium, in addition to niobium. Up to eight different varieties of pyrochlore can be found in the deposit. The Fe-enriched pyrochlore and columbite are usually found in fenite, but are also present in carbonatite where they are of primary origin. The variable chemical composition of the pyrochlores has a major influence on mill production results. A portion of black Fe-enriched pyrochlore and columbite at a certain pH have surface properties different from those of the sodium type of pyrochlore. These two minerals are in fact lost to tailings in the flotation process (Bulatovic, 2002). This research indicates that future geometallurgical studies will be important in achieving optimum performance in beneficiation flow sheets for Panda Hill mineralisation.

3.10 Exploration Potential

3.10.1 Niobium Potential

In Ravensgate's opinion the project has the potential to be developed, however the mineral resource requires additional work and drilling information to improve confidence to higher JORC (2004) resource classifications (ie, Indicated or Measured Resource) for definitive mining, processing and economic studies to be undertaken. Further geometallurgical studies and metallurgical testwork is also required.

Ravensgate recommends that to mitigate problems identified with the historical drill data that twinning of at least 10% of historic holes with new holes employing industry best practice in quality assurance and quality control be undertaken. The old data would need to match the new twinned holes quite closely to be utilised in mineral resource estimates at a higher confidence level than Inferred. Redrilling of the entire resource area may be required for Indicated or Measured classifications.

Ravensgate considers further exploration drilling of the carbonatite to the south of the resource area is warranted. This area is highlighted in Figure 5.

Ravensgate also considers there is potential for the discovery of additional niobium mineralisation within the carbonatite and the deposit remains completely open at depth. The current resource is limited to drilling to an average depth of only 90m. This style of deposit can be expected to be mineralised to vertical depths in excess of 300m. The depth potential is supported by the deepest drillhole (GS6) which finished in carbonatite at 253m from surface. Figure 6 provides a conceptual cross section of the Panda Hill carbonatite based on the current geological understanding. This figure illustrates the extensive target zone in the carbonate pipe below the current resource area (shaded red) which awaits drill testing.

Mineralised fenite has been intersected in drilling, but no fenite material is included in the current inferred resource. Further exploration of the fenite hosted mineralisation surrounding the carbonatite is required to upgrade this material to resource status. Similarly further testwork is required on the regolith deposits lying over the carbonatite to determine the mineral resource on this material. However given the difficult metallurgy of these mineralisation types, greater benefits are likely to accrue from funds directed towards drilling into the carbonatite.



Figure 5 Exploration Potential of the Panda Hill Carbonatite

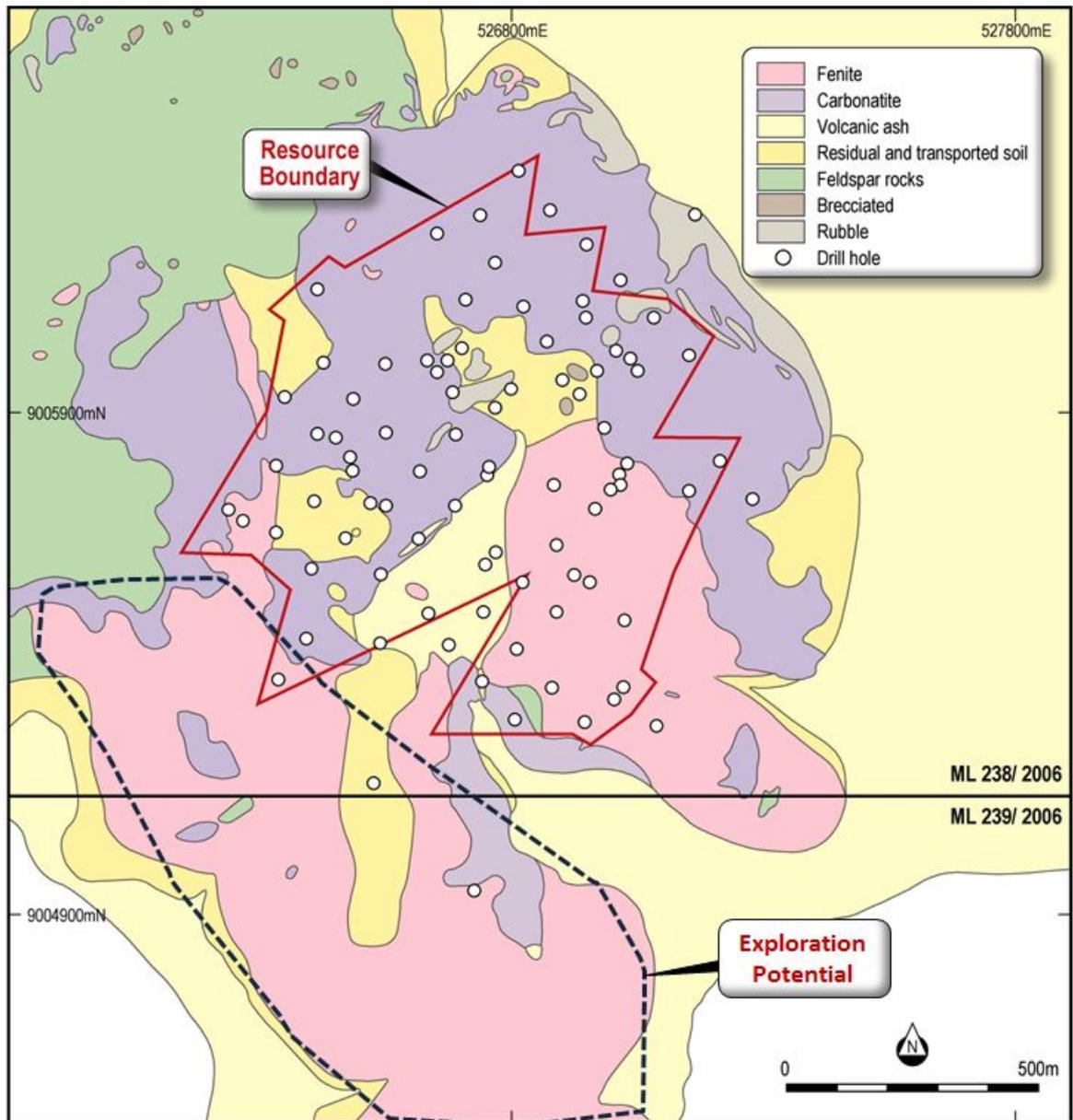
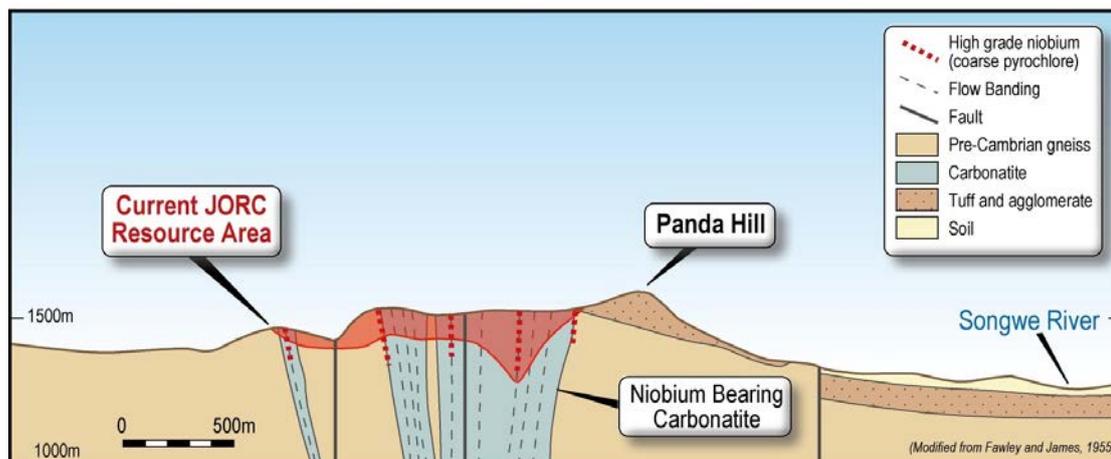




Figure 6 Conceptual Geological Cross Section of the Panda Hill Carbonatite



Note: This conceptual section has a vertical exaggeration of 1 : 1.3

3.10.2 Potential for Other Metals

In 1985 the Yugoslav mining association (RUDIS), in collaboration with Tanzania's State Mining Corporation (STAMICO), commenced the Agrogeology Project which included an investigation of the phosphate potential of the Panda Hill carbonatite. Two important zones of phosphate mineralisation were delineated by the Project; the Kunja-Mtoni and Museum zones. The major phosphate mineral is fluorapatite. Concentrations are highest in the contact zone between carbonatite and fenitised gneiss; in late stage apatite-magnetite veins; and in the overlying residual soils. Phosphate rich material has residually accumulated over the carbonatite and associated rocks as a result of progressive chemical weathering. This is typical of the humid tropic regions where hydrolysis is the main agent for mineral alteration (Mgonde, 1994).

The STAMINCO studies found the Panda Hill phosphate rock is of low activity and contains high amounts of iron oxides, hydroxides and alumina as kaolinite. Beneficiation methods were able to improve the primary mineralisation to commercially acceptable grades (>28% P₂O₅). Metallurgical testing determined that the phosphate mineralisation can be upgraded through washing and magnetic separation (Mgonde 1994). However, beneficiation studies failed to determine a flow sheet which could produce saleable product at a reasonable cost. The problem of residual heavy metals and minor radioactivity in the upgraded product was not overcome.

Work to date indicates that Panda Hill niobium ores are associated with elevated, but not high, REE concentrations contained within bastnaesite, monazite and REE-carbonates. The lighter or lanthanide series rare earths are more enriched than the heavy rare earths. Further REE analysis is warranted on selected samples from throughout the project area to evaluate if any of other elements are of economic significance; however the main target remains niobium.

The grade of tantalum should be monitored by inclusion of tantalum in the routine assay suite of future drill samples.



3.11 Exploration Strategy and Budget

Cradle has indicated to Ravensgate that they will undertake a systematic, staged approach with respect to their exploration program and will be carefully monitoring, assessing and refocussing their exploration programs as necessary. The exploration strategy at Panda Hill is planned to consist of the following phases:

Phase 1

Twin and confirmatory drilling of the main regions of niobium mineralisation as defined by historical drilling (Figure 7). A total of 1,500m is planned, targeting mineralisation within an optimised pit shell which relates to 10 years of mine life. This stage of drilling will target mineralisation to a vertical depth of ~90m. NQ and HQ core will be drilled so as to obtain samples for metallurgical test work.

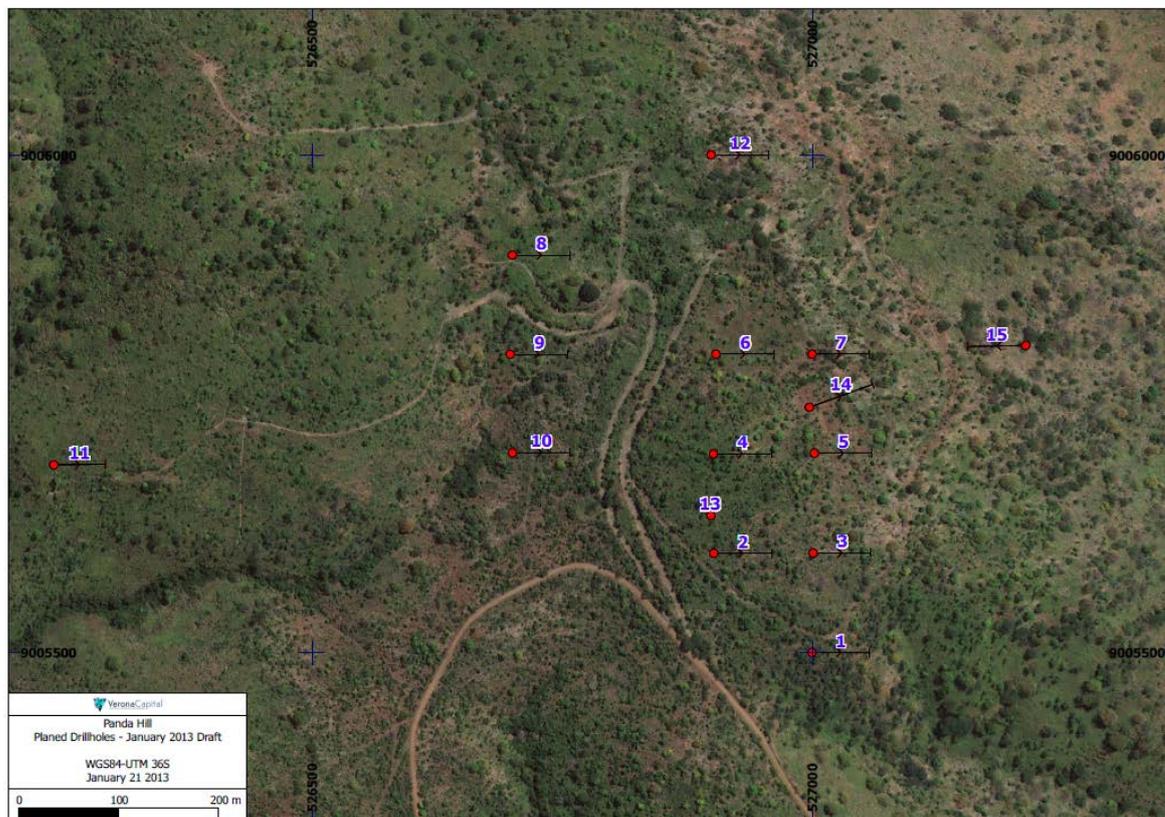
Phase 2

- Metallurgical test work on approximately 400kg of core samples;
- Follow-up geological mapping and fieldwork to identify additional mineralisation;
- Comparison of the drilling results to the historical data, and an updated grade-tonnage estimate.
- Scoping-level metallurgical and mine studies will also be undertaken.

Phase 3

Based upon the result of the previous work, infill drilling in the region of a conceptual 10 year pit shell with the intent on producing an updated Resource estimate.

Figure 7 Map of Proposed Stage 1 Diamond Drilling Program at Panda Hill





Cradle has indicated to Ravensgate that approximately half of the funds intended to be raised will be committed to the acquisition, exploration, development and evaluation of its mineral properties. Cradle has budgeted \$2.34M to exploration and corporate expenditure on its Panda Hill Project in the first year.

Exploration will comprise of initial confirmatory/validation drilling over the deposit, followed by metallurgical test work, and scoping level mine studies. Subsequent to this, an infill drilling program targeting portions of the deposit that have potential to be developed within the first 10 years of mine life conceptual pit shell is envisaged to be undertaken. Details of the proposed budget and program for the first year for the Panda Hill project are listed in Table 5.

Activity	Estimated Expenditure
	Year 1
Corporate Costs	\$600,650
Employee Costs	\$386,855
Travel Costs	\$43,419
Office overheads and administration	\$21,271
Camp and site costs	\$48,368
Geology, geophysics and geochemistry	\$68,445
Drilling and assaying costs	\$800,001
Community, environment, legal and government	\$24,570
Scoping study/Feasibility	\$346,749
Total	\$2,340,328

The proposed annual expenditure of \$2.34M in Year 1 is considered to be consistent with the potential of the Panda Hill project.

Ravensgate considers that the proposed exploration program is consistent with the mineral potential and status of the project.



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5. GLOSSARY

<i>adit</i>	Horizontal mine tunnel driven into the side of a hill.
<i>alteration</i>	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
<i>amphibolite</i>	Rock composed mainly of amphibole and plagioclase feldspars, with little quartz, dark-coloured, heavy, with weakly foliated texture.
<i>apatite</i>	Mineral group, rich in phosphorous, calcium, chlorine, fluorine; including minerals hydroxylapatite, fluorapatite and chlorapatite.
<i>Archaean</i>	Geological Eon - 2.5 to 3.8 billion years; between Hadean and Proterozoic Eons.
<i>assay</i>	Test for concentration of metal within a sample of rock in a laboratory
<i>bastnaesite</i>	Mineral composed of REE-carbonate-fluoride; (Ce, La)CO ₃ F
<i>breccia</i>	Rock composed of broken fragments of minerals or rock cemented together by a fine-grained matrix.
<i>carbonate</i>	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles.
<i>carbonatite</i>	Intrusive or extrusive igneous rock with mineralogical composition of greater than 50% carbonate minerals.
<i>clastic</i>	Pertaining to a rock made up of fragments or pebbles (clasts).
<i>Cenozoic</i>	Geological Era - 66 million years ago to the present, following Mesozoic Era.
<i>colorimetry</i>	Chemical analytical technique involving determining the concentration of coloured compounds in solution; now outdated.
<i>Cretaceous</i>	Geological Period - 145 ± 4 to 66 million years ago; last period of the Mesozoic Era ; between Jurassic and Palaeogene periods.
<i>dolomite</i>	Mineral composed of calcium magnesium carbonate - CaMg(CO ₃) ₂ . Also a rock composed mostly of the mineral.
<i>domain</i>	Geological zone of rock with similar geostatistical properties; typically a zone of mineralisation.
<i>dykes</i>	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
<i>fault zone</i>	A wide zone of structural dislocation and faulting.
<i>fenite</i>	Rock formed by metasomatic alteration around a carbonatite intrusion resulting in a carbonate alteration mineralogy.
<i>geochemical</i>	Use of chemistry to explain the mechanisms behind major geological systems. Analysis of assays data of regolith and rock.
<i>geostatistics</i>	Mathematics focusing on spatial datasets. Developed to predict probability distributions of ore grades for mining operations.
<i>granite</i>	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
<i>granulite</i>	Metamorphic rock, coarse-grained composed mainly of feldspars, with granoblastic texture and gneissose to massive structure.
<i>gneiss</i>	Metamorphic rock, banded or foliated with a composition similar to granite.
<i>hydrothermal fluids</i>	Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution.
<i>igneous</i>	Rocks that have solidified from magma.
<i>infill</i>	Refers to sampling or drilling undertaken between pre-existing sample points.
<i>intermediate</i>	A rock unit which contains a mix of felsic and mafic minerals.
<i>interpolation</i>	Geostatistical method of estimating the grade of metals into individual blocks of model of a mineral deposit using drill hole assay data.
<i>intrusions</i>	A body of igneous rock which has forced itself into pre-existing rocks.
<i>lanthanides</i>	Element series - fifteen metallic chemical elements with atomic numbers 57 through 71, from lanthanum through lutetium.



<i>lithology</i>	Description of a rock's physical characteristics visible in outcrop or core samples such as colour, texture, grain size and composition.
<i>magnetite</i>	Mineral comprising iron and oxygen which commonly exhibits magnetic properties.
<i>Mesozoic</i>	Geological Era - 252 to 66 million years ago; between Palaeozoic and Cenozoic Eras.
<i>metamorphic</i>	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
<i>metasomatic</i>	Metamorphism which involves the introduction of fluids and associated material from an igneous intrusion.
<i>m</i>	metre
<i>Mt</i>	Million tonnes.
<i>niobium</i>	Chemical element, symbol Nb, atomic number 41; soft, grey, ductile transition metal; formerly called columbium (Cb)
<i>olivine</i>	mineral - magnesium iron silicate $(Mg,Fe)_2SiO_4$.
<i>outcrop</i>	Solid rock exposed at surface; not covered by regolith.
<i>ppm</i>	Parts per million; a measure of concentration.
<i>Proterozoic</i>	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
<i>pyrochlore</i>	Ore mineral of niobium - $(Na,Ca)_2Nb_2O_6(OH,F)$; crystals are usually well formed, octahedra of a yellowish or brownish colour and resinous lustre.
<i>pyroxene</i>	Mineral group; important rock-forming silicate minerals found in many igneous and metamorphic rocks.
<i>rare earth elements (REE)</i>	A set of seventeen chemical elements in the periodic table, fifteen lanthanides plus scandium and yttrium. Fairly abundant elements but rarely found concentrated in economically exploitable ore deposits. [
<i>regolith</i>	The layer of unconsolidated material which overlies or covers in situ basement rock.
<i>resources</i>	In situ mineral occurrence from which valuable or useful minerals may be recovered.
<i>rhyolite</i>	Fine-grained felsic igneous rock containing high proportion of silica and feldspar.
<i>rift valley</i>	Linear-shaped lowland between highlands or mountain ranges created by the action of a geologic rift or fault; associated with crustal extension - spreading apart of crustal plates.
<i>rock chip sampling</i>	The collection of rock specimens for mineral analysis.
<i>schlieren</i>	Irregular dark or light streaks in plutonic igneous rock that differ in composition from the principal mass; interpreted to reflect flow textures in the cooling magma.
<i>silica</i>	Dioxide of silicon, SiO_2 , usually found as the various forms of quartz.
<i>sills</i>	Sheets of igneous rock which is flat lying or has intruded parallel to stratigraphy.
<i>soil sampling</i>	The collection of soil specimens for mineral analysis.
<i>Sovite (sövite)</i>	Rock, medium to coarse grained calcite igneous rock with variable accessory amphibole, biotite, pyrite, pyrochlore and fluorite, usually formed in carbonatite intrusives.
<i>tantalite</i>	Mineral group of formula $(Fe, Mn)Ta_2O_6$, primary source of tantalum.
<i>veins</i>	A thin infill of a fissure or crack, commonly bearing quartz.
<i>volcanics</i>	Rocks formed or derived from volcanic activity.

CRADLE RESOURCES LIMITED
("CRADLE")

LEGAL DUE DILIGENCE REPORT TO CRADLE ON THE MINING
LICENCES HELD BY RECB LIMITED

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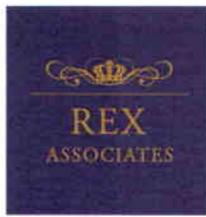
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Our Ref: REX/CRL/47/13/326/13

Date: 23rd May, 2013

Cradle Resources Limited
Suite 23, 513 Hay Street
Subiaco WA 6008
AUSTRALIA

Attn: The Directors

CRADLE RESOURCES LIMITED

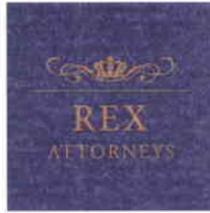
LEGAL OPINION

1.0 GENERAL BACKGROUND:

1.1 Instructions:

You have asked us to undertake a legal due diligence study and provide certain opinions on the mineral rights (the "Mining Licences" or "MLs") held by RECB Limited ("RECB") (the "Licenceholder") in Tanzania in which Cradle Resources Limited ACN 149 637 016 ("Cradle") wishes to acquire an indirect interest via the acquisition of all of the shares in Panda Hill Mining Pty Ltd ACN 160 217 069, and to issue a report, being this Report, and deliver our opinions thereon. This Report has been prepared for inclusion in a prospectus to be lodged by Cradle with the Australian Securities & Investments Commission on or about [insert] May 2013 (the "Prospectus").

We are a firm of lawyers duly qualified to practice in Tanzania and we provide this Report on matters relating to Tanzanian law alone. For the purposes of this Report we have reviewed certain documents and conducted a search at the Registry of Mineral Rights (the "Registry") in Dar Es Salaam, Tanzania.



We confirm that RECB is authorised to do business in Tanzania as it is a company incorporated in the British Virgin Islands and is registered in Tanzania as a branch under Certificate of Compliance number 92454 dated 23rd July, 2012. For tax purposes it is registered under Certificate of Registration for Taxpayer Identification Number (TIN) 120-587-994 dated 22nd April, 2013.

1.2 Searches:

We have obtained a search at the Registry of Mineral Rights in Dar es Salaam as maintained by the Commissioner for Minerals (the "Commissioner") pursuant to the Mining Act, 2010 (the "Mining Act") to establish the status of the Mining Licences held by the Licenceholder. The Central Register of Mineral Rights, which is administered by the Commissioner, is the only authoritative statutory reference point as regards tenements.

1.3 Documents Reviewed:

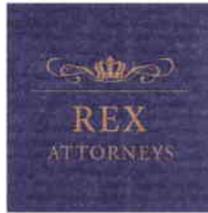
In preparing this Report, we have examined and relied exclusively upon the following:

- a) Letter from the Commissioner for Minerals referenced MEM-C/M.100/86b dated 21st May, 2013 confirming ownership and status of the MLs.
- b) Copy of the Certificate of Compliance No. 92454 dated 23rd July, 2012 of RECB Limited issued by the Registrar of Companies.
- c) Copy of Certificate of Registration for Taxpayer Identification No. 120-587-994 dated 22nd April, 2013 for RECB Limited issued by the Tanzania Revenue Authority.
- d) The Mining Act No. 14 of 2010.
- e) The Mining (Mineral Rights) Regulations G.N. No. 405 of 5th November, 2010.

1.4 Assumptions:

In preparing this Report we have made the following assumptions:

- the accuracy and correctness of the instructions which we have received with respect to all matters of fact;
- the correctness of all facts stated in the documents and certificates upon which we have relied upon in providing this Report as at the date of such documents and certificates; and



- the absence of any actual or pending litigation in respect of the Licenceholder and the Mining Licences the subject of this Report that may be prejudicial or have any material bearing or otherwise upon this Report, its recipients or the purpose for which it was prepared.

2.0 MINERAL RIGHTS TITLE STATUS:

2.1 General:

Rights for prospecting or mining for minerals are licenced under the Mining Act. The Minister has power to grant, renew, suspend or cancel any licence. However, the Minister is obliged to serve on the licence holder a default notice specifying the grounds on which the licence is liable to be suspended or cancelled indicating a specific period during which the default may be cured. The powers of the Minister or where the law specifies the Commissioner are exercisable in accordance with the powers conferred to them under the Mining Act. A mineral right is deemed a requisite and sufficient authority over the land in respect of which the right is granted. However, a separate authority (water grant) is required to divert water. A holder of a mineral right is also obliged to consult with the relevant local government authority and village counsel and thereafter to obtain the written consent of a lawful occupier before he can exercise his rights under the Mining Act, where applicable. All licences issued under the Mining Act are referred to as mineral rights.

2.2 Types of Mineral Rights:

The types of rights which may be granted under the Mining Act include a prospecting licence, retention licence, mining licence, special mining licence, gemstone mining licence and a primary mining licence. Primary mining licences are restricted to Tanzanian citizens or corporate entities whose memberships are composed exclusively of Tanzanian citizens. Equally, gemstone mining licences are restricted to Tanzanians only unless the Minister determines that the development of the gemstone resource requires specialized skills, technology or a high level of investment in which instance the gemstone mining licence may be held jointly up to 50% by a non-citizen.



2.3 Mining Licences:

For the purposes of our Report, we will only discuss mining licences, as these are the subject of this Opinion.

Mining licences may be applied for by a prospecting licence holder who has established the existence of minerals in commercial quantities. Such applicant is referred to in the Mining Act as an Entitled Applicant. Mining licences are normally granted for a period not exceeding ten (10) years. Mining licences may be renewed for a further period not exceeding ten (10) years. MLs are issued for medium scale mining operations whose capital investment is between US\$100,000 and US\$100,000,000 or its equivalent in Tanzania Shillings.

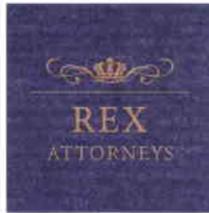
2.3.1 Application Procedures:

An application for a mining licence must be in the prescribed form and shall identify the relevant prospecting licence; describe the area and the mineral deposits therein. A feasibility study must also be submitted setting out the proposed program for mining operations, the estimated recovery rate of ore and proposals for its treatment and the applicant's estimated quantity of minerals to be produced for sale annually. Details of employment and training of Tanzanian citizens and a succession plan of expatriates must also be disclosed. Finally, there must be a statement on financial and technical resources and a procurement plan with respect to goods and services available in Tanzania.

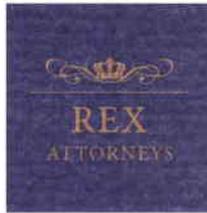
2.3.2 Conditions of Grant of a Mining Licence:

The Minister is required to grant an Entitled Applicant a mining licence for minerals other than gemstones unless:

- (a) the applicant is restricted from holding a mineral right;
- (b) the area in respect of which a mining licence is sought is in excess of the area required to mine the deposits identified by the applicant. The maximum size for MLs is 10 km²;



- (c) employment and training programmes for citizens of Tanzania and the succession plan for expatriates are not satisfactory;
- (d) the applicant is or was in default in respect of any other mineral right and has failed to rectify such default;
- (e) the applicant is not an Entitled Applicant and:
 - (i) the area of land or part of it which the applicant has applied for is subject to another mineral right, other than a prospecting licence for building materials or gemstones;
 - (ii) the area of land or part of it which the applicant has applied for covers or includes an area designated by the Minister as an area reserved for prospecting and mining operations by persons holding primary mining licences;
 - (iii) the area of land or part of it which the applicant has applied for covers or includes an area of land for which application has been made by another person who has priority over the applicant;
 - (iv) the area of land or part of it which the applicant has applied for covers or includes an area designated by the Minister as an area in respect of which applications for the grant of a mineral right has been, or will be, invited by tender.
 - (v) the financial and technical resources available to the applicant are not adequate to carry out mining operations; and
 - (vi) the applicant fails to include the relevant environmental certificate issued under the Environmental Management Act.



2.3.3 Rights under a Mining Licence:

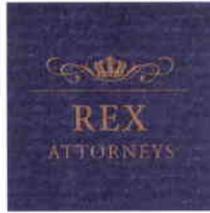
The rights of a holder of a mining licence for minerals other than gemstones are to: -

- (i) enter the mining area and take all reasonable measures on or under the surface for the purpose of his mining operations;
- (ii) erect the necessary equipment, plant and buildings for the purposes of mining, transporting, dressing or treating the minerals recovered by him in the course of the mining operations;
- (iii) subject to payment of royalties in accordance with the Mining Act and its Regulations, dispose of any mineral product recovered. Royalties for metallic minerals is currently four percent (4%) on the gross value of minerals produced under a licence;
- (iv) stack or dump any mineral or waste products in a manner provided for in the Regulations;
- (v) employ and train Tanzanian citizens and implement an expatriate succession plan; and
- (vi) prospect within the mining area for any minerals other than gemstones.

2.3.4 Obligations of Licenceholders under a Mining Licence:

The obligations of a holder of a mining licence for minerals other than gemstones are to: -

- 2.3.4.1 develop the mining area and carry on mining operations in substantial compliance with the programme of mining operations with due diligence;
- 2.3.4.2 demarcate and keep demarcated in the prescribed manner the mining area;
- 2.3.4.3 take all appropriate measures for the protection of the environment in accordance with the Environmental Management Act;



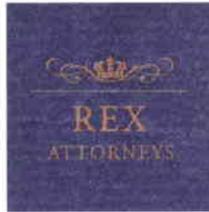
- 2.3.4.4 implement the proposed plan for relocation, settlement and compensation to local communities within the mining area in accordance with the Land Act;
- 2.3.4.5 employ and train Tanzanian citizens and implement succession plans for expatriate employees; and
- 2.3.4.6 implement a plan for procurement of goods and services available in Tanzania.

2.4 Renewal of Mining Licences:

The holder of a mining licence may, not later than six (6) months prior to the expiry date of the licence, apply to the Minister for a renewal of his licence. An application for renewal shall be in the prescribed form and shall be accompanied by the prescribed fee and tax clearance certificate issued by the Tax Authority in respect of operations to be conducted during the renewal period.

Once an application is made, the Minister shall renew the mining licence for the period for which application has been made, but not exceeding ten (10) years, unless:-

- (a) the applicant is in default, provided that the licensing authority shall not reject an application to renew a mining licence on the grounds that the holder is in default, without first serving on the holder a notice specifying particulars of the default and requiring the holder to remedy the default in the time specified in the notice;
- (b) the development of the mining area has not proceeded with reasonable diligence;
- (c) minerals in workable quantities do not remain to be produced; and
- (d) the applicant has failed to conduct mining operations in the mining area in strict compliance with the applicable Regulations relating to safety and environmental management.



2.5 Suspension and Cancellation of a Mineral Right:

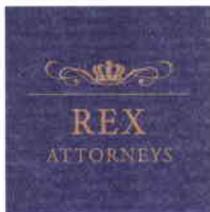
2.5.1 Where the holder of a mineral right, or subject to any development agreement: -

- (a) fails in a material respect to comply with any requirement of the Mining Act or the Regulations which are binding on him;
- (b) fails to comply with a condition of the licence (not being exempted under the Mining Act or Regulations from doing so);
- (c) fails to comply with a direction lawfully given under the Mining Act or Regulations or with a condition on which any certificate of surrender is issued or on which any exemption or consent is given under the Mining Act or the Regulations; or
- (d) fails to comply with the conditions relating to the exercise of his rights under his licence which are contained in a relevant development agreement,

the licensing Authority may, on that ground but subject to the conditions below and the provisions of any relevant development agreement, by notice in writing served on the holder of the licence, suspend or cancel the licence.

2.5.2 The licensing Authority shall not suspend or cancel a licence on a ground referred to in clause 2.5.1 above unless:-

- (a) he has first served on the holder a default notice specifying the grounds on which, under clause 2.5.1 above, the licence is liable to be suspended or cancelled;
- (b) the holder has failed within a period of thirty (30) days from the date on which the default notice was served or such longer period as the Licensing Authority may allow to remedy the default specified or, where such default is not capable of being remedied, has failed to offer in respect thereof reasonable compensation; and
- (c) for matters related to licences other than primary licences the matter has been referred to the Mining Advisory Board (the "Board") for advice. The



Board's function is to advise on matters which are to be referred to it under the Mining Act. It is comprised of a Chairman who is appointed by the President and nine other members who are appointed by the Minister for Energy and Minerals.

The Licensing Authority may, by notice in writing to the holder of a mineral right, cancel the relevant licence on the occurrence of an event which, as provided the under the Mining Act, would render that person ineligible to be granted a mineral right.

2.6 Annual Rent:

The annual rent on a mining licence for metallic minerals, energy minerals, gemstones and kimberlitic diamonds is US\$ 3,000 per square kilometre.

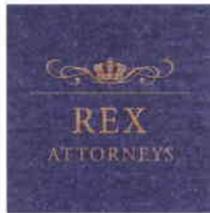
2.7 Minimum Expenditure:

The Ministry monitors the work commitment over a tenement by noting the expenditure in the quarterly reports lodged at the Ministry. Each licenceholder has an obligation to lodge quarterly and annual reports. This is an important mechanism available to the Ministry to monitor a licenceholder's activities and expenditure. Mining licences are issued for medium scale mining operations whose capital investment is between USD100,000 and 100,000,000.

2.8 Transfer of Control of a Licence Holder:

Pursuant to Section 110 of the Mining Act, where a mineral right is granted to a company, that company is prohibited from registering a transfer of any of its shares to any third person or his nominee or to enter into an agreement with any third person, if the effect of doing so would be to give that person control of the company, without the written consent of the Ministry. A person is deemed to have control of a company if he or his nominee holds a total of fifty per cent (50%) or more of the equity shares of the company or if the person is entitled to appoint or to prevent the appointment of half or more than half of the number of directors of the company.

Provided that the transfer condition is complied with, mineral rights, other than primary mining licences, may be held by entities which are wholly owned by foreign investors (i.e. companies that are not wholly owned by Tanzanian citizens).

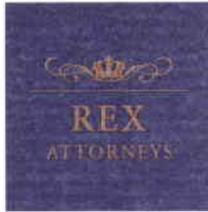


2.9 Transfer/Assignment of a Mineral Right:

- 2.9.1 Subject to section 9(2) of the Mining Act, the holder of a mineral right is entitled to assign that right or an undivided proportionate part thereof.
- 2.9.2 An assignment of a mining licence must be approved by the Ministry, unless the assignment is to an affiliate and the obligations of that affiliate are guaranteed by the assignor or parent company, or to a financial institution or bank as security for any loan or guarantee in respect of mining operations or another person who constitutes the holder of the mining licence.
- 2.9.3 The Commissioner would issue an acknowledgement certificate in respect of the transfer, assignment or dealing and record the same in the Central Register of Mineral Rights. The time scale for a transfer to be recorded in the Central Register has not been specified in the Mining Act.

2.10 Claims of Lawful Occupiers in respect to Mineral Rights:

- 2.10.1 According to Section 95(1)(b) of the Mining Act, no holder of a mineral right shall exercise any of his rights conferred by his licence over an area of land which is the site of, or which is within 200 meters of any inhabited, occupied or temporarily unoccupied house or building without consultation with the relevant Local Government Authority, including the Village Council and thereafter the written consent of the lawful occupier. Therefore, where a mineral right granted to an applicant is over an area of land inhabited by lawful occupiers then the holder of such a mineral right is required to obtain the lawful occupiers' written consent, following necessary consultations, prior to exercising any of the rights conferred under his mineral right. Failure to obtain the lawful occupiers' prior written consent would not invalidate the licence holder's mineral right but the lawful occupier may make a claim against the licenceholder.
- 2.10.2 The holder of the mineral right has the right of access and construction on the mineral properties, but will require the consent of any lawful land occupier, if activities may disturb habitation, cultivations, trees, buildings etc. the mineral right holder must also consult with local authorities. The Mining Act provides that the Minister may intervene if consent is unreasonably withheld.



2.10.3 In terms of compensation, if activities result in damage to crops, buildings, works etc., the holder of the mineral right is liable to pay the lawful occupier fair and reasonable compensation in respect of the disturbance or damage. Any compensation, relocation and resettlement of lawful occupiers must be in accordance with the Land Act Cap. 113 (R.E. 2002). If there is a dispute regarding the amount of compensation, either party may refer the dispute to the Commissioner under the Mining Act who, subject to the Mining Act, shall determine and rule on the matter. In the alternative, the matter could be referred to the Commissioner for Human Rights or a court of competent jurisdiction.

2.11 Obligation with respect to surrender of Licensed Areas:

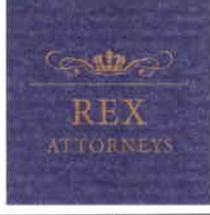
The holder of a mineral right may apply to the licensing authority to surrender all or any part of the land subject to a licence by making an application not less than three (3) months before the holder wishes the surrender to have effect. If the Licensing Authority is satisfied with that application, it will issue a certificate of surrender.

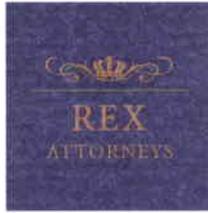
2.12 Title Search Finding:

Our search at the Registry of Mineral Rights confirmed the status of the Mining Licences held by the RECB as follows:-

**SCHEDULE 1:
SUMMARY OF MINERAL RIGHTS**

S/No.	Licence No.	Area (sq. km)	Registered Holder	Date Issued	Expiry Date	Remarks
1.	ML 237/2006	4.94	RECB Limited	16.11.2006	15.11.2016	Valid, current and subsisting. It was transferred from Panda Hill Mines Ltd to RECB Ltd on 18/12/2012.
2.	ML 238/2006	7.67	RECB Limited	16.11.2006	15.11.2016	Valid, current and subsisting. It was transferred from Panda Hill Mines Ltd to RECB Ltd on 18/12/2012.
3.	ML 239/2006	9.45	RECB Limited	16.11.2006	15.11.2016	Valid, current and subsisting. It was transferred from Panda Hill Mines Ltd to RECB Ltd on 18/12/2012.





2.13 Mining Licences Confirmation:

Our findings following a review of the Tenements are as summarized in Schedule 1 above.

On the basis of the findings above and the official search report from the Commissioner, we confirm that the Mining Licences are current, subsisting and validly held by RECB Limited. Renewal of the same is not due until 2016.

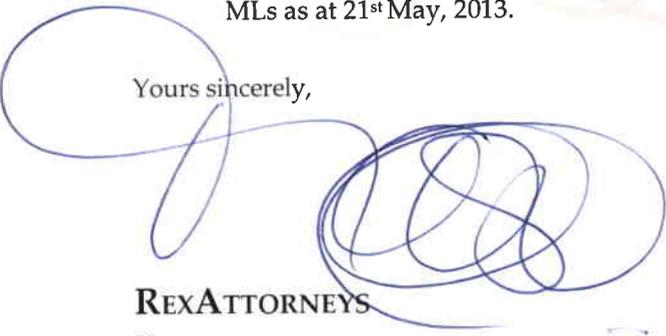
3.0 LITIGATION:

We are not aware of any litigation, pending or actual, involving the Licenceholder or the MLs and the information availed to us does not suggest the existence of any litigation or dispute involving the Licenceholder or the MLs.

4.0 CONCLUSION:

This Report has been prepared for the purposes of the Prospectus only. We consider that the information contained within this Report provides an accurate statement as to the status of the MLs as at 21st May, 2013.

Yours sincerely,



REXATTORNEYS

TM/Am

Cradle DDM Final May2313

6. Investigating Accountant's Report



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24 May 2013

The Board of Directors
Cradle Resources Limited
Suite 23, 513 Hay Street
Subiaco WA 6008

Dear Directors

Investigating Accountant's Report on Historical Financial Information and Pro Forma Financial Information

1. Introduction

We have prepared this Investigating Accountant's Report (the "Report") on the historical and pro forma financial information of Cradle Resources Limited ('Cradle') for inclusion in a prospectus ("the Prospectus") to be dated on or about 30 May 2013, and to be issued by Cradle, in respect of the proposed offer of up to 12,500,000 fully paid ordinary shares at an issue price of \$0.20 per share, together with up to 6,250,000 free attaching listed options, to raise up to \$2,500,000, with a minimum subscription of 11,000,000 fully paid ordinary shares at \$0.20 per share, together with 5,500,000 free attaching listed options, to raise \$2,200,000 on a post consolidation basis ("the Offer").

Expressions defined in the Prospectus have the same meaning in this Report.

2. Scope

Ernst & Young has been requested to prepare this Report to cover the following financial information:

Historical Financial Information

The historical financial information, as set out in section 7 of the Prospectus comprises the statement of financial position as at 31 December 2012.

(Hereafter the 'Historical Financial Information'.)

The Historical Financial Information for the period ended 31 December 2012 was extracted from the reviewed financial statements, which were reviewed by Ernst & Young and on which an unqualified review conclusion was issued.

Pro Forma Financial Information

The pro forma financial information as set out in section 7 of the Prospectus comprises the pro forma consolidated historical statement of financial position as at 31 December 2012.

(Hereafter the 'Pro Forma Financial Information'.)

(Collectively, the 'Financial Information').

The Pro Forma Financial Information assumes completion of the proposed transactions outlined in Note 2 to section 7 of the Prospectus.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

3. Directors' Responsibility for the Financial Information

The Directors of Cradle have prepared and are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the pro forma adjustments as set out in Note 2 to Section 7 of the Prospectus.

4. Our Responsibility for the Financial Information

Our responsibility is to express a conclusion on the Financial Information based on our review.

We have conducted an independent review of the Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. The Historical Financial Information does not present fairly the Historical statement of financial position as at 31 December 2012 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards;
- b. The Pro Forma transactions do not provide a reasonable basis for the Pro Forma Financial Information;
- c. The Pro Forma Financial Information has not been prepared on the basis of the transactions set out in Note 2 to Section 7 of the Prospectus;
- d. The Pro Forma Financial Information does not present fairly the Pro Forma consolidated statement of financial position as at 31 December 2012 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards as if the pro-forma transactions set out in Note 2 to Section 7 of the Prospectus had occurred at 31 December 2012.

Our independent review of the Financial Information has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consist of reading of relevant Board minutes, reading of relevant contracts and other legal documents, inquiries of management personnel and the Directors of Cradle, and analytical and other procedures applied to Cradle's accounting records. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

5. Review conclusion on the Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a. The Historical Financial Information does not present fairly the Historical statement of financial position of Cradle as at 31 December 2012 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards;
- b. The Pro Forma transactions do not provide a reasonable basis for the Pro Forma Financial Information;
- c. The Pro Forma Financial Information has not been prepared on the basis of the transactions set out in Note 2 to Section 7 of the Prospectus;
- d. The Pro Forma Financial Information does not present fairly the Pro Forma consolidated statement of financial position of Cradle as at 31 December 2012 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards as if the pro-forma transactions set out in Note 2 to Section 7 of the Prospectus had occurred at 31 December 2012.

We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus.

6. Independence or Disclosure of Interest

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young provides audit and other advisory services to Cradle and will receive a professional fee for the preparation of this Report.

Yours faithfully



Ernst & Young

7. Financial Information

7.1 Introduction

This Section sets out the Historical Financial Information and Pro Forma Financial Information of the Company (collectively, the “Financial Information”). The basis for preparation and presentation is set out below. The Financial Information was prepared by management and was adopted by the Directors of the Company. The Directors are responsible for the inclusion of all Financial Information in the Prospectus. Ernst & Young has prepared an Investigating Accountant’s Report in respect of the Historical and Pro Forma Financial Information. A copy of the report together with an explanation of the scope of Ernst & Young’s work is set out in Section 6 of this Prospectus.

The Historical Financial Information and Pro Forma Financial Information has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of Australian Accounting Standards and the significant accounting policies set out in Note 1 to the Financial Information. The Historical Financial Information comprises of financial information of the Company which has been extracted from the unaudited books and records of the Company as at 31 December 2012, which is identical to the amounts in the Statement of Financial Position as at 31 Dec 2012 presented in the Company’s interim report for the half year ended 31 December 2012. The Historical and Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

7.2 Historical Financial Information

The Historical Financial Information for the Company set out on the following pages comprises:

- (a) the unaudited Statement of Financial Position of Cradle Resources Limited as at 31 December 2012; and
- (b) selected notes to the Financial Information.

(Collectively the ‘Historical Financial Information’.)

7.3 Pro-Forma Financial Information

The Pro Forma Financial Information of the Group set out on the following pages comprises:

- (a) the unaudited Pro Forma Consolidated Statement of Financial Position of the Group as at 31 December 2012, which assumes completion of the pro forma transactions as set out in Note 2 to the Financial Information at this date; and
- (b) selected notes to the unaudited Pro Forma Financial Information including the pro forma transactions described in Note 2 to the Financial Information.

(Collectively the ‘Pro Forma Financial Information’.)

CRADLE RESOURCES LIMITED
HISTORICAL AND PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		UNAUDITED		
	Notes	Historical as at 31-Dec-12	Pro forma transactions	Pro forma as at 31-Dec-12
		\$	\$	\$
Assets				
Current Assets				
Cash and cash equivalents	3	4,195,174	(1,008,987)	3,186,187
Trade and other receivables	4	12,143	-	12,143
Total Current Assets		4,207,317	(1,008,987)	3,198,330
Non-Current Assets				
Exploration and evaluation		213,220	-	213,220
Property, plant and equipment		1,073	-	1,073
Investment in jointly controlled entity	6	-	15,613,827	15,613,827
Total Non-Current Assets		214,293	15,613,827	15,828,120
Total Assets		4,421,610	14,604,840	19,026,450
Liabilities				
Current Liabilities				
Trade and other payables		18,912	-	18,912
Accrued expenses		8,000	-	8,000
Total Current Liabilities		26,912	-	26,912
Non-Current Liabilities				
Contingent consideration	7	-	1,312,500	1,312,500
Total Non-Current Liabilities		-	1,312,500	1,312,500
Total Liabilities		26,912	1,312,500	1,339,412
Net Assets		4,394,698	13,292,340	17,687,038
Equity				
Contributed equity	8	5,207,773	13,292,340	18,500,113
Accumulated losses		(813,075)	-	(813,075)
Total Equity		4,394,698	13,292,340	17,687,038

1) **Basis of Preparation and Summary of Significant Accounting Policies**

The Historical Statement of Financial Position as at 31 December 2012 has been derived from the Company's underlying books and records and is identical to the amounts in the Statement of Financial Position as at 31 December 2012 presented in the Company's interim report for the half-year ended 31 December 2012.

The Pro Forma Consolidated Statement of Financial Position has been based on the Historical Statement of Financial Position of the Company as at 31 December 2012. As set out in Note 2, Pro Forma adjustments have been made to the Historical Statement of Financial Position of the Company as at 31 December 2012 to compile the Pro Forma Consolidated Statement of Financial Position of the Group at that date.

The Financial Information set out in the Prospectus has been prepared in accordance with the accounting policies of the Company and the recognition and measurement principles (but not all the disclosure requirements) prescribed by the Australian Accounting Standards Board. The Financial Information is presented in an abbreviated form and it does not include all the disclosures and notes required in an Annual Financial Report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The Financial Information has been prepared on a going concern basis. In arriving at this position the Directors have had regard to the fact that the Company has sufficient cash and other assets to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

The accounting policies adopted in the preparation of the Financial Information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2012 and its interim financial statements for the period ended 31 December 2012.

The significant policies which have been adopted in the preparation of the Financial Information are:

(a) Functional and Presentation Currency

The Financial Information is presented in Australian dollars, which is the Company's functional and presentation currency.

(b) Historical Cost Convention

The Financial Information has been prepared under the historical cost convention.

(c) Consolidation

Following completion of the Pro Forma transactions as set out in Note 2 to the Financial Information, the Pro Forma Consolidated Statement of Financial Position will comprise the Pro Forma Statement of Financial Position of the Company and its subsidiary, Panda Hill Pty Ltd ("Panda Hill") ("the Group"). Subsidiaries are all those entities over which the Company has the power to

govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Mineral Exploration and Evaluation Expenditure

Exploration and evaluation costs are expensed in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

No amortisation is charged during the exploration and evaluation phase. Amortisation is charged on commencement of commercial production. Exploration and evaluation assets are tested for impairment annually or when there is an indication of impairment, until commercially viable material resources are established. Upon establishment of commercially viable mineral resources exploration and evaluation assets are tested for impairment when there is an indicator of impairment.

(f) Interest in a Jointly Controlled Entity

Investments in jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment in the jointly controlled entity is initially recognised at cost. This initial recognition cost has been measured based on the sum of the fair values of the consideration given to acquire the investment in the jointly controlled entity.

The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the jointly controlled entity since the acquisition date.

The statement of comprehensive income reflects the Company's share of the results of operations of the jointly controlled entity. When there has been a change recognised directly in the equity of the jointly controlled entity, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the jointly controlled entity are eliminated to the extent of the interest in the jointly controlled entity.

The Company's share of profit or loss of a jointly controlled entity is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the jointly controlled entity. The financial statements of the jointly controlled entity are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its jointly controlled entity. At each reporting date, the Company determines whether there is objective evidence that the investment in the jointly controlled entity is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value, then recognises the loss as 'Share of losses of a jointly controlled entity' in the income statement.

Upon loss of joint control over the jointly controlled entity, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the jointly controlled entity upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(g) Contingent Consideration

Contingent consideration arising on the acquisition of a business or an interest in a jointly controlled entity that is classified as a financial asset or financial liability within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139"), is initially measured at fair value with changes in fair value recognised in profit or loss.

(h) Contributed Equity

Ordinary shares and financial instruments that do not meet the definitions of assets or liabilities, including the class A performance shares, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2) Actual and Proposed Transactions to Arrive at the Pro-Forma Consolidated Statement of Financial Position (Pro-Forma Adjustments)

The unaudited Pro Forma Consolidated Statement of Financial Position of the Group has been derived from the unaudited books and records of the Company and the following transactions as if they had occurred at 31 December 2012:

- a) \$3,238,827 was advanced to Panda Hill by the Company on 26 March 2013 as a loan, to finance the acquisition of Panda Hill's interest in RECB.
- b) Share capital consolidation of four shares held by shareholders prior to the remaining pro forma transactions into three shares ("Consolidation").
- c) The issue of 37,500,000 ordinary shares on a post-Consolidation basis at a fair value of \$0.20 per share to be issued as part of the purchase consideration for the acquisition of 100% interest in Panda Hill.
- d) The issue of 18,750,000 Class A Performance Shares and 18,750,000 Class B Performance Shares on a post-Consolidation basis, at fair values per Performance Share of \$0.15 and \$0.07 respectively, as part of the purchase consideration for Panda Hill.
- e) The issue of 3,750,000 ordinary shares on a post-Consolidation basis at a fair value of \$0.20 per share to repay loans owed to the Panda Hill lenders.
- f) The recognition of a 49% interest in RECB, a jointly controlled entity, on consolidation of Panda Hill.
- g) The issue of 12,500,000 ordinary shares on a post-Consolidation basis at an issue price of \$0.20 per Share together with 6,250,000 free attaching Listed Options to raise \$2,500,000 before expenses of the Offer.
- h) Total costs expected to be incurred in connection with the preparation of this Prospectus of \$270,160 are recognised directly in equity.

3) Cash and Cash Equivalents

CASH AND CASH EQUIVALENTS	\$
Historical balance as at 31 December 2012	4,195,174
Amount lent by Cradle Resources to Panda Hill before acquisition to finance the acquisition of a 49% investment in RECB.	(3,238,827)
Capital raising of 12,500,000 Shares at an issue price of \$0.20 per Share to raise \$2,500,000 ¹	2,500,000
Expected capital raising costs on maximum capital raising of \$2,500,000	(270,160)
Pro forma consolidated balance at 31 December 2012	<u>3,186,187</u>

¹ If the minimum capital raising of \$2,200,000 is achieved, the pro forma cash balance at 31 December 2012 would be approximately \$275,000 lower

4) Trade and Other Receivables

	\$	
Historical balance as at 31 December 2012		12,143
Amount lent by the Company to Panda Hill pre-Acquisition.		3,238,827
Loan to Panda Hill eliminated on Consolidation.		<u>(3,238,827)</u>
Pro forma consolidated balance at 31 December 2012		<u>12,143</u>

The Loan is non-interest bearing and is repayable in the event that the pro forma transactions do not occur by 31 July 2013 (or such other date agreed in writing by the parties).

5) Investment in Controlled Entity

	\$	
Historical balance as at 31 December 2012		-
Consideration transferred on the acquisition of a 100% interest in Panda Hill:		
37,500,000 ordinary Shares at a value of \$0.20 per Share		7,500,000
18,750,000 Class A Performance Shares at a fair value of \$0.15 per Class A Performance Share		2,812,500
18,750,000 Class B Performance Shares at a fair value of \$0.07 per Class B Performance Share		1,312,500
3,750,000 ordinary Shares issued at a fair value of \$0.20 per share to Panda Hill lenders		750,000
Pre-acquisition loan to Panda Hill to acquire a 49% interest in RECB		<u>3,238,827</u>
Cost of acquisition		15,613,827
Allocation of cost to asset acquired: 49% interest in RECB, being a jointly controlled entity		<u>(15,613,827)</u>
		<u>-</u>

Panda Hill is not considered to constitute a business. Accordingly the transaction has not been accounted for as a business combination.

6) Investment in Jointly Controlled Entity

	\$	
Historical balance as at 31 December 2012		-
Deemed cost of acquisition of a 49% interest in RECB		<u>15,613,827</u>
Pro forma consolidated balance at 31 December 2012		<u>15,613,827</u>

7) Contingent Consideration

	\$
Historical balance as at 31 December 2012	-
18,750,000 Class B Performance Shares to be issued as part consideration for the acquisition of Panda Hill	<u>1,312,500</u>
Pro forma consolidated balance at 31 December 2012	<u>1,312,500</u>

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 or 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.

The determination of the fair value is based on a probability weighted payout approach. The key assumptions take into consideration the probability of meeting each performance target. As part of accounting for the acquisition of Panda Hill, Class B contingent consideration with an estimated fair value of \$1,312,500 was recognised at the acquisition date, based on a probability weighted outcome of 35% that the Class B performance condition would be met and an underlying share price at acquisition date of \$0.20. Future developments may require further revisions to the estimate.

8) Contributed Equity

	No. of Shares	\$
Ordinary Shares		
Historical balance as at 31 December 2012	51,500,000	5,207,773
Consolidation of shares on issue of every four shares held into three shares held	(12,875,000)	-
3,750,000 Shares to be issued to the Panda Hill lenders at a fair value of \$0.20 per share	3,750,000	750,000
37,500,000 Shares at a fair value of \$0.20 per share to be issued as purchase consideration for the Acquisition of Panda Hill	37,500,000	7,500,000
Capital raising of 12,500,000 Shares at an issue price of \$0.20 per Share to raise a maximum of \$2,500,000	12,500,000	2,500,000
Expected capital raising costs on maximum capital raising of \$2,500,000	-	(270,160)
Sub-Total – Ordinary Shares	<u>92,375,000</u>	<u>15,687,613</u>

Class A Performance Shares

Historical balance as at 31 December 2012	-	-
18,750,000 Class A Performance Shares to be issued as part consideration for the acquisition of Panda Hill.		
	18,750,000	2,812,500
Pro forma consolidated balance at 31 December 2012		<u>18,500,113</u>

Class A contingent consideration with an estimated fair value determined based on a probability weighted payout approach of \$2,812,500 is classified as equity and is not remeasured. Fair value was determined based on a 75% probability weighted likelihood of the Class A performance condition being met and an underlying share price at acquisition date of \$0.20.

Refer to Section 11 in the Prospectus for details relating to the rights and restrictions attaching to the Securities

9) Contingencies and Commitments

The Directors are not aware of any other commitments or contingencies.

10) Related Party Transactions

Please refer to Section 10 in the Prospectus for details of related party transactions.

11) Subsequent Events

Except for the pro forma transactions referred to in Note 2, the Directors are not aware of any subsequent events.

8. Material Contracts

8.1 Share Sale Agreement

Share Sale Agreement between the Company, Panda Hill and the Vendors under which the Company has agreed to acquire all of the shares in Panda Hill (**Acquisition**).

The key terms of the Share Sale Agreement are set out below:

- (a) **Conditions:** the Acquisition is conditional on:
- (i) the Company obtaining all necessary regulatory and shareholder approvals required to complete the Acquisition and the Offer;
 - (ii) the Company receiving in principle approval from the ASX for the re-admission of the Company's securities to the official list of ASX on conditions reasonably acceptable to the Company;
 - (iii) completion of the Consolidation; and
 - (iv) completion of the Offer,
- (together, the **Conditions**).
- (b) **Settlement date:** settlement of the Acquisition (**Settlement**) will occur on the date which is three (3) business days after the satisfaction (or waiver) of the Conditions.
- (c) **Consideration:** the Company must issue the following Securities to the Vendors (in aggregate) at Settlement in consideration for the Acquisition:
- (i) 37,500,000 Shares;
 - (ii) 18,750,000 Class A Performance Shares; and
 - (iii) 18,750,000 Class B Performance Shares,
- (together, the **Consideration**).
- (d) **Nominee directors:** the Vendors are entitled to nominate two (2) Directors to the Board of the Company. Mr Grant Davey, a nominee of the Vendors, was appointed as a Director on 15 April 2013 and is seeking re-election at the General Meeting. Another nominee of the Vendors (yet to be determined) will be appointed at Settlement.
- (e) **Panda Hill Loan:**
- (i) Panda Hill has entered into loans agreements for \$600,000 with the Panda Hill lenders prior to the Company lodging this Prospectus.
 - (ii) Panda Hill is permitted to use the funds raised from the Panda Hill loans as Panda Hill determines in its sole discretion.

- (iii) At Settlement of the Share Sale Agreement, the Company will acquire these loans for Shares with each Share being issued at \$0.16 per Share (a 20% discount to the issue price under this Prospectus).
- (f) **Loan:** the Company has loaned Panda Hill US\$3,370,000 under the Share Sale Agreement, which was used by Panda Hill to subscribe for the RECB Interest and make a US\$30,000 payment under the 1% Option Agreement (**Loan**) (refer to section 8.4 below). The Company has also agreed to loan Panda Hill up to a maximum of \$250,000 (or such greater amount agreed by the parties) to fund an approved works program in relation to the Panda Hill Project prior to Settlement of the Acquisition. The Loan and funds for the works program are repayable in the event that Settlement does not occur by 31 July 2013 (or such other date agreed in writing by the parties). Skye Alba Pty Ltd has guaranteed the repayment obligations of Panda Hill.
- (g) **Indemnities:** subject to various limitations in the Share Sale Agreement, the Vendors have agreed to indemnify the Company against any claim to the extent that the claim arises from or is connected with any breach of any of the warranties given by the Vendors and the Company has agreed to indemnify Panda Hill and the Vendors against any claim to the extent that any claim arises from or is connected with any breach of the warranties given by the Company. Each Vendor shall only be liable in respect of that percentage of a claim which is equal to the percentage of the Panda Hill shares beneficially held by them at the date of the Share Sale Agreement.
- (h) **Termination:** the Company or Panda Hill may terminate the Share Sale Agreement if the other (or, in the case of termination by the Company, a Vendor) is in material breach of any material term or warranty of the Share Sale Agreement and the breach continues to exist for ten (10) business days from the date a breach notice is given.

8.2 Panda Hill Option Agreement

The key terms of the Option Agreement dated 8 June 2012 between Verona Capital, RECB and Panda Hill Mines Limited (**Panda Hill Mines**), and a subsequent deed of amendment are set out below:

- (a) **Option:** Panda Hill has the option to purchase the Panda Hill Licences from RECB (**Option**). The Option may be exercised between the Consideration Satisfaction Date and four years from the Consideration Satisfaction Date (**Option Period**).
- (b) **Option Fees:** Panda Hill has paid option fees totalling US\$150,000 to Panda Hill Mines and RECB. A further US\$25,000 is payable on or before 15 June 2013, and a further US\$500,000 is payable to RECB within two months of delivery to Panda Hill of the final form of a competent person's report which is in compliance with the JORC Code and to a standard required to commence a bankable feasibility study in respect of the Panda Hill Licences (**Competent Person's Report**).
- (c) **Competent person's report:** Panda Hill must sole-fund a Competent Person's Report to be delivered to Panda Hill within the first 18 months of the Option Period. The 18 month period shall be automatically extended by

RECB at Panda Hill's request by up to a maximum 12 additional months provided that Panda Hill has:

- (i) spent more than US\$1,000,000 on the Panda Hill Licences; and
- (ii) provided a submission to RECB with the estimated timing and cost of completing the Competent Person's Report.

If the 18 month period is extended, Panda Hill must spend a minimum of US\$100,000 per month on the Panda Hill Licences for the period of the extension.

- (d) **Bankable feasibility study:** Panda Hill must complete a bankable feasibility study in respect of the Panda Hill Licences which is in compliance with the JORC Code (**Bankable Feasibility Study**) within a timeframe to be agreed by the parties. Panda Hill will spend a minimum of US\$2,500,000 per annum on the bankable feasibility study.
- (e) **Exercise of Option:** the Option may be exercised by Panda Hill at any time during the Option Period by delivering an exercise notice to RECB (**Exercise Notice**). Panda Hill may elect on exercising the Option to acquire the balance of the share capital of RECB rather than acquiring the Panda Hill Licences. If Panda Hill makes such an election, Panda Hill and RECB will in good faith agree to such amendments to the Option Agreement as would be required to facilitate such transfer.
- (f) **Consideration:** The consideration payable (**Consideration Amount**) for the exercise of the Option shall be an amount equal to X where:

$$X = \text{US\$17,100,000 less } (Y / 2)$$

and

Y = 50% of the costs reasonably incurred by Panda Hill and independently verified on the activities undertaken on the Panda Hill Licences (in respect of due diligence, the Competent Person's Report and the Bankable Feasibility Study) up to a maximum of US\$10,000,000 (being a maximum US\$20,000,000 for total project costs).

- (g) **Satisfaction of Consideration Amount:** Panda Hill may elect to satisfy the Consideration Amount by either:
 - (i) paying the whole of the Consideration Amount in cash; or
 - (ii) satisfying US\$5,000,000 of the Consideration Amount by either (at RECB's option):
 - (A) granting RECB a 5% net smelter royalty payable on product from the Panda Hill Licences up to a maximum royalty amount of US\$5,000,000 plus interest on the unpaid portion of the maximum royalty amount calculated at the rate of 10% per annum from the date of completion until royalty payments of US\$5,000,000 have been paid (exclusive of interest) (**Consideration Royalty**); or

- (B) procuring the issue of such number of ordinary shares in the Company as is equivalent to US\$5,000,000 with each share priced at the same price as the capital raising that is required to fund the acquisition of the Panda Hill Licences (**Consideration Shares**),
- and pay the Consideration Amount less US\$5,000,000 in cash (**Reduced Consideration**).
- (h) **Completion:**
- (i) Completion shall be conditional upon the obtaining of approval from the relevant Tanzanian government department and/or authority (as required) for the transfer of the Panda Hill Licences (**Government Approval**).
- (ii) As soon as possible and, in any event, no later than six (6) months following receipt by Panda Hill of Government Approval, Panda Hill must pay the Consideration Amount or Reduced Consideration Amount (as applicable) into an escrow account.
- (iii) Completion shall take place two (2) business days after the later of the deposit of the Consideration Amount or Reduced Consideration Amount (as applicable) into the escrow account and the formal and final Government Approval being obtained.
- (iv) At completion, Panda Hill must pay, grant and/or issue (as the case may be) the Consideration Amount to RECB and legal and beneficial title to the Panda Hill Licences will pass to Panda Hill.
- (i) **Indemnities:** subject to various limitations in the Option Agreement, RECB has agreed to indemnify Panda Hill against any claim to the extent that the claim arises from or is connected with any breach of any of the warranties given by RECB and Panda Hill has agreed to indemnify RECB against any claim to the extent that any claim arises from or is connected with any breach of the warranties given by Panda Hill.
- (j) **Withdrawal:** Panda Hill may withdraw from the Option Agreement at any time during the Option Period by giving RECB written notice of its intention to withdraw. With effect from the date of the notice of withdrawal, Panda Hill is not obliged to pay any remaining option fees or fund any further work on, or incur any further liability with respect to, the Panda Hill Licences. If a Competent Person's Report and/or a Competent Person's Report and a Bankable Feasibility Study is completed during the Option Period but the Option Agreement is withdrawn from or the Option is not exercised, and the Vendor elects to accept an offer for the Panda Hill Licences within three (3) years of termination of the Option Agreement, RECB must pay to Panda Hill 5% of the sale proceeds if Panda Hill had completed a Competent Person's Report but not a Bankable Feasibility Study or 10% of the sale proceeds if Panda Hill had completed a Competent Person's Report and a Bankable Feasibility Study.
- (k) **Termination:** the Option Agreement automatically terminates in the event that:

- (v) Panda Hill withdraws from the Option Agreement;
- (vi) the Option Period expires without an Exercise Notice having been given by Panda Hill;
- (vii) Panda Hill fails to make any of the payments of option fees within the specified timeframe and following 20 days written notice of the failure from RECB; or
- (viii) Panda Hill is in material breach of certain material obligations or undertakings and such breach is not remedied within one month of receipt of written notice of the breach from RECB.

8.3 RECB Shareholders Agreement

Shareholders' Agreement dated 22 March 2013 between RECB, Brett Mitchell (as bare trustee for Panda Hill) and the original project vendor entered into to regulate the manner in which the affairs of RECB will be undertaken.

The key terms of the Shareholders' Agreement are set out below:

- (a) **Business of RECB:** the business of RECB will be the ownership and development of the Panda Hill Licences in accordance with the terms of the Option Agreement.
- (b) **Shareholdings:** the shareholders of RECB at the date of the Shareholders' Agreement are:
 - (i) original project vendor– 3,500,000 A class ordinary shares and 70,000 ordinary shares;
 - (ii) Brett Mitchell – 3,430,000 ordinary shares.
- (c) **Funding:** RECB will be funded as follows:
 - (i) prior to the expiry or exercise of the Option Agreement:
 - (A) the activities on the Panda Hill Licences will be funded under and in accordance with the Option Agreement; and
 - (B) all other activities of RECB (being administration) will be funded by way of interest free loans from the shareholders of RECB pro rata their shareholding in RECB which will be repayable from the proceeds of the Option Agreement or otherwise from production from the Panda Hill Licences; and
 - (ii) following expiry or exercise of the Option Agreement, the activities of RECB (to the extent necessary) will be funded by way of interest free loans from the shareholders of RECB pro rata to their shareholding in RECB.
- (d) **Payments under Option Agreement:** any payments received by RECB under the Option Agreement will entirely be distributed (less the amount of any tax RECB is required to pay on the payments (if any)) preferentially to

the original project vendor as a shareholder of RECB by way of either a dividend or return of capital/distribution of assets.

- (e) **Pre-emptive right:** neither party shall transfer any shares in RECB to any third party without having first offered such shares to the other shareholder at the same price and on the same terms and conditions offered by a third party and such offer has been declined or accepted or a period of 21 days from the date such offer was made has elapsed and the offer has not been accepted. This right has been waived in respect of the future transfer of 3,430,000 ordinary shares in RECB from Brett Mitchell to Panda Hill.
- (f) **Assignment:** any assignment or transfer of shares in RECB by a shareholder requires the prior written consent of the other shareholder and the assignee to enter into a deed of accession covenanting that they will be bound by the terms of the Shareholders' Agreement.

8.4 1% Option Agreement

1% Option Agreement dated 22 March 2013 between RECB, the original project vendor and Panda Hill pursuant to which Panda Hill may purchase a further one per cent (1%) of the issued capital of RECB, in consideration for payment of \$30,000.

The key terms of the 1% Option Agreement are set out below:

- (a) **Option fee:** Panda Hill paid the original project vendor an option fee of US\$30,000 following execution of the 1% Option Agreement.
- (b) **Exercise of 1% Option:** Panda Hill may exercise the option to purchase 70,000 ordinary shares in RECB by delivering an exercise notice to the original project vendor on or before 21 March 2017.
- (c) **Consideration:** the consideration (US\$30,000) is payable on the settlement date (refer below).
- (d) **Settlement date:** settlement of the sale and purchase of the RECB shares will occur on the date that is five (5) business days after the later to occur of the date Panda Hill delivers an exercise notice to the original project vendor and satisfaction of certain conditions precedent.

8.5 Executive Employment Contract – Grant Davey

Following his appointment as Managing Director of the Company, it is intended that the Company will enter into a formal executive employment contact with Grant Davey. Mr Davey will receive remuneration of \$200,000 per annum plus superannuation. Mr Davey's employment contract will be terminable by either party on three (3) months' notice (and 12 months' notice in the event of change of control), and Mr Davey will dedicate at least 70% of his available time to the Company.

8.6 Executive Employment Contract – Keith Bowes

As Project Director, Mr Bowes will receive remuneration of \$275,000 per annum plus superannuation, with a minimum bonus of \$50,000. Mr Bowes' employment contract is terminable by either party on three (3) months' notice, and Mr Bowes will dedicate 100% of his available time to the Company. Subject to Shareholder

approval at a general meeting, it is envisaged that the Company will issue up to 2,000,000 performance rights to Mr Keith Bowes on terms to be agreed. Such performance rights will be issued pursuant to a performance rights plan that the Company will seek to have approved by Shareholders

9. Risk Factors

Any investment in the Company should be considered speculative.

The activities of the Company are subject to a number of risks and other factors, which may impact its future performance. Prospective investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

9.1 Risks Specific to the Company

(a) Conditional Acquisition

The Offer is conditional upon:

- (i) Shareholder approval of the following matters at the General Meeting:
 - (A) a significant change in scale of the Company's activities as a result of the Acquisition;
 - (B) the Consolidation;
 - (C) the issue of Shares and Performance Shares to the Vendors under the Share Sale Agreement;
 - (D) the terms of the Performance Shares;
 - (E) the issue of Shares to the Panda Hill lenders;
 - (F) the re-election of Grant Davey as a Director; and
 - (G) the Offer;
- (ii) completion of the Acquisition pursuant to the Share Sale Agreement; and
- (iii) the Company re-complying with Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotations on ASX on conditions reasonably acceptable to the Company.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be re-instated until the Conditions of the Offer are achieved. There is a risk that the Conditions of the Offer will not be achieved.

In the event the Conditions of the Offer are not achieved then the Company will not proceed with the Offer and will repay all application monies received.

(b) **Risks Associated with Operating in Tanzania**

The Panda Hill Project is located in Tanzania and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations.

Changes to Tanzania's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

(c) **Exploration and Development Risks**

The business of niobium exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of niobium exploration, development and production; and
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare

parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of niobium. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(d) **Niobium Price Volatility**

The demand for, and price of, niobium is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative metals, actions taken by governments, and global economic and political developments.

A material decline in the price of niobium may have a material adverse effect on the Company's business, financial condition and results of operations.

(e) **Reserves and Resource Estimates**

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations. The Panda Hill carbonatite has been subject to multiple phases of exploration work since the 1950s. From 1953 to 1965, the Geological Survey of Tanzania (GST) undertook mapping, diamond drilling and trenching (17 diamond holes for 1,405m) to assess the Niobium and Phosphate potential of the deposit. From 1954 to 1963, the MBEXCO joint venture was formed between N.V. Billiton Maatschappij (Billiton) and Colonial Development Corporation, London. MBEXCO drilled 66 diamond holes for 3,708m, excavated numerous pits, sunk two shafts and undertook trial mining and constructed a trial gravity and flotation plant on site. Concentrate from site was sent to Holland for further processing, with positive early metallurgical testwork results noted. From 1978 to 1980 a Yugoslavian State Enterprise (RUDIS) undertook a joint study in collaboration with the Tanzanian Mining Industrial Association and State Mining Corporation (STAMICO). This work included mapping, diamond drilling and pitting (13 diamond holes for 1,306m) to test the Niobium endowment of the deposit. Detailed reports have been secured from this program. The resource update was undertaken by Coffey Mining in Perth

in July 2012 (Table 3 in Section 1.1 of this Prospectus). The Coffey Inferred Resource only included fresh carbonatite mineralization. The mineralized fenite material has not yet been included in any resource studies. The resource estimate was based upon grade and lithological information derived from 96 historical diamond holes.

(f) **Relocation of Songwe Prison**

A low security prison farm is located on two of the Panda Hill Licences, and a relocation agreement is underway and needs to be completed with the Tanzanian authorities prior to commencement of the construction of the mine. Management of the Panda Hill Mining Licences is currently in negotiations with the Tanzanian authorities regarding relocation and resettlement of the Songwe Prison, and the terms and conditions of any compensation payable as required under the relevant legislation.

(g) **Tenement Title and Renewal**

Interests in tenements in Tanzania are governed by legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. The Company could potentially lose its interest in the Panda Hill Licences comprising the Panda Hill Project if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise, in line with the Tanzanian Mining legislation. Since granting of the Panda Hill Licences there have been delays in the development of the Panda Hill Project as a result of delays in agreeing terms with the Tanzanian authorities for the relocation of the Songwe Prison. Following meetings with Ministry of Mines officials in Tanzania, including the Minister for Mining, the Company does not believe that this will have consequences for renewal of the Panda Hill Licences. The Minister is obliged to renew a mining licence unless the holder is in default, has not developed the mining area with reasonable diligence, minerals in workable quantities do not remain to be produced or the application has failed to conduct mining operations in the area in strict compliance with the application regulations relating to safety and environmental management. However, a default notice must be served on the licence holder to give them time to remedy the defaults. Under current Tanzanian Mining legislation a mining licence will qualify for renewal if all obligations and other requirements of that licence have been satisfied. If a Panda Hill Licence is not renewed, the Company may suffer significant damage through loss of the opportunity to develop any mineral resources on that licence.

According to section 95(1)(b) of the Mining Act of Tanzania, no holder of a mineral right shall exercise any of its rights conferred by its licence over an area of land which is the site of, or which is within 200 metres of any inhabited, occupied or temporarily unoccupied house or building without prior consultation with the relevant local Government authority, including the village council and thereafter the written consent of the lawful occupier. Therefore, where a mineral right granted to an applicant is over an area of land inhabited by lawful occupiers then the holder of such a mineral right is required to obtain the lawful occupier's written consent, following necessary consultations, prior to exercising any of the rights conferred under its mineral right. Failure to obtain the lawful occupier's prior written consent

would not invalidate the licence holder's mineral right but the lawful occupier may make a claim against the licence holder.

For further information on the Tenements, refer to the Solicitor's Report on the Panda Hill Licences in Section 5.

(h) **General Economic and Political Risks**

Changes in the general economic and political climate in Tanzania, Australia and on a global basis that could impact on economic growth, niobium prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any niobium activity that may be conducted by the Company.

(i) **Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to niobium production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for niobium, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and Tanzanian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and Tanzanian shilling as determined in international markets.

(j) **Environmental risks**

The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the niobium industry, which operations are currently in Tanzania. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(k) **Competition**

The Company will compete with other companies, including major niobium companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

(l) **Regulatory**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(m) **Insurance**

Insurance against all risks associated with niobium production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(n) **Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify niobium reserves, failure to achieve predicted production rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, adverse weather

conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(o) **Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

(p) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(q) **Metallurgy**

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- (ii) developing an economic process route to produce a metal and/or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

(r) **Reliance on Key Personnel**

The Company is reliant on a number of key personnel and consultants, including members of the Board. The loss of one or more of these key contributors could have an adverse impact on the business of the Company.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people given the current high demand in the industry and relatively small size of the Company, compared with other industry participants.

9.2 General Risks

(a) **Share Investments**

Applicants should be aware that there are risks associated with any investment in securities. The prices at which the Securities trade may be

above or below the issue price, and may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Securities, regardless of the Company's operational performance.

(b) **Share Market Conditions**

The market price of the Securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Economic risk**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Australia, the rate of growth of Australia's gross domestic product, interest rates and the rate of inflation.

(d) **Global credit and investment markets**

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Company's Securities trade regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

9.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities. Prospective investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

10. Additional Information

10.1 Continuous Disclosure

The Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. Copies of announcements made by the Company to ASX may be obtained from www.asx.com.au.

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations.

Those obligations include being required to notify ASX immediately of any information concerning the Company of which it is, or becomes, aware of and which a reasonable person would expect to have a material effect on the price or value of the Company's Securities. Exceptions apply for certain information which does not have to be disclosed.

Other documents that are required to be lodged include:

- (a) quarterly activities and cashflow reports, to be provided to ASX within a specified time after the end of each quarter;
- (b) half yearly reports and preliminary financial statements, to be provided to section 2.2
- (c) ASX within a specified time after the end of each half and full year accounting period respectively; and
- (d) financial statements, to be lodged with ASX within a specified time after the end of each accounting period.

10.2 Privacy Disclosure

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments, corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to

communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

10.3 Taxation Implications

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

10.4 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company, the outcome of which will have a material adverse effect on the business or financial position of the Company.

10.5 Directors' Interests

(a) Directors' interest in Securities

The Directors are not required to hold any Securities in the Company under the Constitution.

The Directors have the following relevant interests in the Securities of the Company as at the date of this Prospectus (on a post-Consolidation basis):

Director	No. of Shares	No. of Listed Options ¹	No. of Unlisted Options ²
Michael Ashforth*	1,125,000	562,500	750,000
Grant Davey ³	-	-	-
Brendan Cummins**	450,000	225,000	-
Evan Cranston***	337,500	168,750	750,000

* Shares and options held by Ivoryrose Holdings Pty Ltd atf <Ashforth Superannuation Fund>, of which Michael Ashforth is a director and shareholder.

** The breakdown of Brendan Cummins' holdings are as follows: Mr Cummins is a director and shareholder of Icon Custodians Pty Ltd and so holds a relevant interest in 375,000 CXX shares (Icon Custodians Pty Ltd atf <Cummins Family Trust>) and 187,500 CXXO exercisable on or before 24 January 2015 (Icon Custodians Pty Ltd atf <Cummins Family Trust>); Joint holding with spouse and so holds a relevant interest in 56,250 CXX shares (Mr Brendan James Cummins & Mrs Melissa Ann Cummins <B&M Cummins S/Fund A/c>) and 28,125 CXXO exercisable on or before 24 January 2015 (Mr Brendan James Cummins & Mrs Melissa Ann Cummins <B&M Cummins S/Fund A/c>); Mr Cummins' spouse holds 18,750 CXX (Mrs Melissa Cummins) and 9,375 CXXO exercisable on or before 24 January 2015 (Mrs Melissa Cummins).

*** Shares and options held by Konkera Pty Ltd atf <Konkera Super Fund>, of which Evan Cranston is a director and shareholder.

Brendan Cummins is a Director of Westoria Resource Investments Ltd⁴ which holds 2,475,000 Shares and 3,487,500 Options (1,237,500 listed, 2,250,000 unlisted) in the Company. Mr Cummins and Westoria Resource Investments Ltd have advised the Company that Mr Cummins does not have a relevant interest in the Shares and Options held by Westoria Resource Investments Ltd in the Company in accordance with Section 608 of the Corporations Act.

John and Loreta Cranston, the parents of Evan Cranston, are Directors of Kingslane Pty Ltd which holds 2,454,600 Shares and 3,974,174 Options (1,724,174 listed, 2,250,000 unlisted) in the Company. Evan Cranston and Kingslane Pty Ltd have advised the Company that Evan Cranston does not have a relevant interest in the Shares and Options held by Kingslane Pty Ltd in the Company in accordance with Section 608 of the Corporations Act.

Notes:

¹Exercisable at \$0.2667 each on or before 24 January 2015, on a post-Consolidation basis.

²Exercisable at \$0.2667 each on or before 31 May 2016, on a post-Consolidation basis.

³Grant Davey is one of the Vendors and will receive 8,640,000 Shares, 4,320,000 Class A Performance Shares and 4,320,000 Class B Performance Shares (calculated on a post-Consolidation basis) as his share of the consideration for the Acquisition

⁴Westoria Capital Pty Ltd is a wholly owned subsidiary of Westoria Resources Investments Ltd and holds 112,500 of Shares (on a post-Consolidation basis) disclosed.

(b) Directors' participation in the Offer

Other than Davey Management (Aus) Pty Ltd, an entity controlled by Mr Grant Davey, a Director of the Company, which may subscribe for up to 187,500 Shares and 93,750 Listed Options (on a post-Consolidation basis) under the Offer, the Directors do not intend to subscribe for Securities offered under the Offer or the Panda Hill loan offer pursuant to this Prospectus.

(c) Remuneration of Directors

The Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors.

The Constitution provides that non-executive Directors may collectively be paid the aggregate maximum of \$500,000 per annum which has been set by the Company in general meeting.

The Chairman currently receives fees of \$43,600 (including superannuation) per annum and each of Brendan Cummins, Evan Cranston and Grant Davey currently receives fees of \$32,700 (including superannuation) per annum.

Following completion of the Acquisition, it is proposed that all Directors will receive \$25,000 per annum. In addition, it is intended that, on his appointment as Managing Director, Mr Davey will receive an annual salary of \$200,000 plus superannuation

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services other than acting as a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Except as disclosed in this Prospectus, no Director holds, or during the last two years has held, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer and Panda Hill loan offer; or
- (iii) the Offer and Panda Hill loan offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to induce him to become or to qualify as a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company, the Offer or the Panda Hill loan offer.

As at the date of this Prospectus, Directors have received or are entitled to receive (on an accruals basis) the following remuneration since the Company was incorporated on 2 March 2011:

Director	Director Fees and Salary¹	Consulting Fees²	Total
Michael Ashforth	\$73,662	-	\$73,662
Grant Davey	\$3,633	-	\$3,633
Brendan Cummins	\$55,247	\$13,167	\$68,414
Evan Cranston	\$55,247	-	\$55,247
Total	\$187,789	\$13,167	\$200,956

¹ Including superannuation

² Including superannuation

(d) Other Interests

The Company has entered into a deed of indemnity and access with each of its Directors and the Company Secretary (**Deeds**). Under the terms of the Deeds, the Company indemnifies each officer to the extent permitted by the Corporations Act against any liability as a result of the Officer acting as an officer of the Company. The Company is required under the Deeds to use its best endeavours to obtain and maintain insurance policies for the benefit of the relevant officer for the term of the appointment and for a period of seven years after retirement, termination or resignation, except to the extent that such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company. The Deeds also provide for the Directors and Company Secretary to have a right of access to Board papers and minutes.

Evan Cranston is a related party to Cranston & Sons Pty Ltd t/a Konkera Corporate (**Konkera**), which entered into an Administrative Services Agreement (**Administrative Services Agreement**) dated 18 January 2012 and effective from 1 February 2012 with the Company, for the provision of administration, management and bookkeeping services. Under the Administrative Services Agreement, Konkera receives a monthly fee of \$4,200 plus GST. Konkera and the Company have agreed to terminate the Administrative Services Agreement effective as from 1 July 2013, pursuant to which a six (6) month termination payment is payable at a later date to be agreed between Konkera and the Company.

10.6 Expenses of the Offer

The total expenses of the Offer and Panda Hill loan offer payable by the Company are estimated at approximately \$245,160 (on the basis of the minimum subscription of \$2,200,000) and \$270,160 (on the basis of the maximum subscription of \$2,500,000). See the table below for details:

Capital Raising Costs	Minimum Subscription \$2,200,000	Maximum Subscription \$2,500,000
Independent Geologist's Report	\$25,000	\$25,000
Competent Persons	\$2,960	\$2,960
Investigating Accountant's Report	\$9,000	\$9,000
Local Solicitor's Report	\$7,700	\$7,700
Legal Fees	\$25,000	\$25,000
Printing and Postage	\$3,500	\$3,500
ASX and ASIC Fees	\$72,000	\$72,000
Broker Fees	\$100,000	\$125,000
Total	\$245,160	\$270,160

These expenses have been paid or will be payable by the Company.

10.7 Existing Substantial Shareholders

Prior to the issue of Securities under this Prospectus and completion of the Acquisition and Consolidation, the existing substantial Shareholders of the Company are:

Holder	Shares	%
Kingslane Pty Ltd <Cranston Superannuation Fund>	3,672,800	7.1
Westoria Resource Investments Limited	3,300,000	6.4

Following the issue of Securities under this Prospectus and completion of the Acquisition and Consolidation:

- (a) Kingslane Pty Ltd <Cranston Superannuation Fund> and Westoria Resource Investments Limited may cease to be substantial shareholders of the Company; and
- (b) Aviemore Capital Pty Ltd, Arredo Pty Ltd, Davey Management (Aus) Pty Ltd, and Brett Anthony Mitchell and Michelle Suzanne Mitchell will become substantial holders.

10.8 Interests of Promoters, Experts and Advisors

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus that has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or in the past two years has held, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer or Panda Hill loan offer; or
- (c) the Offer or the Panda Hill loan offer,

and no amounts of any kind (whether in cash, Securities or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer or Panda Hill loan offer.

Hardy Bowen Lawyers act as solicitors to the Company and in that capacity have been involved in providing legal advice to the Company in relation to the Offer and Panda Hill loan offer. The Company has or will pay approximately \$25,000 to Hardy Bowen Lawyers for these services.

Ravensgate has prepared the Independent Geologist's Report included in Section 4 of this Prospectus. The Company has paid or will pay approximately \$25,000 for these services.

Mr Neil Inwood has provided the Competent Person's Statement included in this Prospectus. The Company has paid or will pay approximately \$2,000 for these services.

Ms Ellen Maidens has acted as the competent person for the JORC Resource estimate and classification included in this Prospectus. The Company has paid or will pay approximately \$960 for these services.

Ernst & Young has prepared the Investigating Accountant's Report included in Section 6 of this Prospectus. The Company has paid or will pay approximately \$9,000 to Ernst & Young for these services.

Rex Attorneys has prepared the Mineral Rights Due Diligence Report on the Panda Hill Project included in Section 5 of this Prospectus. The Company has paid or will pay approximately US\$ 7,500 (equivalent to approximately \$7,700) for these services.

Ernst & Young are also the auditors of the Company and are paid for these services on standard industry terms and conditions.

Security Transfer Registrars Pty Ltd has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and are paid for these services on standard industry terms and conditions.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

10.9 Consents

Each of the parties referred to in this Section:

- (a) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below;
- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that party; and
- (c) has given and has not, before the date of lodgement of this Prospectus, with ASIC, withdrawn its written consent:
 - (i) to be named in this Prospectus in the form and context which it is named; and
 - (ii) to the inclusion in this Prospectus of the statement(s) and/or report(s) (if any) by that person in the form and context in which it appears in this Prospectus.

Name	Role	Statement/Report
Ravensgate	Independent Geologist	Independent Geologist's Report and any other references in the Prospectus.
Mr Neil Inwood	Competent Person	Competent Person's

Name	Role	Statement/Report
		Statement
Ms Ellen Maidens	Competent Person	JORC Resource Estimate
Ernst & Young	Investigating Accountant	Investigating Accountant's Report
Rex Attorneys	Lawyers	Solicitor's Report on Panda Hill Licences
Hardy Bowen Lawyers	Lawyers	Nil
Security Transfer Registrars	Share Registry	Nil

10.10 Panda Hill Loan Offer

Panda Hill has raised \$600,000 by entering into loans with various lenders. Under the terms of the loans, the Panda Hill lenders have agreed that, if all of the securities in Panda Hill are acquired by a listed company, the loans will be acquired by the listed company for fully paid ordinary shares in the listed company, with each share being issued at a 20% discount to the price at which the listed company undertakes a capital raising to re-comply with Chapters 1 and 2 of the Listing Rules.

3,750,000 Shares are offered under this Prospectus at a deemed issue price of \$0.16 to the Panda Hill lenders to acquire the loans made to Panda Hill. The Panda Hill loan offer may only be accepted by the Panda Hill lenders. The Company will send Application Forms to these lenders to apply for Shares under this offer.

11. Rights Attaching to Securities

11.1 Rights and Restrictions Attaching to Shares

A summary of the rights attaching to Shares in the Company is set out in Section 11.2 below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

The Shares to be issued under this Prospectus will rank equally with the existing Shares.

The terms and conditions of the Listed Options to be issued under the Offer and the Performance Shares to be issued to the Vendors under the Share Sale Agreement are set out in Sections 11.3 and 11.4 respectively. The Listed Options to be issued under this Prospectus will rank equally with the existing Listed Options.

11.2 Rights Attaching to Shares

(a) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each share held by the shareholder and for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that share. In the case of an equality of votes, the chairperson has a casting vote.

(b) Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(c) Winding up

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the shareholders of the Company in proportion which the amount paid on the shares bears to the total amount paid and payable on the shares of all shareholders of the Company.

(d) Transfer of Shares

Generally, Shares are freely transferable, subject to satisfying the requirements of the Listing Rules, the Corporations Act and associated legislation. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the Listing Rules and associated legislation.

(e) Further Increases in Capital

Subject to the Corporations Act, the Listing Rules and associated legislation, the Company (under the control of the Directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the Directors resolve.

(f) Variation of Rights Attaching to Shares

Subject to the Corporations Act, the Listing Rules and associated legislation and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(g) General Meeting

Each shareholder will be entitled to receive notice of, and to attend and vote at, General Meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

11.3 Rights Attaching to Listed Options

(a) Entitlement

The Listed Options entitle the holder to subscribe for one (1) unissued Share upon the exercise of each Listed Option.

(b) Exercise Price

The exercise price of each Listed Option is \$0.2667 (on a post-Consolidation basis).

(c) Expiry Date

Each Listed Option expires on the third anniversary of the issue date.

(d) Exercise Period

The Listed Options are exercisable at any time on or prior to the expiry date.

(e) Notice of Exercise

The Listed Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Listed Option being exercised. Any notice of exercise of a Listed Option received by the Company will be deemed to be a notice of the exercise of that Listed Option as at the date of receipt.

(f) Shares issued on exercise

Shares issued on exercise of the Listed Options rank equally with the Shares of the Company.

(g) Quotation of Listed Options and Shares on exercise

Application will be made by the Company to ASX for official quotation of the Listed Options. Application will be made by the Company to ASX for official quotation of Shares issued upon the exercise of the Listed Options.

(h) Timing of issue of Shares

After a Listed Option is validly exercised, the Company must as soon as possible:

(i) issue the Share; and

(ii) do all such acts matters and things to obtain:

- (A) the grant of quotation for the Share on ASX no later than 30 days from the date of exercise of the Listed Option; and
- (B) receipt of cleared funds equal to the sum payable on the exercise of the Listed Options.

(i) Participation in new issues

There are no participation rights or entitlements inherent in the Listed Options and Listed Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Listed Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten Business Days after the issue is announced. This will give Listed Optionholders the opportunity to exercise their Listed Options prior to the date for determining entitlements to participate in any such issue.

(j) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Listed Option will be increased by the number of Shares which the Listed Optionholder would have received if the Listed Optionholder had exercised the Listed Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price if a Listed Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Listed Option.
- E = the number of underlying Shares into which one (1) Listed Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.

- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N - the number of Shares with rights or entitlements that must be held to receive a right to one (1) new Share.

(l) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Listed Optionholder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) Listed Options transferable

The Listed Options are transferable.

(n) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Listed Options with the appropriate remittance should be lodged at the Company's share registry.

11.4 Rights Attaching to Performance Shares

1. Definitions

In these terms and conditions, unless the context otherwise requires:

ASX means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited.

Change in Control Event means:

- (a) the occurrence of:
- (i) the offeror under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the Company that:
- (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and

(ii) the Court, by order, approves the proposed scheme of arrangement,

but shall not include a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, subdivision, reduction or return) of the issued capital of the Company.

Class A Performance Share means a Class A Performance Share issued as part of the consideration under the Share Sale Agreement.

Class A Milestone means the completion of a Scoping Study, including metallurgical work and confirmatory drilling, to the reasonable satisfaction of the independent directors of the Company as evidenced by a decision to proceed with work on the Project.

Class B Performance Share means a Class B Performance Share issued as part of the consideration under the Share Sale Agreement.

Class B Milestone means the completion of a Definitive Feasibility Study on the Project which demonstrates an NPV of at least US\$400 million (assuming a 10% discount rate and long term market contract price).

Company means Cradle Resources Limited ACN 149 637 016.

Corporations Act means the *Corporations Act 2001* (Cth).

Definitive Feasibility Study means a formal technical, resource and project development study which assesses the viability of developing and mining a deposit identified within the area comprising the Project Licences reasonably sufficient to support a decision to mine and project finance.

Expiry Date means the date that is four (4) years from the date of issue of the Performance Shares.

Inferred Mineral Resource has the meaning given in the JORC Code.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) as amended from time to time.

Mineral Resource has the meaning given in the JORC Code.

NPV means net present value.

Panda Hill means Panda Hill Mining Pty Ltd ACN 160 217 069.

Performance Share means a Class A Performance Share or a Class B Performance Share.

Performance Shareholder means the holder of a Performance Share.

Project means the niobium project located in Tanzania and contained within the Project Licences.

Project Licences means:

- (a) mining licences ML237/2006, ML238/2006 and ML239/2006 issued for niobium in Panda Hill, Mbeya District, Tanzania;
- (b) any other mineral right or mineral rights which may be granted in lieu or relate to the same ground as the mineral rights referred to in paragraph (a); and
- (c) includes all rights to mine and other privileges appurtenant to the mineral rights referred to in paragraph (a) as conferred by law.

Scoping Study means a preliminary assessment of the technical and economic viability of the exploitation of a Mineral Resource, based on the delineation of an Inferred Mineral Resource.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Sale Agreement means the share sale agreement between the Company, Panda Hill and all of the holders of shares in Panda Hill.

2. Dividend

Performance Shareholders are not entitled to a dividend.

3. Conversion

- (a) Conversion

The Performance Shares will convert into Shares in accordance with this clause 3.

- (b) Conversion of Class A Performance Share

Subject to clause 3(f), each Class A Performance Share will convert into one (1) Share upon the satisfaction, prior to the Expiry Date, of the Class A Milestone.

- (c) Conversion of Class B Performance Share

Subject to clause 3(f):

- (i) Where the Class B Milestone is satisfied each Class B Performance Share will convert into one (1) Share upon the satisfaction, prior to the Expiry Date, of the Class B Milestone.
- (ii) If the Class B Milestone is not met, but the NPV produced by the Definitive Feasibility Study is equal to or greater than US\$300 million (assuming a 10% discount rate and long term market contract price) the number of Class B Performance Shares which will convert to Shares will be reduced pro rata such that no Class B Performance Shares convert at an NPV of less than US\$300 million and all convert at an NPV of US\$400 million or more.

- (d) Conversion on Change in Control
- (i) Subject to clauses 30(ii) and 3(f), if prior to the Expiry Date a Change in Control Event occurs then each Performance Share will convert into one (1) Share.
 - (ii) The maximum number of Performance Shares that can be converted into Shares and issued under this clause 30 upon a Change of Control Event must not exceed 10% of the issued Share capital of the Company (as at the date of the Change of Control Event). The Company shall ensure a pro-rata allocation of Shares issued under this clause 30 to all Performance Shareholders. Performance Shares that are not converted into Shares will continue to be held by the Performance Shareholder on the same terms and conditions.
- (e) Conversion after Expiry Date
- (i) If the Class A Milestone is not met by 5.00pm (WST) on the Expiry Date the Company will, as soon as reasonably practical and in any event no later than ninety (90) days after the Expiry Date, convert the total number of Class A Performance Shares on issue into seven (7) Shares (one for each holder of the Performance Shares). For the avoidance of doubt, the Class B Performance Shares are independent and will not convert in such circumstances.
 - (ii) If the Class B Milestone is not met and clause 3(c)(ii) does not apply by 5.00pm (WST) on the Expiry Date the Company will, as soon as reasonably practical and in any event no later than ninety (90) days after the Expiry Date, convert the total number of Class B Performance Share on issue into seven (7) Shares (being one Share for each holder of the Performance Shares). For the avoidance of doubt, the Class A Performance Shares are independent and will not convert in such circumstances.
- (f) Takeover Provisions
- (i) If the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1). Following a deferment under this clause 3(f)(i), the Company shall at all times be required to convert that number of Performance Shares that would not result in a contravention of section 606(1).
 - (ii) The Performance Shareholders shall give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1) failing which the Company shall assume that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) will not result in any person being in contravention of section 606(1).

(iii) The Company may (but is not obliged to) by written notice request the Performance Shareholders to give notification to the Company in writing within seven (7) days if they consider that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1). If the Performance Shareholders do not give notification to the Company within seven (7) days that they consider the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) may result in the contravention of section 606(1) then the Company shall assume that the conversion of Performance Shares (or part thereof) under clauses 3(b) to 3(e) will not result in any person being in contravention of section 606(1).

(g) After Conversion

The Shares issued on conversion of any Performance Share will as and from 5.00pm (WST) on the date of allotment rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares upon the date of conversion. Shares issued on conversion of the Performance Share must be free from all encumbrances, securities and third party interests. The Company must ensure that Shares issued on conversion of the Performance Shares are freely tradeable, without being subject to on-sale restrictions under section 707 of the Corporations Act, on and from their date of issue.

4. Issue of Shares for No Consideration

The Company shall allot and issue Shares immediately upon conversion of the Performance Shares for no consideration and shall record the allotment and issue in the manner required by the Corporations Act.

5. Reconstruction

In the event of any reconstruction, consolidation or division into (respectively) a lesser or greater number of securities of the Shares and the Performance Shares shall be reconstructed, consolidated or divided in the same proportion as the Shares are reconstructed, consolidated or divided and, in any event, in a manner which will not result in any additional benefits being conferred on the Performance Shareholders which are not conferred on the Shareholders.

6. Winding Up

If the Company is wound up prior to conversion of all of the Performance Shares into Shares then the Performance Shareholders will have:

- (a) no right to be paid cash for the Performance Shares; and
- (b) no right to participate in surplus assets or profits of the Company on winding up.

7. Non-transferable

The Performance Shares are not transferable.

8. Copies of Notices and Reports

The Performance Shareholders have the same right as Shareholders to receive notices, reports and audited accounts and to attend general meetings of the Company but are only entitled to vote in the circumstances referred to in clause 9.

9. Voting Rights

The Performance Shareholders shall have no right to vote, subject to the Corporations Act.

10. Participation in new issues

There are no participation rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Shares.

11. Quotation

The Performance Shares are unquoted. No application for quotation of the Performance Shares will be made by the Company.

12. Authorisation

This Prospectus is authorised by each of the Directors of the Company and each has consented to the lodgement of this Prospectus in accordance with section 720 of the *Corporations Act 2001*.

This Prospectus is signed for and on behalf of the Company by:


Michael Ashforth
Non-Executive Chairman
Dated: 31 May 2013

13. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

Terms used in the Independent Geologist Report in Section 4 have the same meaning throughout this Prospectus unless otherwise defined.

\$	Australian Dollars.
1% Option Agreement	As defined in Section 8.4.
Acquisition	As defined in Section 1.7.
Allotment Date	The date, as determined by the Directors, on which the Securities offered under this Prospectus are allotted, which is anticipated to be the date identified in the Indicative Timetable.
Applicant	A person who submits an Application Form.
Application	A valid application for Securities made pursuant to an Application Form.
Application Form(s) or Form(s)	An application form provided by the Company for the Securities offered pursuant to this Prospectus.
Application Monies	Application monies for Securities received and banked by the Company.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.
ASXS	ASX Settlement Pty Limited ACN 008 504 532.
ASXS Operating Rules	The operating rules of ASXS, except to the extent of any relief given by ASXS.
Board	The Directors of the Company as at the date of this Prospectus.
Business Day	A day on which ASX is open for trading.
CHESS	Clearing House Electronic Subregistry System.
Class A Performance	The Class A performance shares to be issued to

Shares	the Vendors on the terms set out in Section 11.4.
Class B Performance Shares	The Class B performance shares to be issued to the Vendors on the terms set out in Section 11.4.
Closing Date	The date specified as the closing date for the Offer in the Indicative Timetable of the Offer (or such earlier or later date determined by the Directors).
Company or Cradle	Cradle Resources Limited ACN 149 637 016.
Conditions of the Offer	As defined in Section 3.6.
Consolidation	The consolidation of Securities on issue on a 3:4 basis to be undertaken by the Company following approval by the Shareholders at the General Meeting.
Constitution	The current constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Deeds	As defined in Section 10.5(d).
Directors	The directors of the Company as at the date of this Prospectus.
Eligible Employees	As defined in Section 8.7.
Employee Share Plan	As defined in Section 8.7.
Exposure Period	In accordance with section 727(3) of the Corporations Act, the period of 7 days (which may be extended by ASIC to up to 14 days) after lodgement of this Prospectus with ASIC during which the Company must not process Applications.
General Meeting	The general meeting of the Company to be held on 26 June 2013 for the purpose of approving resolutions in connection with the Acquisition.
Group	The Company and Panda Hill.
GST	Goods and Services Tax.
HIN	As defined in Section 3.14.
Investigating Accountant	Ernst & Young.
Investigating Accountant's Report	The report prepared by the Investigating Accountant in Section 6.
Independent Geologist or	Corvidae Pty Ltd as Trustee for Ravensgate Unit

Ravensgate	Trust trading as Ravensgate ABN 92 492 598 860
Independent Geologist Report	The report in Section 4 prepared by the Independent Geologist.
Indicative Timetable	The indicative timetable for the Offer set out in this Prospectus.
JORC	Joint Ore Reserves Committee.
JORC Code	The 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.
Listed Options	An option granted by the Company to subscribe for one Share on the terms and conditions set out in Section 11.3.
Listing Rules	The official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Minimum Subscription	As defined in Section 3.9.
Offer	The offer made under Section 3.1 of this Prospectus.
Offer Period	The period from the Opening Date up to and including the Closing Dates.
Official List	The official list of ASX.
Official Quotation	Official quotation of the Securities on the Official List.
Opening Date	The date specified as the opening date in the Indicative Timetable of the Offer.
Option or Options	A listed or unlisted option granted by the Company to subscribe for one Share.
Option Agreement	As defined in Section 8.2.
Optionholder	Any person holding Options.
Panda Hill	Panda Hill Mining Pty Ltd ACN 160 217 069.
Panda Hill Licences or	As defined in Section 1.3.

Licences

Panda Hill Project or Project	The niobium project located in Tanzania and contained within the Panda Hill Licences.
Participant	As defined in Section 8.7.
Performance Shares	Class A Performance Shares and Class B Performance Shares.
Plan Shares	As defined in Section 8.7.
Prospectus	This Prospectus dated 31 May 2013, which replaces a prospectus dated 30 May 2013 which was lodged with ASIC on that date.
RECB	RECB Limited, a company incorporated in the British Virgin Islands with registered number 1665502.
RECB Interest	A 49% interest in RECB.
RECB Shareholders Agreement	As defined in Section 8.3.
Section	A section of this Prospectus.
Securities	A Share, Performance Share or Option issued or granted (as the case may be) by the Company.
Security holder	Any person holding Securities.
Settlement	As defined in Section 8.1(b).
Share or Shares	Ordinary fully paid shares in the capital of the Company.
Share Registry	Security Transfer Registrars Pty Ltd.
Shareholder	Any person holding Shares.
Share Sale Agreement	As defined in Section 1.7.
SRN	As defined in Section 3.14
Tenements	Panda Hill Licences.
US\$	United States Dollars.
Vendors	The shareholders of Panda Hill.

Vendor Share	A fully paid ordinary share in Panda Hill.
Verona Capital	Verona Capital Pty Ltd ACN 158 336 317.
WST	Western Standard Time, being the time in Perth, Western Australia.
Wyloo Tenement	Exploration Licence 08/2142.

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