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ASX Release

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JUNE 2014 QUARTERLY ACTIVITY REPORT

Highlights

- **Cradle secures up to US\$20 million project financing**
- **Completion of A\$3.6 million placement**
- **Planning activities for the Pre-feasibility study completed**
- **Selection and appointment of consultants for the Pre-feasibility completed**
- **Drilling and metallurgical testwork commences**

US\$20 million Funding Secured Beyond DFS

During the June quarter, Cradle Resources Limited (Cradle or Company) executed a binding agreement with Tremont Investments Limited (Tremont) to provide up to US\$20 million (A\$21.5 million) to earn up to 50% of the Panda Hill Niobium Project in Tanzania.

Tremont is an African focused mining platform backed by Denham Capital, a leading energy and resources global private equity firm. Pangea Exploration, advisors to Tremont, is based in South Africa and led by Rob Still. Over the last 25 years Pangea's team of technical and commercial experts have developed in excess of 16 projects in Southern and Eastern Africa at various stages of project de-risking from exploration through to development and operations, in a variety of commodities including gold, vanadium, copper, titanium and coal.

In November 2011 Tremont raised US\$200 million from Denham Capital to establish an African Mining Platform to target a wide range of opportunities in Africa. Denham has over US\$7.9 billion of invested and committed capital in the metals and mining, oil and gas, and power sectors.

Under the agreement, Tremont has the right to contribute US\$20 million to acquire a 50% interest in the Panda Hill Project, by sole funding of the development expenditure in four stages. The Tremont interest will be acquired by subscribing for shares in a newly incorporated company, Panda Hill Tanzania Limited (PHT), into which all of Cradle's interest in the Panda Hill Project will be transferred.

Tremont subscribed the first US\$5 million during the June quarter and may elect to make three subsequent subscriptions in tranches of US\$5 million each. It is anticipated that the Definitive Feasibility Study for Panda Hill will be completed upon expenditure of about US\$15 million, with any additional subscription going towards project development. PHT will pay Cradle 7.5% of the funds subscribed by Tremont (US\$1.5 million in aggregate) as partial reimbursement of previous development expenditure, and to date US\$375,000 has been paid to Cradle out of the first US\$5 million subscribed by Tremont.

Completion of A\$3.6 million Placement

During the June quarter, the Company also completed the placement of 18,000,000 ordinary shares (Placement shares) at an issue price of A\$0.20 per share, representing proceeds of A\$3,600,000 before costs (Placement). The Placement was marketed to institutional and sophisticated private investors in the United Kingdom by Mirabaud Securities LLP and in Australia by Argonaut Securities Limited. The net proceeds of the Placement have been used to pay existing creditors and will provide a working capital buffer for the Company. A 5% fee was payable by the Company on the Placement monies raised.

As the Placement shares were issued without disclosure to investors under Part 6D of the *Corporations Act 2001* (Cth), the Company lodged a compliance prospectus (Cleansing Prospectus) during the June quarter under section 708A(1) of the *Corporations Act* to enable secondary trading of the Placement shares.

Prefeasibility Study

The Prefeasibility Study (PFS) for the Panda Hill Niobium Project in south western Tanzania (see Figure 2 on page 5 below) kicked off at the end of the June quarter with the initial focus on the resource drilling and metallurgical testwork.

The study has been split in various programs of work, similar to that done in the Scoping Study. MDM Engineering Ltd, a South African based company, has been selected as the Lead Study Consultant. The other specialist consultants appointed for the Study are described below in Table 1.

Table 1: Prefeasibility Study Consultants

Consultant	Study Input
MDM Engineering Ltd	Study Manager / Process Plant / Infrastructure / Capital & Operating Costs (exc. Mining)
Capital Drilling	Exploration Drilling Program
Coffey Mining Pty Ltd	Mineral Resource
SRK Consulting Pty Ltd	Geotechnical & Mining
SGS Canada Inc.	Metallurgical Testwork
MTL Consulting Co. Ltd	Environmental
SLR Consulting Pty Ltd	Tailings Storage Facility & Water
CAMET Metallurgy Inc.	Marketing

The high level schedule for the Pre-feasibility Study is shown below in Figure 1.

Proposed PFS Schedule - Panda Hill Niobium Project									
Project Activities	Target End Date	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Prefeasibility Study	February 2015	[Gantt bar spanning Q1 2014 to Q1 2015]							
Project Planning / Contracting	May 2014	[Gantt bar]							
Drilling Phase 1 (indicated)	September 2014			[Gantt bar]					
Drilling Phase 2 (measured)	November 2014				[Gantt bar]				
Mineral Resource Estimate	January 2015				[Gantt bar]				
Metallurgical Testwork	January 2015		[Gantt bar]						
Option Study	November 2014			[Gantt bar]					
Preliminary Mining Study	February 2015					[Gantt bar]			
Preliminary Engineering	November 2014					[Gantt bar]			
Environmental & Social Impact Assessment	July 2015			[Gantt bar]					
Reporting	February 2015					[Gantt bar]			
Definitive Feasibility Study	October 2015					[Gantt bar]			

Figure 1: Panda Hill Pre-Feasibility Study Schedule

The Pre-feasibility Study has been scoped such that the drilling required to produce a measured resource will also be undertaken during this phase, along with the majority of the bench scale metallurgical testing required to complete the process development. This additional work will allow a rapid ramp up of the key mining and engineering activities in the Definitive Feasibility Study (DFS) and reduced timeframe for completing the study.

The work required for the Environmental and Social Impact Assessment (ESIA) will not be constrained by the timelines of the PFS study and will carry on through the PFS / DFS interface with the aim of having the environmental licence approved at the end of the DFS.

The Pre-feasibility itself has been divided into two distinct phases; the first phase is an option study in which approximately five alternative processes, plant throughputs and material schedules will be investigated with the aim of selecting the optimal case based on economics, risk and reward.

The second phase of the study then takes this optimal case and further defines the various inputs, determines capital and operating costs and develops the execution strategy for subsequent phases.

Technical Activity

Exploration and Mineral Resource Activity

The design of the drill program required to deliver a nominal 20Mt of indicated resource was completed during this period. In addition a high level assessment of the drilling requirements for a measured resource in the order of 5 - 10Mt was assessed.

Based on these requirements a number of drilling contractors were asked to quote on the work. Capital Drilling Tanzania was selected as the preferred contractor based on skills, cost and availability.

On confirmation of the project financing arrangements the field team was mobilised to site in mid-June to setup for the field activities and start the drill pad preparations. Community liaison and meetings with the local government officials were a key part of this set-up period. Capital drilling mobilised their drill rigs at the end of the month with the aim of starting the diamond drilling in the first week of July.

Coffey Mining was appointed as the resource consultant, and will be responsible for generating the Mineral Resource Estimate.

Mining and Engineering Activity

The work carried out in this quarter focused on the scoping and planning for the Pre-feasibility Study. The high level project strategy agreed to in the March quarter was further developed, with individual work packages generated for each of the disciplines. These were submitted as Request for Proposals (RFPs) to a variety of consultants for them to bid on the work. A comprehensive tender process was undertaken and based on a variety of criteria including; experience, technical capability, costs and location, the following consultants were selected for the PFS:

- Coffey (Perth) - Geology & Resource
- SRK Consulting (Perth / Joburg) – Geotechnical & Mining
- MDM Engineering (Joburg) - Engineering (plant & infrastructure)
- SGS Lakefield (Toronto) – Metallurgical Testwork
- SLR Consulting (Joburg) - Tailings & Water
- MTL Consulting (Dar es Salaam) - ESIA

The main activities that will be undertaken during the Pre-feasibility Study are:

- Comprehensive metallurgical testwork program on all major material types identified
- Option study for selecting the preferred processing route, throughput etc.
- Preliminary mine design, including pit optimisation and mine scheduling
- Preliminary engineering to develop a Class 4 cost estimate (plant and infrastructure)
- Baseline studies for ESIA
- Economic assessment of the project viability

The metallurgical testwork program started at the end of June focusing on upgrading the ore with gravity concentration techniques and undertaking bench scale flotation tests on the oxidised material types with results to be reported on in the next quarter's activities.

Social and Environmental Activities

Approval of the Terms of Reference (ToR) for the ESIA work was received from the Tanzanian National Environmental Management Council (NEMC) on the 31 December 2013. Planning for the ESIA activities were undertaken concurrently with the other work packages. As part of the consultant tender process, the ESIA work package was also submitted to a number of consultants, with the work awarded to the Tanzanian company MTL who undertook the scoping work.

During June the detailed planning of the Baseline Studies was completed with the plan for the dry season baseline study to commence in July/August. The wet season baseline study will be undertaken early next year during the Tanzanian wet season. The remaining ESIA activities will run concurrently with these baseline studies with the target date for the completion of the ESIA work in July 2015.

Other Corporate Activity

Following completion of the A\$3.6 million placement, the suspension of trading in the Company's securities which commenced on 4 March 2014 was lifted on 24 June 2014 and the Company was reinstated to official quotation.

During the quarter, the Company also allotted 19,537,600 ordinary shares following the conversion of 18,750,000 Class A Performance Shares and 787,500 first tranche Performance Rights and following the issue of 100 ordinary

shares at \$0.20 each under the Cleansing Prospectus. Conversion of the Class A Performance Shares and the first tranche of the Performance Rights was conditional upon the completion of the 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. This condition has been satisfied.

The Placement shares and the shares that were allotted upon conversion of the Performance Rights and under the Cleansing Prospectus were issued under the Company’s existing 25% placement capacity under Listing Rules 7.1 and 7.1A. The shares allotted upon conversion of the Class A Performance Shares were issued under the approval given by shareholders at the general meeting held on 26 June 2013 and are subject to ASX imposed escrow until 1 August 2015.

Tenement Summary

As at 30 June 2014, the Company holds the following interests in tenements:

Project	Tenement Number	Percentage Interest
Panda Hill Niobium, Tanzania	ML237/2006	49%
Panda Hill Niobium, Tanzania	ML238/2006	49%
Panda Hill Niobium, Tanzania	ML239/2006	49%
Wyloo, Western Australia	E08/2142	100%

Panda Hill Niobium Project Overview

The Panda Hill Niobium Project (Figure 2) 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 Project area and will be a significant service and logistics centre for the Project. Mbeya has a population of approximately 280,000 people and has recently completed the construction of a new international airport.

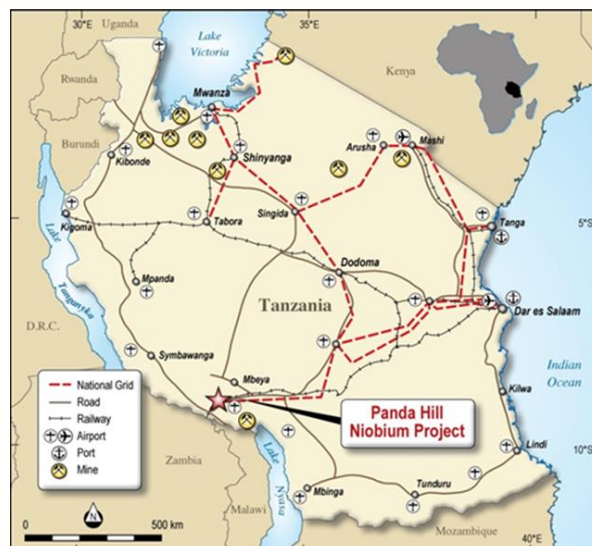


Figure 2: Location of the Panda Hill Niobium Project

The Project is covered by three granted Mining Licenses (Figure 3) totalling 22.1km², which will enable a quick transition from the study and development phases, through construction and into operation. The area has excellent access to infrastructure, with existing roads, rail, airports and power available in close proximity. The three granted Mining Licenses 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 Project.

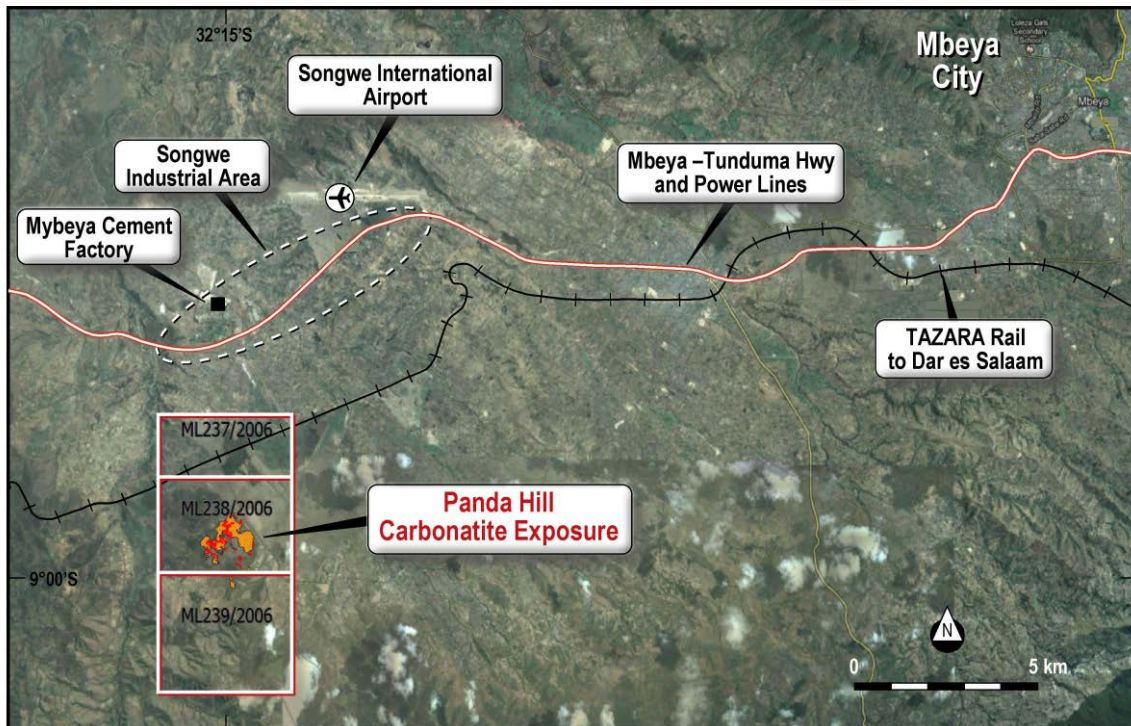


Figure 3: Mining Licenses and Local Infrastructure

Historical Work

The Panda Hill carbonatite has been subject to multiple phases of exploration work since the 1950's. 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 test-work 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 used in the Scoping Study was prepared by Coffey Mining and was reported in accordance with the JORC Code (2012). The Resource was based upon the results of historical diamond drilling and 13 NQ and HQ confirmatory diamond holes drilled by Cradle in 2013. The Resource was estimated using Ordinary Kriging based upon cut 2m composites. The Resource totals 81.8Mt at 0.52% Nb₂O₅ for 423kt of contained Nb₂O₅ and is outlined in Table 2.

Table 2 - In Situ Mineral Resource (October 2013) using Preferred Cut-off (0.3%)

Combined Carbonatite			
Classification	Mt	Nb₂O₅%	Nb₂O₅ Content (kt)
Inferred	76.4	0.51	390
Indicated	5.4	0.62	33
Total	81.8	0.52	423
Weathered Carbonatite (Secondary)			
Classification	Mt	Nb₂O₅%	Nb₂O₅ Content (kt)
Inferred	8.6	0.81	69
Indicated	2.1	0.77	16
Total	10.7	0.80	86
Primary Carbonatite			
Classification	Mt	Nb₂O₅%	Nb₂O₅ Content (kt)
Inferred	67.8	0.47	319
Indicated	3.2	0.52	17
Total	71.1	0.47	336

Notes:

- The Panda Hill project is located in south-western Tanzania, approximated 26km south-west of the town of Mbeya.
- Niobium mineralisation occurs in pyrochlore (and minor columbite) and is hosted by the Panda Hill carbonatite complex.
- The deposit is covered by diamond drill holes on a nominal 100m x 100m NE-SW oriented grid. The majority of the drill holes are vertical, with a small percentage being horizontal, drilled into the side of the hill, and the remaining holes ranging in dip from -45° to -75°. Most of the drilling was carried out in the 1950s and 1970s. Cradle Resources have drilled 13 new diamond drill holes to verify the thickness and tenor of niobium mineralisation in the historic drill holes.
- Validated data from 92 diamond drill holes has been used in the resource estimate.
- Drill-hole data was used to create wireframes of the mineralisation utilising a 0.2% Nb₂O₅ lower cut-off. The mineralisation was divided into a zone of weathered carbonatite material and a zone of primary carbonatite material. The distinction between weathered and primary material was based on drill hole logging data.
- Nb₂O₅ assays obtained from XRF Borate fusion were used in the estimation.
- QAQC consists of the insertion of certified standards and blanks into the sampling stream. A comparison was also conducted between XFR Borate fusion method and ICPMS method for 145 samples. Both methods were done by SGS Johannesburg. There is a very tight correlation between the two methods below 1% Nb₂O₅ (the upper detection limit of the ICPMS method). No potential problems were highlighted by the QAQC and the data is considered to be of sufficient standard for use in the Resource estimation.
- Recent drilling was sampled on a nominal 1m length based on geological units, though samples may be up to 3m in length in consistent non-mineralised material. Historic drilling was also sampled on geological units, with sample intervals commonly being 3 feet (0.9m) or 5m in length. The database contained several drill holes with exceedingly long intervals/one interval assigned to the entire drill hole. These were removed from the database for the Resource estimation. The raw assay data have been composited to 2m intervals for the resource estimate.
- Statistical analyses were completed on the raw sample data and the 2m composite data. A top cut of 2.5% Nb₂O₅ was applied to the weathered carbonatite material and a top cut of 2.0% Nb₂O₅ was applied to the primary carbonatite material.
- Due to the long sample intervals in the historic data, a down hole correlogram was modelled using only the 2013 drill holes to obtain the nugget variance. This was used in conjunction with directional correlograms to create the correlogram model for the primary carbonatite. An omnidirectional model was applied to the weathered zone.
- Grade estimates were generated for parent blocks of size 25m (X) by 25m (Y) by 5m (Z) with sub-blocks of size 5m x 5m x 1m. The estimation method used was Ordinary Kriging (OK).
- In situ dry bulk densities were assigned on the basis of measurements collected from the 2013 drill core using the calliper method. 667 measurements were collected from primary carbonatite material, with a mean value of 2.77 t/m³ and 189 measurements were collected from weathered carbonatite material, with a mean value of 2.24 t/m³. These average values were multiplied by a factor of 96.3% to account for the 3.7% volume of voids/cavities intersected in drilling. The factored bulk density values applied to the primary and weathered zones of the block model are 2.67t/m³ and 2.16t/m³ for primary and weathered material respectively.
- Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality of the estimates.

Geology of Panda Hill Complex

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 1.5 km diameter and is partly covered by fenitised and weathered country rocks and residual soil material. The Fenite and weathered material forms a "cap" or roof over the south of the carbonatite complex, and is partially 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 historical workers suggested 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. Fenitisation of the pre-existing gneisses led to the development of potassium-rich rocks containing K-feldspar and phlogopite.

Mineralogy

The Sovite carbonatite from Panda Hill is composed mainly of calcite, which forms an average of 60-75% by volume. The fresh Sovite carbonatite may contain up to 5% Apatite, with pyrochlore, magnetite, phlogopite and quartz. Dolomite-rich carbonate (Rauhaugite) and ankerite/siderite-rich carbonatites (Beforesite) are also present and can be mineralised.

Mineralisation

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

Competent Person's Statement

The information in this document that relates to Exploration Results and Resources is based on information compiled or reviewed by Mr Neil Inwood who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Inwood is a full time employee of Verona. Mr Inwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Inwood consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

The information in this June 2014 Quarterly Report relating to the Panda Hill Resource Estimate is extracted from the announcement entitled 'Substantial Upgrade to Panda Hill Resources' dated 8 November 2013 and is available to view on <http://www.cradleresources.com.au>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that, in the case of Mineral Resources or Ore Reserves, all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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

Cautionary Statement concerning Scoping Study Results including Inferred Resources

The Company advises that the Scoping Study results and production targets reflected in this June 2014 Quarterly Report are preliminary in nature as conclusions are drawn from partly from Indicated Mineral Resources and partly from Inferred Mineral Resources. The Scoping Study is based on lower level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

By order of the Board