

2016 Annual Report

ACN 149 637 016

Contents

Corporate Directory

Directors

Ian Middlemas Chairman

James Kelly Executive Director

Craig Burton Non-Executive Director

Robert Behets Non-Executive Director

Company Secretary

Sophie Raven

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Stock Exchange Listing

Australian Securities Exchange Limited

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Review of Operations

PANDA HILL NIOBIUM PROJECT OVERVIEW

The Panda Hill Niobium 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 26km 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.

The Project is covered by three granted Mining Licences (Figure 2) totalling 22.1km^2, 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 Licences were renewed in August 2015 by the Ministry of Energy and Minerals, for a further 10 years to November 2026.

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 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 Maatschapij 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.

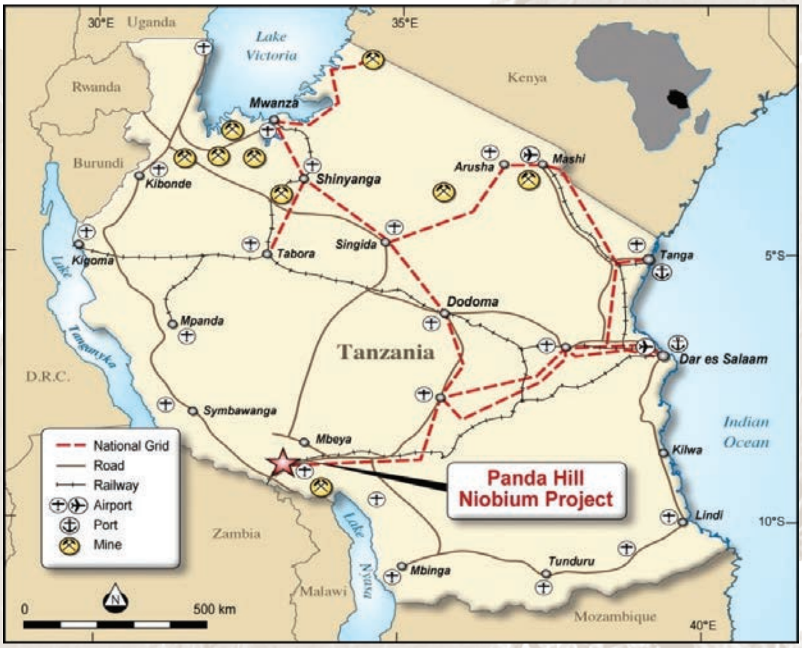

Figure 1: Location of the Panda Hill Niobium Project

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.

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 1.5km diameter and is partly covered by fenitised country rocks and residual soil material. The Fenite forms a "cap" or roof over the south of 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. 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.

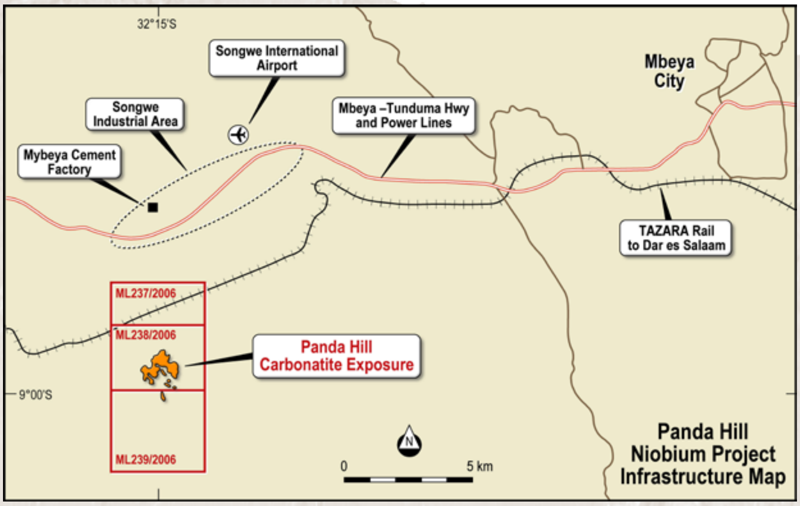

Figure 2

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 Nb_2O_5 grades typically ranging from 0.1% to 1%. Higher-grade material is noted within flow-banding (schlieren) within the carbonatite. The fenetised-cap and weathered material is noted to contain elevated grades of up to 2% Nb_2O_5.

TECHNICAL ACTIVITY

General Project Update

The 2016 financial year was a major milestone for the Company with the completion of the Cradle Definitive Feasibility Study (Cradle DFS) and the start of the detailed engineering and optimisation work as part of the front-end Engineering and Design (FEED) program. The Cradle DFS used the April 2015 Mineral Resource Estimate while considering only Measured and Indicated Resource for the first ten years of production. As part of the Cradle DFS work an Environmental and Social Impact Assessment (ESIA) was completed and the Environmental Certificate (EIC) issued for the project. The mining licences for the project were also extended for another ten years to November 2026 as part of the program.

Subsequent to the release of the Cradle DFS an Ore Reserve Statement for the project was announced in June 2016 covering the first ten years of production from Panda Hill.

A FEED program was commenced in May 2016 with the major activities focused on reducing the execution schedule through progressing activities on the critical path, reducing upfront capital expenditure through redesign work and further de-risking of the project with additional expert input.

Project financing and off-take agreements were also progressed, with due diligence activities by the bank's Independent Engineers currently ongoing.

Cradle's Definitive Feasibility Study

The results of Cradle's DFS on the Panda Hill project were announced on 20 April 2016. The Cradle DFS assumes that the Project commences at a throughput of 1.3 million tonnes per annum and is ramped up to 2.6 million tonnes per annum after four year's production, with this ramp up funded by Project cash flows. The total mine life is 30 years with total throughput being 72.4 Mt of ore at a strip ratio of 1.5 to 1.

The estimated initial construction capital cost including pre-production requirements is US$196M (excluding working capital). Average life of mine operating costs for the process are estimated at US$21.34/kg Nb including royalties and marketing. Positive financial metrics are generated for the Project with a projected NVP8 (after tax) of US$542 million, a pre-tax IRR of 32%, and a nominal pay-back period of only 4.75 years (from fully funded and inclusive of the expansion capital).

The first 10 years of production (20.6 Mt) is based solely upon Measured and Indicated Resources, with payback of all upfront and expansion capital well within this period. The 30 year life of mine is based upon 35.3 Mt of Measured and Indicated Resources (49%) and 37.1 Mt of Inferred Resources (51%).

The key technical inputs to the Cradle DFS were delivered by South African based project engineers MDM Technical Africa Pty Ltd (MDM) who undertook plant design and operating cost and capital expenditure estimation and incorporated technical aspects from:

- Coffey Mining Pty Ltd for the Mineral Resource estimate;
- SRK Consulting (Australasia) Pty Ltd for the geotechnical analysis and mine planning, including open pit optimisation, pit design, and production scheduling and associated cost estimates;
- SGS Canada Inc. for metallurgical test work;
- SLR Consulting (Africa) Pty Ltd for tailings and water studies and associated cost estimates;
- MTL Consulting Company Ltd for environmental and social studies; and.
- Roskill Consulting Group Limited for Ferroniobium Pricing.

Review of Operations (continued)

Permitting and Licensing

The ESIA documentation was submitted to the Tanzanian National Environment Management Council (NEMC) in May 2015 after having completed the baseline environmental studies within the project area, including extensive community engagement, over a period of 18 months. An NEMC visit to the project site took place in July 2015, following the initial ESIA submission to the department. The EIC for the Project was issued on 18 August 2015. There were no restrictions or special instructions imposed on the ESIA certification.

The three licences (ML 237/2006, 238/2006 and 239/2006) were also been renewed for a further 10 year term as per the Tanzanian Mining Act and regulations. These Mining Licences cover all of the known niobium mineralisation in the area, as well sufficient ground for the establishment of the mine infrastructure required for the estimated 30 year life of mine (see announcement 14 July 2015).

Financing and Off-take

The marketing and product off-take agreements are being coordinated by the Denham-backed Pangea team based in South Africa. Negotiations with regard to off-take agreements are continuing with multiple parties covering four geographical regions. Revised proposals have been received from the parties with volume commitments and final pricing mechanisms being closed out. It is anticipated that the off-take agreements will be finalised by the end of the Q4 2016 following review by the PHT Board and financier.

Debt financing for the Project is also being coordinated by the Pangea team. The PHT Board has approved the appointment of the project finance arranger in respect of the senior loans (approximately US$100m).

The preparation of a detailed indicative term sheet by the appointed financier is currently in progress, after which the agreement of a final term sheet will take place.

An Independent Engineer has been appointed by the project finance arranger to execute the lenders' due diligence. Site visits by the Environmental, Social, Mining and Resource consultants were undertaken at the end of June and the data room was set up to be used by the team to review all the feasibility documentation. Legal and other advisers are to be appointed at the appropriate stage.

Prison Relocation

Meetings have been held with the Ministry of Energy and Mineral (MEM) and a Prison legal delegation in order to discuss and address all issues pertaining to the prison agreement. Panda Hill Tanzania (PHT) has updated the agreement post the meeting and circulated this to the Tanzanian Prison Service (TPS) for final review and approval. It will then be submitted to the Department of Home Affairs and the Attorney General for approval before it is signed off by all parties. This final sign-off is expected to take place within the next few months.

Front-end Engineering Design (FEED) Work

The Cradle DFS demonstrated a highly economic Project but also identified opportunities for improvement to both cost and schedule. In order to develop those opportunities a further FEED program was initiated which would run concurrently with the product off-take and project financing activities.

The key areas of the FEED which are currently taking place are:

- Value engineering to look at cost reduction opportunities
- Front-end engineering and design on critical items to reduce the construction period
- Construction permitting processes
- Procurement process for long-lead items
- Early site establishment for the main site based contractor

A comprehensive FEED program was developed based on these areas, and a FEED budget approved by the Cradle and PHT Boards.

Table 1 - Panda Hill Ore Reserve Estimate - May 2016				
Ore Reserve	**Mineralisation Type**	**Tonnage (Mt)**	**Nb_2O_5 (%)**	**Contained Nb_2O_5 (t)**
Proved Ore Reserve	Oxide	0.84	0.77	6,424
	Transition	3.46	0.77	26,814
	Fresh	3.02	0.66	20,087
	Subtotal	**7.32**	**0.73**	**53,325**
Probable Ore Reserve	Oxide	0.83	0.68	5,668
	Transition	3.84	0.68	26,294
	Fresh	8.57	0.63	54,353
	Subtotal	**13.25**	**0.65**	**86,315**
Combined Ore Reserves	**All Mineralisation Types**	**20.6**	**0.68**	**139,640**

Note: Figures have been rounded. The Ore Reserves exclude a mining loss of 5% of the block tonnage material, above cut-off grade, for each of the Measured and Indicated Mineral Resource categories.

The FEED work kicked off in May 2016 and a FEED team was appointed consisting of the following partners, consultants and service providers:

- MDM Engineering (AMEC Foster Wheeler) – FEED Management and detailed engineering design on plant and associated infrastructure
- Sound Mining Services (SMS) – Mining and Mineral Resource Management services
- SLR Consulting – Tailings storage facility (TSF) and water management
- ProProcess Consultants (PPC) – Leaching circuit design
- Simulation Engineering Technologies – stockpile simulations
- Process Ideas/XRAM Technologies – Furnace review
- Minopex – Plant operation and maintenance
- MTL Consulting – Water permits, Environmental & Social Impact Assessments (ESIA), and licensing
- Aqua Terra – Water bore drilling

Panda Hill May 2016 Ore Reserves

The maiden Ore Reserve Estimate for the Project was announced on the 13 June 2016. The Ore Reserve statement declares 20.6 Mt at average grade 0.68% Nb2O5. Importantly, all mill feed within the first 10 years of the planned production schedule are now classified as Ore Reserves (see Table 1).

The Ore Reserve used the April 2015 Mineral Resource Estimate incorporating in total 46 diamond and 98 RC holes drilled by Cradle from 2013 to December 2014 with 11,400 samples taken for 20,100m drilled, plus 33 historic diamond holes for 2,389m.

The Ore Reserves were reported in accordance with JORC Code (2012) and incorporated the results of the Cradle DFS, inclusive of the extensive investigations and work carried out since 2012 by Cradle and more recently by PHT.

The Ore Reserves assume that the Project commences at a throughput of 1.3 million tonnes per annum and is ramped up to 2.6 million tonnes per annum after four years of production and are based on the mine designs generated from the first 3 pushbacks defined in the Cradle DFS.

These mine designs were based on extensive pit optimisation and included geotechnical inputs, ground and surface water recommendations, metallurgical testwork, environmental studies and detailed mine scheduling. Mining costs were based on a Schedule of Rates received from selected international and local mining contractors that are currently working, or have worked, in Tanzania. Plant and General and Administration costs were based on tenders received from multiple suppliers as part of the feasibility enquiry process. Ore Reserves only utilise Measured and Indicated Mineral Resources and are reported above an average cut-off grade of 0.46% Nb_2O_5 (the actual cut-off grade varies by year for the first 10 years).

Governance Arrangements for Mineral Resources

Cradle ensures that the Mineral Resource, Ore Reserve and Technical Study estimates are subject to industry standard levels of governance and internal controls.

The Mineral Resource and Ore Reserve Estimates, and Technical Studies are undertaken by competent and qualified independent external professionals and reviewed by Cradle's technical staff.

Review of Operations (continued)

These reviews have not identified any material issues and are undertaken as part of a standard risk assessment.

Cradle reports its Mineral Resources, Ore Reserves and Technical Studies on at least an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("the JORC Code") 2012 Edition. Competent Persons named by the Company are Members or Fellows of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and/or appropriate recognised institutions and qualify as Competent Persons as defined in the JORC Code.

Bulk Sample Collection

In October 2015 approximately 35t of mineralised rock samples were collected from Panda Hill and sent to SGS in Lakefield, Canada for the use in a pilot plant in Canada. This program is a follow-up to the January 2015 bulk sample program. The bulk sample was sourced from the region of the proposed 5 year starter pit. Fresh and moderately-oxidised lithologies were targeted with an aim to obtain carbonatite mineralisation with a range of Si, Ca and Fe concentrations, representing the main weathering categories within the deposit.

Mining and Engineering Activity

The main focus for the period was ongoing feasibility activities. This included the metallurgical test work program, scheduling and mine design, engineering and plant design, infrastructure design including Tailings Storage facility (TSF), cost estimates and feasibility reporting requirements. In the June quarter the FEED activities kicked off. Specifically the following activities were undertaken during the financial year ended 30 June 2016:

Metallurgical Test Work

- The first integrated pilot plant campaign was undertaken at the SGS facility in Lakefield, Canada in August/September 2015. The pilot plant ran over a periods of 3 weeks during which 13 individual runs were completed. Overall the piloting was considered successful demonstrating that the niobium from Panda Hill can be successfully recovered. Opportunities for improved recovery were identified through improved fines management and water quality control. These points were tested in the second piloting campaign that was carried out in January.
- The 35t of new bulk sample arrived at SGS Lakefield in November 2015.
- The final definitive full scale pilot plant testwork was completed in January 2016. The bulk sample previously delivered was the feed for this campaign. The pilot plant ran successfully meeting the required performance criteria. The data collected from the pilot plant was used to finalise the design of the main plant and provide the input information for the operating cost analysis.
- The concentrate generated from the first and second flotation pilot plants was used as the feed for the continuous leaching test that was undertaken to confirm the impurity removal process. This work was completed in February 2016.
- A sample of the flotation concentrate was also delivered to ANSTO laboratory in Australia in order to undertake pyrometallurgical testwork on the conversion process so as to produce a FeNb sample for marketing purposes.

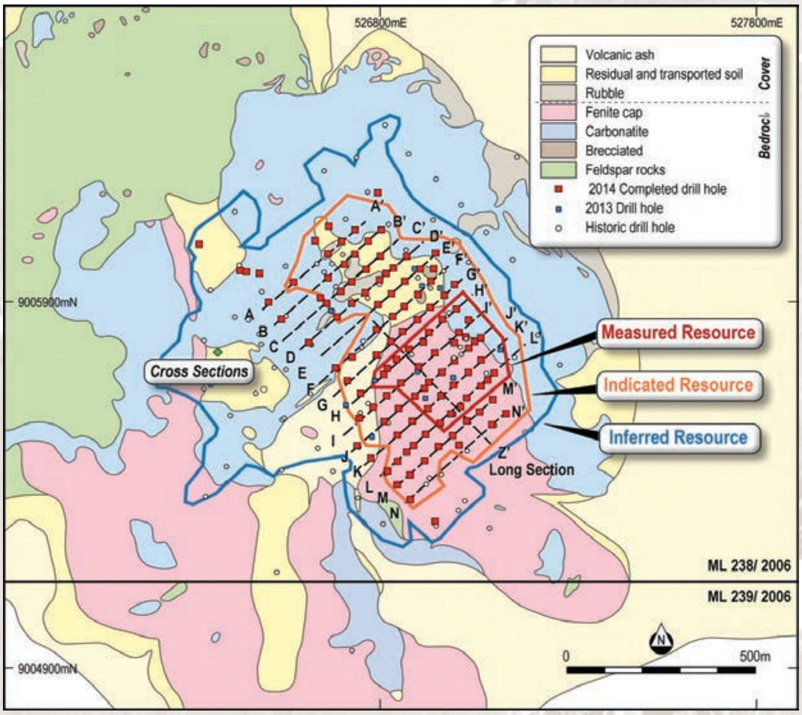

Figure 3: Geology plan showing the 2015 Mineral Resource regions. The regions in blue (carbonatite) and pink (Fenite Cap) are both highly prospective with field mapping showing carbonatite and magnetite-carbonatite outcrop contained with many of these areas.

Mining & Geotechnical

- The schedules of rates from the prospective mining contractors were received and reviewed. Based on this, three of the contractors were selected for a second round of evaluation using the final schedules and layouts.

Review of Operations (continued)

- Completion or finalisation of Whittle pit optimisations were completed with strategic schedules, geotechnical investigation for the pit design and haul roads, sizing and footprints for the waste rock dump and stockpiles, selection of pit shells for the various pushbacks and the mine design of the ultimate pit shell, waste rock dump and stockpile designs, and mining and geotechnical reporting work.
- The requirements for the haul road and Run of Mine (RoM) pad design were developed and the consultant completed the work on the design of the reinforced wall around the primary tip at the RoM pad.
- The second round of mining tenders using the three selected contractors from the previous round was undertaken.
- The foundation investigation (geotechnical) for the stockpile and the trafficability on the haul roads determined.
- The updated contract mining rates were reviewed and the mining costs calculated for the life of mine.
- The new mining rates were also used to determine the pre-production costs associated with the haul road and ROM pad construction.

Hydrology & Hydrogeology

- Completion or development of generation of site water balance (and associated salt balance), ground water modelling, geochem testwork on waste rock and tailings samples, material take-offs and bill of quantities, storm water control trench sizing and modelling, design of storm water control system, ground water report, surface water management report, and geochem report.

Engineering (Plant & Infrastructure)

- Enquiry documents issued for mechanical equipment and tender documents were received.
- Completion or finalisation of plant layouts for front-end, mass and water balance, power stability study, process flow diagrams, piping and instrumentation diagrams, plant layouts, final BoQs, smelter design, access and diversion road designs, adjudication of site based contracts and feasibility reporting.
- Approval of Estimating Strategy, Design Criteria and engineering standards approved.
- Road design consultant selected.
- Development of capital and operating cost estimates and project execution schedule.

Tailings Storage Facility (TSF)

- Completion or finalisation of tailings facility layouts and sizing, modelling of TSF by-phase, sizing of reclaim and storm water dams, characterisation of waste rock material for TSF wall construction, tailings geotechnical, decant system design with drawings, and TSF report.
- Material take-offs, bill of quantities were developed.
- TSF delivery pipeline detailed.
- Bill of Quantities (BoQs) revised with contractor rates.
- Start-up capital and sustaining capital estimates for the TSF, and operating costs estimates determined.

FEED Activities

The main activities of the FEED program for the period are described below:

Engineering (Plant & Infrastructure)

- The FEED proposal from MDM was received and accepted. MDM identified and mobilized a project manager and dedicated team of processing, engineering and civil staff to work on the project.
- Initial activities were focused on the bulk earthworks and civil designs and front end of the plant.
- A site visit was done to finalise ROM pad layout design, including primary crusher and surface stockpile layouts.
- Identification of adequate sources for aggregate, sand and cement.
- Long lead mechanical equipment tender documents were reviewed and will be finalized for issuing in the next period.

Tailings Storage Facility (TSF)

The FEED proposal from SLR was received and accepted. Specifically the following work was undertaken during the period:

- TSF optimisation.
- Geotechnical foundation site investigation.
- Continuation of conceptual modelling of alternative TSF layouts.
- High level costing of the conceptual TSF layouts.
- Discussions with geotechnical laboratories with respect to samples being delivered to the laboratory.
- Inclusion of the TSF supernatant water pool variation over LOM utilising HydroCad in the design of the TSF wall.
- Start of the collapse potential modelling based on the PFS, FS and FEED geotechnical investigational work.
- Start of the modelling of the perched water table and foundation conditions.
- Further discussions with regards to water abstraction from Songwe River and a ground water well field.
- Liaison with MDM with regards to the mine water balance.
- Modelling of a conceptual plant PCD within the allocated MDM area.

Review of Operations (continued)

Mining

- SMS were engaged to act as the owner's team for the project execution. During the period the geological model was reviewed. Planning was undertaken for the optimisation of the pit, as well as the haul road. These results will be used in a tactical mine plan for implementation as well as for the final mining contractor tender.

Mine Site Activities

- A site visit was conducted by a surveying company to set out all pillar beacon positions for construction purposes.
- A site visit was arranged for MDM project personnel, to familiarize themselves with the site and to finalise the ROM pad, primary crusher layout and surface stockpile position, identify suitable borrow pit material for terracing construction.
- Additional FEED test pits were identified within the TSF and east of the mining lease area to obtain a better understanding of the material across these two areas. A total of twenty test pits were excavated in both areas. In addition, twenty two test pits were excavated in the new prison area for civil design and construction purposes.
- The independent engineer visited site as part of the lenders due diligence process and met with the required governmental departments, including Songwe ward and council members.
- Site preparation for the water bores was completed. The drilling contractor will mobilize equipment to site after all approval processes have been completed.

The activities for the next period will focus on:

- Completing all plant layouts and associated earthwork and civil design.
- Updating capital cost estimates for the revised TSF and haul road designs.
- Distribution of the mining tender documentation.
- Distribution of the long lead mechanical and electrical items tender documents.
- Completing the site base contract documentation (specifically earthworks and civils).
- Updating project capital and operating cost estimates.
- Finalisation of prison agreement.
- Completing bankers due diligence process.
- Finalising product off-take agreement terms.

Social and Environmental Activities

The EIC for the Project was issued on 18 August 2015. There were no restrictions or special instructions imposed on the ESIA certification. The final ESIA document, compliant to IFC standards, has been delivered, and is being reviewed.

Meetings were held with local government representatives including the Environmental Department, Mbeya Regional Representatives and the Songwe Ward Representatives. The meetings were used to provide updates to the various groups on the progress of the project, and inform them of current activities that are being undertaken, as well as activities expected in the in next few months and potential opportunities for local suppliers in the future.

Water flow sampling was conducted. All dust sampling has been stopped as the base line has now been determined and this will not be affected until construction commences.

The existing Songwe road through the village business centre would be required by the mine as an interim measure, until the new access road is complete. Agreement was reached with attendees for PHT to utilise the road through the Songwe village.

Village council and ward representative meetings will be held on a regular basis, leading up to the approval and commencement of the project.

As part of PHT's commitment to local spending and supporting the community 402 desks were purchased from local suppliers and donated to 6 local schools in accordance with the President's directive to supply all school children with desks.

SUBSEQUENT TECHNICAL EVENTS

- Due Diligence activities by the Independent Engineer appointed by the banks has been completed with no significant issues identified.
- Pyrometallurgical testwork at ANSTO Laboratories on the conversion of the clean concentrate to a saleable ferroniobium completed with the product meeting the required major specifications.

LIKELY DEVELOPMENTS

Other than as referred to in this report, further information as to likely developments in the operations of the Company and likely results of those operations would, in the opinion of Directors, be speculative.

EVENTS SUBSEQUENT TO BALANCE DATE

As at the date of this Report, there are no events subsequent to the balance date.

Review of Operations (continued)

CORPORATE ACTIVITY

On 1 August 2015 56,250,000 Ordinary Fully Paid Shares and 18,750,000 Class B performance shares were released from ASX imposed escrow.

In October 2015, Tremont Investments Limited exercised its right to acquire a further 12.5% of the Panda Hill Niobium Project ("the Project") for a final, fourth tranche of US$5 million (A$7.15 million) investment (taking Tremont's interest in the Project to 50% in total as at October 2015).

In November 2015 Panda Hill Tanzania Ltd ("PHT"), the joint venture entity owned 50% by the Company and 50% by Tremont exercised its option to acquire 100% of the Project mining licences, following which PHT entered into an amended purchase agreement with the vendor, RECB Limited ("RECB"). Completion under the amended purchase agreement took place on 9 November 2015 following approval by the Tanzanian Government of the transfer of the mining licences. Under the amended purchase agreement, PHT has paid or has agreed to pay RECB the following purchase consideration:

- US$1.5 million, paid at completion;
- 6,200,000 Ordinary Fully Paid Shares in the Company (valued at US$1.09 million), issued at completion, with half tradeable and half escrowed until the commencement of commercial production;
- US$3,000,000, payable five days after project financing drawdown or 30 September 2016, whichever is earlier; and
- US$5,000,000, payable out of production as a capped 5% net smelter return, with a time limit of four years from the commencement of commercial production.

Also in November 2015 the Company's Managing Director, Mr Grant Davey, resigned to pursue other business interests.

The Annual General Meeting of the Company was held on 27 November 2015, seeking shareholder approval of the following resolutions:

- Adoption of Remuneration Report;
- Re-election of Director – Mr Didier Murcia; and
- Approval of 10% Placement Facility.

All of the resolutions were passed by the Company's shareholders.

During 2016, the Company made various Board changes, with Mr James Kelly being appointed as Non-Executive Director (on 2 February 2016) and as Executive Director (on 10 April 2016), Mr Ian Middlemas being appointed as Non-Executive Director (on 8 May 2016) and as Chairman (on 1 August 2016), Mr Robert Behets being appointed as Non-Executive Director (on 8 May 2016), Mr Craig Burton being appointed as Non-Executive Director (on 1 August 2016), and Mr Evan Cranston and Mr Didier Murcia resigning as Non-Executive Directors (on 8 May 2016).

In April 2016 on completion of the Cradle Definitive Feasibility Study which demonstrated an NPV10 of more than US$400 million, 18,750,000 Class B Performance Shares and 1,050,000 Performance Rights vested and converted to ordinary shares.

On 6 May 2016, 750,000 unlisted options exercisable at 25 cents each and expiring on 31 October 2018 were issued to Mr Robert Behets.

In June 2016 the Company completed a capital raising of $2,760,000 through the issue of 8,000,000 Ordinary Shares at 27 cents each and 2,000,000 Ordinary Shares at 30 cents each, to sophisticated investors. As part of the placement terms, one of the sophisticated investors was issued with 2,000,000 Unlisted Options exercisable at 30 cents each and expiring on 30 June 2018.

Competent Person's Statement

The information in this document that relates to Exploration Results and Mineral 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 2012 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 document relating to the Panda Hill Mineral Resource Estimate is extracted from the announcement entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' dated 30 April 2015 and is available to view on www.cradleresources.com.au.

The information referring to the Exploration Target is extracted from the report 'Panda Hill Progress Update and Exploration Target' created on 23rd April 2015 and is available to view on www.cradleresources.com.au.

The details concerning the Ore Reserve Estimate are presented in the announcement entitled 'Ore Reserves for Panda Hill Declared' which is available to view on www.cradleresources.com.au.

Other than as specified in this announcement and the mentioned announcements, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Exploration Target or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Directors' Report

Director	Title	Appointment Date
Ian Middlemas	Chairman	1 August 2016 (Chairman) 8 May 2016 (Non-Executive Director)
James Kelly	Executive Director	10 April 2016 (Executive Director) 2 February 2016 (Non-Executive Director)
Craig Burton	Non-Executive Director	1 August 2016 (Non-Executive Director) 16 September 2013 (Executive Chairman)
Robert Behets	Non-Executive Director	8 May 2016
Grant Davey	Managing Director	Resigned on 10 November 2015
Evan Cranston	Non-Executive Director	Resigned on 8 May 2016
Didier Murcia	Non-Executive Director	Resigned on 8 May 2016

DIRECTORS

All Directors have been in office for the entire period unless otherwise stated. The names of the Directors in office at any time during or since the end of the report period are shown in the table above.

COMPANY SECRETARY

Sophie Raven held the position of Company Secretary for the full financial year.

PRINCIPAL ACTIVITIES

The nature of the operations and principal activities of the Company are mineral exploration and project development.

FINANCIAL RESULTS

The net loss of the Company after income tax for the financial period amounted to $11,196,614 (2015: $3,964,019).

The Company has not reached a stage in its development where it is generating an operating profit. All of the Company's efforts go into project exploration and development.

At the end of the financial period the Company had cash on hand of $5,571,352 (2015: $2,351,093). More information of the operating result, financial position and cash flow movements are included in the financial statements.

DIVIDENDS

No dividend has been declared or paid by the Company since the start of the financial period and the Directors do not at present recommend a dividend.

DIRECTOR AND COMPANY SECRETARY BIOGRAPHIES

Mr Ian Middlemas (Chairman)

Ian Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international chartered accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 8 May 2016. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Apollo Minerals Limited (July 2016 – present), WCP Resources (September 2009 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Syntonic Limited (April 2010 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Papillon Resources Limited (May 2011 – October 2014), Sierra Mining Limited (January 2006 – June 2014) and Decimal Software Limited (July 2013 – April 2014).

Mr James Kelly (Executive Director)

James Kelly is a metals and mining executive with extensive financial experience encompassing corporate finance, general finance, banking and principal investing. At Xstrata PLC, a FTSE 100 diversified mining company, James was a senior member of the business development team whose remit included strategy, M&A and capital allocation. As part of the small corporate team, James had additional extensive involvement in investor relations as well as financial management of the underlying business units, including a secondment to Xstrata Coal. During his time at Xstrata, James worked on numerous transactions prior to the merger with Glencore. Most recently, James has been a founding member of two natural resources private equity funds: Greenstone Resources LP which is focused on post exploration, mining development projects; and Buckthorn Partners LLP which is focused on companies providing products and services to the oil and gas, mining and water sectors. James is a fellow of the Institute of Chartered Accountants of England and Wales.

During the three year period to the end of the financial year, James has not held any other directorships.

Mr Craig Burton
(Non-Executive Director)

Craig Burton is an experienced and active investor in emerging businesses, both publicly listed and private. Over the last 25 years, he has co-founded numerous new projects, with a focus on the resources, oil and gas, and mining services sectors.

Mr Burton is also a Director of Capital Drilling Limited, Hutton Energy Limited and Panda Hill Tanzania Ltd. In the past three years Mr Burton has been Chairman of Transerv Energy Limited.

Mr Robert Behets
(Non-Executive Director)

Robert Behets is a geologist with over 28 years' experience in the mineral exploration and mining industry in Australia and internationally. He was instrumental in the founding, development and subsequent sale of Mantra Resources Limited, a Tanzanian-focused uranium company. Prior to Mantra, Mr Behets held various senior management positions during a long career with WMC Resources Limited. Mr Behets has a strong combination of technical, commercial and managerial skills and extensive experience in exploration, development and operations across a range of commodities including uranium, gold and base metals. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Behets is currently a Non-Executive Director of Berkeley Energia Limited, Equatorial Resources Limited and WCP Resources Limited. During the three year period to the end of the financial year, Mr Behets has also held a directorship in Papillon Resources Limited.

Mr Grant Davey
(Managing Director)
(Resigned 10 November 2015)

Mr Davey is a mining engineer with over 20 years of senior management and operational experience in the construction and operation of gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, he has been involved in venture capital investments in several exploration and mining projects and he has been instrumental in developing the Panda Hill niobium opportunity.

During the financial year, Mr Davey was also a Director of Panda Hill Mining Pty Ltd and Panda Hill Tanzania Ltd, and is a member of the Australian Institute of Company Directors (AICD).

Mr Evan Cranston
(Non-Executive Director)
(Resigned 8 May 2016)

Evan Cranston is a corporate lawyer with over 7 years' experience specialising in corporate and mining law. Evan holds a Bachelor of Commerce and Bachelor of Laws from the University of Western Australia.

Mr Cranston has broad experience in the areas of capital raisings, initial public offerings, tenement acquisition agreements, mineral rights agreements, joint ventures, mergers and acquisitions, corporate governance, the ASX listing rules and the Corporations Act. Mr Cranston is currently a Non-Executive Director of Boss Resources Limited, Clancy Exploration Ltd and Carbine Resources Limited, and an Executive Director of Attila Resources Limited.

In the past three years Mr Cranston has been a Director of Ampella Mining Limited.

Mr Didier Murcia AM
(Non-Executive Director)
(Resigned 8 May 2016)

Didier Murcia holds a Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia, and has over twenty five years' experience in corporate, commercial and resource law, including extensive experience in African resource projects. Mr Murcia is a Non-Executive Director of Gryphon Minerals Limited, and Chairman of Centaurus Metals Limited and Alicanto Minerals Limited, all listed on the Australian Securities Exchange.

He is also Chairman of Perth law firm Murcia Pestell Hillard and the Honorary Consul for the United Republic of Tanzania. Didier was made a Member of the Order of Australia in January 2014 in recognition of his significant service to the international community through support for the provision of medical and educational resources in Tanzania.

Ms Sophie Raven
(Company Secretary)

Ms Raven has practised corporate law for over 25 years in Australia, Chile and the Cayman Islands.

SHARE OPTIONS

As at the date of this report, the Company has issued 3,250,000 Unlisted Options exercisable at $0.25 and expiring on 31 October 2018, 1,000,000 Unlisted Options exercisable at $0.25 and expiring on 30 April 2018 and 2,000,000 Unlisted Options exercisable at $0.30 and expiring on 30 June 2018.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Directors' Report (continued)

DIRECTORS' MEETINGS

The number of board meetings held during the year and for the period to the date of this Annual Report that each Director was entitled to attend and the number of meetings attended by each Director was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Ian Middlemas	2	2
James Kelly	5	5
Robert Behets	2	2
Craig Burton	8	8
Grant Davey	2	2
Evan Cranston	6	4
Didier Murcia	6	5

INSURANCE AND INDEMNITY OF OFFICERS

Under the Company's constitution and to the extent permitted by law, the Company must indemnify each relevant Officer against:

(i) a liability of that person; and
(ii) legal costs of that person.

Under the Company's constitution and to the extent permitted by law, the Company may make a payment (whether by way of advance, loan or otherwise) to a relevant officer in respect of legal costs of that person.

Under the Company's constitution and to the extent permitted by law, the Company may pay, or agree to pay, a premium for a contract insuring a relevant officer against:

(i) a liability of that person; and
(ii) legal costs of that person.

Under the Company's constitution and to the extent permitted by law, the Company may enter into an agreement or deed with:

(i) a relevant Officer; or
(ii) a person who is, or has been an Officer of the Company or a subsidiary of the Company, under which the Company must do all or any of the following:
(iii) keep books of the Company and allow either or both that person and that person's advisers access to those books on the terms agreed;
(iv) indemnify that person against any liability of that person
(v) make a payment (whether by way of advance, loan or otherwise) to that person in respect of legal costs of that person; and keep that person insured in respect of any act or omission by that person while a relevant Officer or an Officer of the Company or a subsidiary of the Company, on the terms agreed (including as to payment of all or part of the premium for the contract of insurance).

The amount of Directors and Officers Insurance and Indemnity premiums paid during the period was $11,000.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2016 outlines the remuneration arrangements of the Company and in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Introduction
2. Remuneration policy
3. Remuneration for 2016
4. Option and share holdings of Key Management Personnel
5. Summary of executive contractual arrangements
6. Compensation options
7. Share based compensation
8. Related party transactions

1. INTRODUCTION

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

Name	Title	Appointment Date
Ian Middlemas	Chairman	8 May 2016 (Non-Executive Director) 1 August 2016 (Chairman)
James Kelly	Executive Director	2 February 2016 (Non-Executive Director) 10 April 2016 (Executive Director)
Craig Burton	Non-Executive Director	16 September 2013 (Non-Executive Chairman) 1 August 2016 (Non-Executive Director)
Robert Behets	Non-Executive Director	8 May 2016
Grant Davey[1]	Managing Director	15 April 2013 (Non-Executive Director) 24 July 2013 (Managing Director)
Evan Cranston[2]	Non-Executive Director	28 June 2011
Didier Murcia[3]	Non-Executive Director	14 August 2013
Sophie Raven	Company Secretary	7 June 2013

[1] Resigned 10 November 2015
[2] Resigned 8 May 2016
[3] Resigned 8 May 2016

2. REMUNERATION POLICY

The remuneration policy is to provide a fixed remuneration component and, at the Board's discretion, an equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Executives' objectives with Shareholder and business objectives.

The remuneration policy in regards to settling terms and conditions for the Executive Director has been developed by the Board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

The Board reviews the remuneration packages of all Key Management Personnel on an annual basis. The maximum remuneration of Non-Executive Directors is to be determined by Shareholders in General Meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-Executive Directors is $500,000 per annum. The apportionment of Non-Executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. Remuneration is not linked to specific performance criteria.

Directors' Report (continued)

The Board's policy is to remunerate Non-Executive Directors in accordance with current market conditions and at the market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the Non-Executive Directors and reviews their remuneration on an individual basis, based on market practices, duties and accountability. No external remuneration consultants were used during the financial year. Remuneration is not linked to the performance of the Company.

A Director's options are not cancelled upon resignation.

The Non-Executive Directors are not specifically entitled to any termination benefits as part of their service contracts. However, termination benefits are not precluded and according to the contract will be subject to disclosure obligations under the Corporations Act and the ASX Listing Rules.

3. REMUNERATION FOR 2016

Remuneration of Key Management Personnel of the Company for the year ended 30 June 2016:

	Short-term benefit				Post-employment benefits		
2016	**Cash, salary and fees**	**Non-monetary benefits**	**Share based payments**	**Annual Leave**	**Termination benefits**	**Superannuation**	**Total**
Executive Directors							
Craig Burton	160,000	-	-	-	-	-	160,000
James Kelly[1]	56,192	-	12,961	-	-	-	69,153
Grant Davey[2]	77,740	-	-	-	-	-	77,740
Non-Executive Directors							
Ian Middlemas[3]	5,175	-	-	-	-	-	5,175
Robert Behets[4]	5,175	-	9,388	-	-	-	14,563
Craig Burton	26,667	-	-	-	-	-	26,667
Evan Cranston[5]	37,917	-	-	-	-	-	37,917
Didier Murcia[6]	29,167	-	-	-	-	-	29,167
Other Senior Executives							
Sophie Raven	138,000	-	-	-	-	-	138,000
Total KMP	**536,033**	**-**	**22,349**	**-**	**-**	**-**	**558,382**

[1] Appointed 4 February 2016
[2] Resigned 10 November 2015
[3] Appointed 8 May 2016
[4] Appointed 8 May 2016
[5] Resigned 8 May 2016
[6] Resigned 8 May 2016

Remuneration of Key Management Personnel of the Company for the year ended 30 June 2015:

	Short-term benefit				Post-employment benefits		
2015	**Cash, salary and fees**	**Non-monetary benefits**	**Share based payments**	**Annual Leave**	**Termination benefits**	**Superannuation**	**Total**
Executive Directors							
Grant Davey	300,000	-	-	-	-	-	300,000
Non-Executive Directors							
Craig Burton	80,000	-	-	-	-	-	80,000
Evan Cranston	33,333	-	75,700	-	-	-	109,033
Didier Murcia	31,665	-	75,700	-	-	-	107,365
Other Senior Executives							
Sophie Raven	129,000	-	-	-	-	-	129,000
Total KMP	**573,998**	**-**	**151,400**	**-**	**-**	**-**	**725,398**

No remuneration is linked to Director's performance; however, Unlisted Share Options were issued during the financial year to one of the Company's Non-Executive Directors (prior to his appointment as a Director) as an incentive.

4. OPTION AND SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

Listed Options

All listed options (CXXO) expired on 24 January 2015.

Unlisted Options

As at year end, the relevant beneficial interest of each Director in Unlisted Options over Ordinary Share Capital of the Company shown in the register of Directors' unlisted option holdings are as follows:

Directors	Opening Balance as at 1 July 2015	Granted during the period	Resulting from any other change during the period	Consolidated or Exercised or Sold during the period	Vested as at 30 June 2016	Closing Balance as at 30 June 2016 (Vested and exercisable)	Vested and Unexercisable as at 30 June 2016
Ian Middlemas	-	-	-	-	-	-	-
James Kelly	-	1,000,000	-	-	1,000,000	-	-
Robert Behets	-	750,000	-	-	750,000	-	-
Grant Davey	-	-	-	-	-	-	-
Evan Cranston[1]	1,750,000	-	(750,000)[2]	-	-	1,000,000	-
Didier Murcia	1,000,000	-	-	(1,000,000)	-	-	-
Total	**2,750,000**	**1,750,000**	**(750,000)**	**(1,000,000)**	**1,750,000**	**1,000,000**	**-**

[1] Held by Konkera Pty Ltd <Konkera Super Fund A/C>
[2] Expired on 31 May 2016

Ordinary Shares

As at the year end, the relevant beneficial interest of each Director in the Ordinary Share Capital of the Company shown in the register of Directors' shareholdings is as follows:

Directors	Opening Balance as at 1 July 2015	Purchased/Issued during the period	Consolidated or Sold during the period	Closing Balance as at 30 June 2016
Ian Middlemas[1]	12,300,000	3,600,000	-	15,900,000
James Kelly	-	-	-	-
Robert Behets	-	-	-	-
Grant Davey[2]	12,960,000	-	(12,960,000)	-
Evan Cranston[3]	345,000	-	(345,000)	-
Didier Murcia[4]	187,500	-	(187,500)	-
Craig Burton[5]	23,600,000	7,200,000	-	30,800,000
Total	**49,392,500**	**10,800,000**	**(13,492,500)**	**46,700,000**

[1] Held by Arredo Pty Ltd
[2] Davey Management (Aus) Pty Ltd, Davey Holdings (Aus) Pty Ltd and Verona Capital Pty Ltd (beneficial holding)
[3] Held by Konkera Pty Ltd
[4] Held by Didier Murcia, Tohei Pty Ltd and Digrevni Investments Pty Ltd
[5] Held by Aviemore Capital Pty Ltd, Alba Capital Pty Ltd and Verona Capital Pty Ltd (beneficial holding)

5. SUMMARY OF EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration arrangements for KMP are formalised in service agreements. Details of these contracts are provided below.

Executive Director

James Kelly was appointed as Executive Director on 1 April 2016 for a fixed term to 31 December 2016 under a Director agreement, following which such agreement can be terminated by either side with one month's notice.

During the financial year, Mr Kelly received a fixed remuneration of £7,200 for twelve business day's work per month plus a daily fee of £600 for any additional days worked. In addition, Mr Kelly is entitled to receive an incentive fee of £25,000 if, on or before 31 December 2016 (or as otherwise extended by the parties), a change of control event occurs or the Company reaches a binding agreement on a change of control event. The Company has further agreed to issue Mr Kelly with 1,000,000 Unlisted Options exercisable at 25 cents each on or before 31 October 2018, subject to approval by Shareholders. In addition, Mr Kelly receives an annual Director fee of £24,000.

Directors' Report (continued)

Non-Executive Directors

On appointment to the Board, all Non-Executive Directors (including the Chairman) enter into a letter agreement with the Company for an indefinite term which summarises the Board policies and terms which mirror those set out within the *Corporations Act 2001*, including compensation, relevant to the office of Director. The letter of appointment does not specify a period of notice required in order to terminate the contract or any remuneration payments required.

The remuneration of Non-Executive Directors consists of salary and fees. The table below summarises the Non-Executive Directors' fees for the financial year ended 30 June 2016:

Director	Annual Fee	Date of Letter of Appointment	Date Salary Effective
Ian Middlemas	$36,000	8 August 2016	8 May 2016 – date of this report
Robert Behets	$35,000	8 August 2016	8 May 2016 – date of this report
Craig Burton	$50,000	8 August 2016	1 August 2016 – date of this report

As at the date of this Annual Report, and other than as disclosed herein, the Company does not offer any variable remuneration incentive plans or bonus schemes to the Executive Director or the Non-Executive Chairman or any retirement benefits, as such there is no performance related links to the existing remuneration policies. The fixed remuneration plan is adequate for the Company whose focus at this stage is on the development of the business.

Cradle Resources is listed on the Australian Securities Exchange. The following table shows the Earnings/(Loss) per Share (EPS) and share prices, to reflect the closing share price on the last business day of each financial year, from the date of incorporation.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Closing Share Price	NA	$0.10	$0.15	$0.20	$0.235	**$0.31**
EPS (cents per share)	(0.80)	(2.14)	(2.09)	(3.71)	(3.06)	**(6.72)**

6. COMPENSATION OPTIONS

One of the Company's Non-Executive Directors, Mr Robert Behets, received compensation options (unlisted) as follows:

Name of Grantee	Grant Date	Number of Unlisted Options	Exercise Terms	Vesting Terms	Fair Value
Robert Behets	6 May 2016	750,000	Exercisable at $0.25 on or before 31 October 2018	250,000 vest on 6 May 2017 and 500,000 vest on 6 May 2018	$0.12

In addition, the Company has agreed (subject to shareholder approval) to issue one of the Company's Non-Executive Directors, Mr James Kelly, compensation options (unlisted) as follows:

Name of Grantee	Grant Date	Number of Unlisted Options	Exercise Terms	Vesting Terms	Fair Value
James Kelly	Subject to Shareholder approval	1,000,000	Exercisable at $0.25 on or before 31 October 2018	Vested from grant date	$0.088

In the event that Shareholder approval has not been granted by 30 September 2016, Mr Kelly may at any point on or before 31 October 2018 elect that the Company pay him the net cash value of the Unlisted Options in accordance with the calculation specified in his consultant agreement dated 10 August 2016.

This element of remuneration payable to the Company's Non-Executive Directors is not dependent on the satisfaction of any performance condition, as the Board of Directors determined that it was reasonable to provide the Non-Executive Directors with additional incentivisation on the basis of such factors as the level of director fees currently paid by the Company to Non-Executive Directors.

7. SHARE BASED COMPENSATION

There was no Share Based Payment compensation, other than the compensation options described above, given to the Key Management Personnel during the financial year ended 30 June 2016.

8. RELATED PARTY TRANSACTIONS

Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

			Transactions		Balances (owing to) / owed by	
Entity	**Relationship**	**Nature of transactions**	**Full year 30-Jun-16 $**	**Full year 30-Jun-15 $**	**Full year 30-Jun-16 $**	**Full year 30-Jun-15 $**
Elgra Consultancy Pty Ltd	(i)	Reimbursement to Elgra for corporate administration costs.	25	239	-	518
Saval Consulting Pty Ltd	(ii)	Reimbursement to Saval for corporate administration costs.	3,511	12,212	-	-
Skye Equity Pty Ltd	(iii)	Services rendered by Konkera for corporate administration costs.	-	46,200	-	-
Verona Capital Pty Ltd	(iv)	Reimbursement (from)/to Verona for corporate administration costs.	(8,462)	38,946	-	8,462

(i) Elgra Consultancy Pty Ltd ('Elgra') is a company associated with Mr Grant Davey, who resigned as Director on 10 November 2015.
(ii) Saval Consulting Pty Ltd ('Saval') is a company associated with Mr Craig Burton.
(iii) Skye Equity Pty Ltd ('Skye') is a company associated with Mr Craig Burton.
(iv) Verona Capital Pty Ltd ('Verona') is a company associated with Mr Craig Burton and Mr Grant Davey (who resigned as Director on 10 November 2015).

Other related party transactions

There were no other related party transactions.

Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates. All outstanding balances are unsecured and repayable in cash; there were no fixed repayment terms with any of the related parties.

This is the end of the Remuneration Report

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day that the Annual Report is released. Cradle Resources Limited's Corporate Governance Statement, and the Company's Policies, Charters and Procedures, can all be found on the Company's website at:
http://www.cradleresources.com.au/company-profile/corporate-governance/

AUDITOR

Ernst & Young has been appointed auditor of the Company in accordance with section 327 of the *Corporations Act 2001.*

NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Directors' Report (continued)

During the financial year, the following fees were paid or payable for non-audit services provided by the auditor:

	2016 $	2015 $
Ernst & Young – Tax	33,588	27,402

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the period ended 30 June 2016 has been received and can be found on page 18 of the Annual Report.

Made and signed in accordance with a resolution of Directors.

Craig Burton
Non-Executive Director
Signed at Perth this 29th September 2016

Auditor's Independence Declaration

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the Directors of Cradle Resources Limited

As lead auditor for the audit of Cradle Resources Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cradle Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

G Lotter
Partner
29 September 2016

GL:EH:CRADLE:009

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	30 June 2016 $	30 June 2015 $
Revenue	4	9,570	11,076
Expenses			
Administration	5	(450,031)	(514,858)
Professional fees	5	(285,513)	(435,496)
Director fees		(329,281)	(169,999)
Exploration and evaluation expenditure		(308)	(6,389)
Employee benefits expense	5	(181,078)	(130,289)
Share based payment expense	15c)	(113,809)	(492,393)
Net foreign exchange gains		337,912	703,372
Exploration and evaluation expenditure written off		-	(224,100)
Impairment on joint venture interest	10a)	(3,922,657)	-
Loss on dilution of interest in PHT	10b)	(2,410,303)	(2,109,036)
Write down of intercompany loans on loss of control of subsidiary	10c)	(1,907,839)	-
Share of interest in joint venture losses	10	(25,648)	(169,344)
Loss on disposal of subsidiary		(441)	-
Loss on re-measurement of financial liability	14	(1,917,188)	(426,563)
Loss before income tax expense		**(11,196,614)**	(3,964,019)
Income tax benefit	6	-	-
Loss after income tax expense		**(11,196,614)**	(3,964,019)
Loss after income tax benefit for the period attributable to:			
Member of the parent entity		(9,202,549)	(3,935,764)
Non-controlling interest		(1,994,065)	(28,255)
		(11,196,614)	(3,964,019)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		96,472	1,417,000
Other comprehensive income for the period, net of tax		**96,472**	1,417,000
Total comprehensive income for the period		**(11,100,142)**	(2,547,019)
Total comprehensive income for the period attributable to:			
Member of the parent entity		(9,106,077)	(2,518,764)
Non-controlling interest		(1,994,065)	(28,255)
		(11,100,142)	(2,547,019)
Loss per share			
Basic earnings / (loss) per share (cents)	25	(6.72)	(3.06)
Diluted earnings / (loss) per share (cents)	25	(6.72)	(3.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 $	30 June 2015 $
Assets			
Current Assets			
Cash and cash equivalents	7	5,571,352	2,351,093
Trade and other receivables	8a)	33,078	1,087,486
Total Current Assets		**5,604,430**	3,438,579
Non-Current Assets			
Exploration and evaluation	9	-	1,898,656
Interest in joint venture	10	18,183,827	24,227,531
Other receivables	8b)	26,133	53,868
Total Non-Current Assets		**18,209,960**	26,180,055
Total Assets		**23,814,390**	29,618,634
Liabilities			
Current Liabilities			
Trade and other payables	12a)	118,002	351,843
Accrued expenses	13	79,827	95,022
Contingent consideration payable	14	-	2,864,063
Provisions	12b)	47,301	111,994
Total Current Liabilities		**245,130**	3,422,922
Total Liabilities		**245,130**	3,422,922
Net Assets		**23,569,260**	26,195,712
Contributed Equity			
Issued share capital	15a)	27,988,391	19,005,683
Issued share options	15b)	287,491	287,491
Share based payment reserve		489,319	606,510
Consolidation reserve	11	10,921,281	8,682,016
Foreign currency translation reserve	15d)	1,513,472	1,417,000
Accumulated losses	16	(17,630,694)	(8,428,145)
Equity attributable to equity holders of the Parent		**23,569,260**	21,570,555
Non-controlling interest	11	-	4,625,157
Total Equity		**23,569,260**	26,195,712

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

2016	Issued share capital $	Issued share options $	Share based payment reserve $	Consolidation reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interest $	Total Equity $
Balance as at 30 June 2015	**19,005,683**	**287,491**	**606,510**	**8,682,016**	**1,417,000**	**(8,428,145)**	**4,625,157**	**26,195,712**
Other comprehensive income for the year, net of tax	-	-	-	-	96,472	-	-	96,472
Loss after income tax expense for the year	-	-	-	-	-	(9,202,549)	(1,994,065)	(11,196,614)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**96,472**	**(9,202,549)**	**(1,994,065)**	**(11,100,142)**
Issue of share capital, net of transactions costs	3,970,458	-	-	-	-	-	-	3,970,458
Share based payment	-	-	113,809	-	-	-	-	113,809
Vesting of Performance "B" shares	4,781,250		-	-	-	-	-	4,781,250
Transfer to issued capital	231,000	-	(231,000)	-	-	-	-	-
Recognition of non-controlling interest	-	-	-	2,239,265	-	-	1,851,672	4,090,937
Distribution of interest in mining licences to non-controlling interest	-	-	-	-	-	-	(4,482,764)	(4,482,764)
Balance as at 30 June 2016	**27,988,391**	**287,491**	**489,319**	**10,921,281**	**1,513,472**	**(17,630,694)**	**-**	**23,569,260**

2015	Issued share capital $	Issued share options $	Share based payment reserve $	Consolidation reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interest $	Total Equity $
Balance as at 30 June 2014	**19,005,683**	**287,391**	**114,117**	**2,619,709**	**-**	**(4,492,381)**	**2,152,848**	**19,687,367**
Other comprehensive income for the year, net of tax	-	-	-	-	1,417,000	-	-	1,417,000
Loss after income tax expense for the year	-	-	-	-	-	(3,935,764)	(28,255)	(3,964,019)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**1,417,000**	**(3,935,764)**	**(28,255)**	**(2,547,019)**
Issue of options, net of transaction costs	-	100	-	-	-	-	-	100
Share based payment	-	-	492,393	-	-	-	-	492,393
Recognition of non-controlling interest	-	-	-	6,062,307	-	-	2,500,564	8,562,871
Balance as at 30 June 2015	**19,005,683**	**287,491**	**606,510**	**8,682,016**	**1,417,000**	**(8,428,145)**	**4,625,157**	**26,195,712**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	30 June 2016 $	30 June 2015 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(986,454)	(1,565,812)
Interest received		9,570	11,077
Net cash used in operating activities	24	**(976,884)**	(1,554,735)
Cash flows from investing activities			
Acquisition of cash in subsidiary acquired		-	18,674
Loss of control of subsidiary	10c)	(1,183)	-
Research and development tax rebate	8a)	1,154,883	120,907
Cash calls to joint venture partner		2,170,499	9,941,243
Parent entity's share of investor funding		537,480	920,037
Payments for exploration and evaluation, net		(1,984,153)	(9,828,768)
Net cash from investing activities		**1,877,526**	1,172,093
Cash flows from financing activities			
Gross proceeds from issue of shares and options	15	2,759,990	200,100
Share issue costs	15	(84,707)	-
Funding for onsite exploration spend		9,896	-
Loans to related entities		(397,812)	-
Net cash from financing activities		**2,287,367**	200,100
Net increase/(decrease) in cash and cash equivalents		**3,188,009**	(182,542)
Cash and cash equivalents at the beginning of the financial year		**2,351,093**	2,054,453
Effects of exchange rate changes on the balances held in foreign currencies		32,250	479,182
Cash and cash equivalents at the end of the financial period	7	**5,571,352**	2,351,093

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

The financial statements of Cradle Resources Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors dated 23rd September 2016. Cradle Resources Limited ("Cradle or "the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are mineral exploration and project development.

The Company's registered office and place of domicile is, Level 7 1008 Hay Street, Perth WA 6000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 for profit orientated entities.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Material accounting policies adopted in the preparation of these financial statements are presented below and they have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The consolidated financial statements are presented in Australian Dollars, which is the Company's functional and presentational currency.

b) Going Concern

At the end of the financial year, 30 June 2016, the Company had cash and cash equivalents of $5,571,352 (2015: $2,351,093).

Following the execution of the Investment and Shareholders Agreement with Tremont Investments Limited ("Tremont"), Panda Hill Mining Pty Ltd ("PHM") and Panda Hill Tanzania Ltd ("PHT") (note 10(b)), Tremont has contributed the full US$20 million towards the funding of the Panda Hill Niobium Project and US$1.5 million to Cradle, resulting in respective interests in PHT of 50% each.

The Company's cash flow forecasts for the twelve months ending 30 September 2017 indicate that, although the Group is in a position to meet its other committed project and administrative expenditure requirements, additional capital will need to be raised to enable the Group to contribute its share of the planned project expenditure for the period. Should this not occur, or should Tremont not continue to fund its share of the Project expenditure, the Group will need to pursue alternative funding options or significantly curtail its planned activities on the project.

Having regard to the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis as they are satisfied they have a reasonable basis to conclude that the Company will be able to meet its debts as they fall due.

The financial statements of the Company do not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that may be necessary should the Company not continue as a going concern.

c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Cradle and its subsidiaries as at 30 June 2016 ("the Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

- The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.
- Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

d) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

Notes to the Financial Statements (continued)

Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

e) Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence, or joint control, are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

f) Current Versus Non-Current

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Held primarily for the purpose of trading;
- Expected to be realised or intended to sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is held primarily for the purpose of trading
- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

g) Foreign Currency Translation

The Group's Consolidated Financial Statements are presented in Australian Dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions.

The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

h) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provisions in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences in the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantially enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

i) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, 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.

j) Trade and Other Receivables

Trade and other receivables are generally paid on 30 days settlement terms and are recognised at amortised cost, less any provision for impairment. Trade receivables are non-interest bearing. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts are known to be uncollectible are written off when identified.

Notes to the Financial Statements (continued)

k) Mineral Exploration and Evaluation Expenditure

The Company capitalises and carries forward acquisition costs in relation to exploration or evaluation assets, and subsequent exploration and evaluation expenditure on areas of interest where there is a JORC 2012 compliant Mineral Resource, where:

- The Group's rights to tenure are current; and
- It is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or
- Exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Exploration and evaluation expenditure on areas of interest without a JORC 2012 compliant Mineral Resource is expensed as incurred.

Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

No amortisation is charged during the exploration and evaluation phase, but 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.

l) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured and are usually paid within 30 days of recognition.

m) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

n) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

o) Contributed Equity

Ordinary 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.

p) Share Based Payments

Employees and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

q) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through the statement of profit or loss. Fair value movements are recognised in the profit or loss.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

r) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

s) Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Notes to the Financial Statements (continued)

t) Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

u) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to the Company, adjusted for:

- Costs of servicing equity (other than dividends) and preference dividends;
- The after tax effect of dividends and interest associated with dilutive potential Ordinary Shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential Ordinary Shares, divided by the weighted average number of Ordinary Shares and dilutive potential Ordinary Shares, adjusted for any bonus element.

v) Goods and Services Tax (GST) and Other Similar Taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

w) Segment Reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker. The chief operating decision maker, who is responsible in assessing the performance and determining the allocation of resources of the operating segments, is considered to be the Board of Directors.

Discrete financial information is presented for the Company as a whole. Accordingly, the Board of Directors considers that its business operates in one segment, being that of mineral exploration.

x) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each type of revenue as described below.

Interest income is recognised using the effective interest rate method.

y) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

z) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

aa) Parent Entity information

The financial information for the parent entity, Cradle Resources Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out as follows:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Cradle Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, Management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

a) Taxation

Judgement is required in assessing whether deferred tax assets are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

b) Impairment of Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. The Directors are continually monitoring the areas of interest and continue to assess and explore alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

Exploration activities in each other area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Substantive expenditure in relation to each other area of interest is planned based on permit commitments and cash reserves of the Company and on the basis that nothing has come to the attention of Directors to indicate future economic benefits will not be realised.

c) Joint Control

The Company continues to hold an interest in PHT. The interest held as at 30 June 2016 was reduced to 50% following Tremont's full contribution of $20 million as per the Investment and Shareholders Agreement, resulting in an equal interest of 50% in PHT.

Notes to the Financial Statements (continued)

d) Share Based Payments

The assessed fair value at grant date of share based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk free rate and expected dividend payout and any applicable vesting conditions.

Management was required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model.

e) Contingent Consideration

A contingent consideration liability arose from the acquisition of the interest in RECB Limited (note 10a). Subsequently the Class B Performance Shares were 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 was based on a probability weighted payout approach, where key assumptions take into consideration the probability of meeting each performance target. The Class B Performance Shares vested and were converted to 18,750,000 Ordinary Shares on 20 April 2016.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

a) Changes in Accounting Policy, Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and amended standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 July 2015, including:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality - completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's Consolidated Financial Statements.

b) Accounting Standards and Interpretations Issued but not yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016 are set out below:

Reference	Title	Summary	Application date of Standard	Application date for Company
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	30 June 2017
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11)	AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.	1 January 2016	30 June 2017

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of Standard	Application date for Company
AASB 2014-9	Equity Method in Separate Financial Statements	Amends AASB 127 Separate Financial Statements, to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • at cost; • in accordance with AASB 9 Financial Instruments; or • using the equity method as described in AASB 128 Investments in Associates and Joint Ventures. • The accounting policy option must be applied for each category of investment.	1 January 2016	30 June 2017
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting: • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. AASB 16 supersedes: a) AASB 117 Leases; b) Interpretation 4 Determining whether an Arrangement contains a Lease; c) SIC-15 Operating Leases—Incentives; d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2019	1 July 2019

The Group has yet to assess the impact of the above.

The following new or amended standards, applicable for annual reporting periods beginning after 1 January 2016 (unless otherwise stated), are not expected to have a significant impact on the Group's Consolidated Financial Statements:

- AASB 9, AASB 2014-7, AASB 2014-8 Amendments arising to Australian Accounting Standards arising from AASB 9
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions of interests in joint operations
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of acceptable methods of depreciation and amortisation (Amendments to AASB 116 and AASB 138)
- AASB 2014-5 Amendments arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15 (applicable 1 January 2018)
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Sate of Amendments to AASB 10 and AASB 128 (applicable 1 January 2018)

Notes to the Financial Statements (continued)

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs (applicable 1 July 2016)
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable 1 January 2017)
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable 1 January 2017)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

- Clarifications to IFRS 15 'Revenue from Contracts with Customers' – effective 1 January 2018, applicable for financial year ending 30 June 2019
- IFRS 2 (Amendments) 'Classification and Measurement of Share-based Payment Transactions – effective 1 January 2018, applicable for the year ending 30 June 2019

4. REVENUE

	30 June 2016 $	30 June 2015 $
Revenue		
Interest	9,570	11,076
Total revenue	**9,570**	11,076

5. LOSS BEFORE INCOME TAX

	30 June 2016 $	30 June 2015 $
Loss before income tax includes the following specific expenses:		
Administration		
- corporate cost	62,733	37,505
- rent expenses	68,032	72,820
- other administration expenses	319,266	404,533
	450,031	514,858
Professional expense		
- legal fees	-	99
- auditor remuneration (Ernst & Young)	45,187	36,144
- other professional expenses	240,326	399,253
	285,513	435,496
Employee benefits expense		
- wages and salaries	180,251	130,073
- other employment expenses	827	216
	181,078	130,289

6. INCOME TAX BENEFIT

	30 June 2016 $	30 June 2015 $
(Loss) from continuing operations before income tax expense	(11,196,614)	(3,964,019)
Tax at the Australian tax rate of 30% (2015: 30%)	3,358,984	1,189,206
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	(3,115,305)	(986,635)
Deferred tax assets not brought to account	(243,679)	(202,571)
Income tax expense	-	-
Deferred tax assets at 30% (2015: 30%)		
Accruals	7,050	6,750
Carry forward tax losses	1,247,549	1,003,871
Capital raising costs	82,378	28,916
Provision for employee benefits	14,190	33,598
	1,351,167	1,073,135
Deferred tax asset not brought into account	(1,295,479)	(1,053,634)
	55,688	19,501
Deferred tax asset offset against deferred tax liabilities	(55,688)	(19,501)
	-	-
Deferred tax liability at 30% (2015: 30%)		
Capital raising costs	-	-
Deductible exploration expenses	-	-
Unrealised FX gain	55,688	19,501
	55,688	19,501
Deferred tax liability offset against deferred tax assets	(55,688)	(19,501)
	-	-

The benefit of these deferred tax assets will only be obtained if:

(a) The Company derives future Australian assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(b) The Company has complied with the conditions imposed by Australian tax legislation in order for the expenditure to be deductible for Australian income tax purposes;

(c) No changes in the Australian tax legislation adversely affects the entity realising the benefit from these deductions; and

(d) The Company satisfies Australia's tax loss integrity rules in respect of its carried forward tax losses.

No franking credits are available.

7. CASH AND CASH EQUIVALENTS

	30 June 2016 $	30 June 2015 $
Cash at bank	5,571,352	2,351,093
Total cash and cash equivalents	**5,571,352**	2,351,093

Notes to the Financial Statements (continued)

8. TRADE AND OTHER RECEIVABLES

a) Current

	30 June 2016 $	30 June 2015 $
GST receivable	33,078	66,462
Other receivables	-	399,953
Accrued income[1]	-	621,071
Total current receivables	**33,078**	1,087,486

Due to the short term nature of the GST receivable, the carrying value is assumed to approximate fair value.

[1]In the prior year an R&D claim was made in relation to spend on the Panda Hill Niobium Project for the year ended 30 June 2014, which resulted in a total rebate of $621,071, received on 20 July 2015. On 10 May 2016, the Company also received a similar rebate for the 2015 financial year of $533,812.

b) Non-Current

	30 June 2016 $	30 June 2015 $
Sub-lease deposit	26,133	53,868
Total non-current receivables	**26,133**	53,868

9. EXPLORATION AND EVALUATION COSTS

	30 June 2016 $	30 June 2015 $
Exploration and evaluation - at cost	**-**	1,898,656
Opening balance at the beginning of the year	1,898,656	2,743,827
Write off	-	(224,100)
Research and development rebate (note 8a)	(533,812)	(621,071)
Deconsolidation of PHM following loss of control of subsidiary (note 10c)	(1,364,844)	-
Total exploration and evaluation costs	**-**	1,898,656

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

During the financial year the Wyloo tenement was relinquished and its carrying value was written off.

10. INTEREST IN JOINT VENTURES

	30 June 2016 $	30 June 2015 $
RECB Limited (refer 10a)	-	12,953,659
Panda Hill Tanzania Ltd (refer 10b)	18,183,827	11,273,872
Panda Hill Mining Ltd (refer 10c)	-	-
Interest in joint ventures	**18,183,827**	24,227,531

a) RECB Limited

Reconciliation of interest in joint venture - RECB	30 June 2016 $	30 June 2015 $
Opening balance	12,953,659	13,036,992
Value of interest in joint venture acquired	-	34,380
Share of joint venture losses	(65,474)	(117,713)
Impairment on interest in joint venture	(3,922,657)	-
Distribution to joint venturers of interest in mining licences at fair value	(8,965,528)	-
Interest in joint venture	**-**	12,953,659

30 June 2016

During the financial year to 30 June 2016 the mining licences held by RECB were transferred to PHT for a purchase consideration of an estimated value of $8,965,528 (refer note 10b for further details). Following the transfer of the mining licenses to PHT the RECB shares held by the Company were transferred to Celtic Trust Limited on 27 November 2015. As a result of this transaction, the Company has no further interest in RECB.

On de-recognition of the interest in RECB, an impairment loss of $3,922,657 was recognised to reflect the difference between the estimated fair value of the Group's pre-existing interest in the licences transferred (determined based on the purchase consideration as noted above) and the carrying value of the investment in RECB as at the date of disposal.

b) Panda Hill Tanzania Ltd

Reconciliation of interest in joint venture - PHT	30 June 2016 $	30 June 2015 $
Opening balance	11,273,872	4,374,811
Loss on dilution of interest in PHT on receipt of final tranche from Tremont	(2,410,303)	(2,109,036)
Acquisition of interest in/contributions to joint venture	4,701,815	7,642,601
Contribution to joint venture of interest in mining licences	4,482,764	-
Share of foreign currency translation reserve	95,853	1,417,127
Interest in joint venture	18,144,001	11,325,503
Share of joint venture gain/(loss) for the year	39,826	(51,631)
Interest in joint venture	**18,183,827**	11,273,872

On 6 June 2014 the Company executed an Investment and Shareholders Agreement with Tremont, PHM and Panda Hill Tanzania Ltd ("PHT") to fund the Project, pursuant to which Tremont has earned 50% interest in the Project for US$20 million. PHT paid the Company 7.5% of the funds subscribed by Tremont.

The Board of PHT is two representatives of each Party, and a Technical Committee which also comprises of two representatives of each Party; certain significant decisions will require unanimous approval over the operations of PHT.

As the relevant activities of PHT require approval by both Parties, the Company has assessed that the interest in PHT is a joint venture.

PHT is a company incorporated in Mauritius where its principal place of business is also located. Its carrying value is measured using the equity method of accounting.

Notes to the Financial Statements (continued)

30 June 2016

On 1 October 2015 the final tranche of USD$5 million was contributed by Tremont, with USD$375,000 being contributed to the Company on 5 October 2015. As a result, the interests in PHT held by the Company and Tremont were decreased and increased respectively to 50%.

On 5 October 2015 PHT executed a Sale of Mineral Rights Agreement with RECB, in addition to a Side Agreement with the Company and Tremont executed on 20 November 2015 and a Further Deed of Amendment and Restatement executed on 29 September 2015 (an amendment to the Panda Hill Option Agreement in which RECB granted PHT the right to acquire the Mining Property as described below). As a result of the above PHT exercised its option and on 9 November 2015 the License Registration and legal title of the mining rights passed to PHT, with the terms of consideration as follows:

- USD$1 million option fee payable;
- USD$1.5 million payable by the Company on completion;
- Issue of shares by the Company to RECB of 3.1 million ordinary quoted shares and 3.1 million ordinary quoted shares (to be held in escrow until commencement of commercial production);
- USD$3 million cash payable, either five business days after Project Financing or by 30 September 2016, whichever comes first; if the latter, as of 1 October 2015 the loan becomes an interest fee loan, repayable as per terms set out in the agreement, up until 30 September 2017, at which point the loan then becomes non-repayable;
- A 5% Consideration Royalty payable on product from the Mineral Rights up to a maximum royalty amount of $5 million plus interest within four years from the commencement of commercial production.

Below is summarised financial information for Panda Hill Tanzania Ltd as at 30 June 2016:

Summarised Statement of Financial Position	**30 June 2016**	**30 June 2015**
	$	**$**
Current assets		
Cash and cash equivalents	123,737	5,269,667
Total current assets	**123,737**	5,269,667
Non-current assets	**41,488,685**	14,106,846
Total current liabilities	**5,244,769**	1,338,318
Net assets	**36,367,653**	18,038,195
Reconciliation of net assets to equity accounted amounts		
Closing net assets	36,367,653	18,038,195
Group's share (2016: 50%; 2015: 62.5%**)**	**18,183,827**	11,273,872
Carrying amount	18,183,827	11,273,872

c) Panda Hill Mining Pty Limited

Per the Investment and Shareholders Agreement, Tremont is considered to have a present ownership interest in PHM equal to its interest in PHT. Accordingly, the Company's interest in PHM was reduced to 50% following the transfer of the final USD$5million contribution by Tremont (note 10b). The Group are therefore deemed to have lost control of PHM and it is now classified as a joint venture. The carrying amount of the Company's interest in PHM at 30 June 2016 was nil. Intercompany loan balances as at de-recognition of the subsidiary were written down and taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements (continued)

11. CONTROLLED ENTITIES

	Note	Country of incorporation	Percentage Owned (%)* 2016	2015
Parent Entity:				
Cradle Resources Limited		Australia	-	-
Subsidiaries of Cradle Resources Limited:				
Panda Hill Mining Pty Ltd		Australia	-	62.5%
Songwe Hill Limited		Tanzania	100%	100%

* Percentage of voting power in proportion to ownership

Disclosure of Change in Ownership Interest in Panda Hill Mining Pty Ltd

On 6 June 2014 the Group entered into an Investment and Shareholders Agreement (note 10b) in which Tremont Investments are given the right to take up an interest in PHM, equal to its interest in PHT for nil consideration; Tremont are therefore deemed to have present ownership interest in PHM.

As per note 10c, the Group lost control of PHM as of 1 October 2015 and its interest in PHM is therefore recognised as an interest in joint venture and equity accounted for from that date. At 30 June 2016, the value of the investment was nil. The change in ownership interest prior to the loss of control was as follows:

	30 June 2016 $	30 June 2015 $
Deemed consideration received	2,096,872	8,534,616
Increase in net assets attributable to NCI	142,393	(2,472,309)
Increase in equity attributable to Parent	**2,239,265**	6,062,307
Represented by:		
Increase in Consolidated Reserve	**2,239,265**	6,062,307
Consolidation Reserve		
Opening balance at 1 July	8,682,016	2,619,709
Deemed consideration received	2,096,872	8,534,616
Increase in net assets attributable to NCI	142,393	(2,472,309)
Closing balance at 30 June	**10,921,281**	8,682,016

12. TRADE AND OTHER PAYABLES

a) Trade and other payables

	30 June 2016 $	30 June 2015 $
Trade payables	102,340	346,455
GST payables	-	16
Loan payable to PHT	15,662	5,372
	118,002	351,843

Terms of trade are 30 days, unsecured and non-interest bearing.

Notes to the Financial Statements (continued)

b) Provisions

	30 June 2016 $	30 June 2015 $
Employee benefits provision	47,301	111,994
	47,301	111,994

13. ACCRUED EXPENSES

	30 June 2016 $	30 June 2015 $
Audit fees	24,729	22,500
Tax consultancy fees	9,900	12,000
Director fees	10,349	2,917
Corporate fees	982	-
Professional fees	33,867	-
FBT provision	-	21,073
Exploration and evaluation expenditure	-	36,532
	79,827	95,022

14. CONTINGENT CONSIDERATION

	30 June 2016 $	30 June 2015 $
18,750,000 Class B Performance Shares	-	2,864,063
Total contingent consideration	**-**	2,864,063

The contingent consideration liability arose from the acquisition of RECB Limited (note 10a).

The Class B Performance Shares met the definition of a financial liability because a variable amount of Class B Performance Shares ranging from zero, if the Net Present Value ("NPV") produced by the Cradle 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 of 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 was based on a probability weighted payout approach. The key assumptions took into consideration the probability of meeting each performance target.

30 June 2016

Subsequent to the Cradle Definitive Feasibility Studies report demonstrating an NPV10 of US$400m, the Class B Performance shares vested and were converted to Ordinary Shares on 20 April 2016 (note 15a) at which date the share price was $0.26. The increase in value of the shares of $1,917,188 from the prior year was taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

15. CONTRIBUTED EQUITY

	30 June 2016 $	30 June 2015 $
Ordinary Shares - fully paid	27,988,391	19,005,683
Share Options issued	287,491	287,491
	28,275,882	19,293,174

Notes to the Financial Statements (continued)

a) Movements in Ordinary Share Capital

30 June 2016	No. of shares	Issue price	30 June 2016 $
Opening balance at 1 July 2015	128,727,617	-	19,005,683
Share issue – 6 November 2015	6,200,000	0.22	1,333,000
Class B Performance Share conversion – 20 April 2016	18,750,000	-	4,781,250
Tranche 2 Performance Rights conversion – 20 April 2016	1,050,000	-	231,000
Share issue – 16 June 2016	8,000,000	0.27	2,160,000
Share issue – 16 June 2016	2,000,000	0.30	600,000
Less: costs relating to Share issue			(122,542)
Closing balance at 30 June 2016	**164,727,617**		**27,988,391**
30 June 2015			
Opening balance at 1 July 2014	128,727,617	-	19,005,683
Closing balance at 30 June 2015	128,727,617		19,005,683

b) Movements in Listed and Unlisted Options

30 June 2016	No. of options	Issue price	30 June 2016 $
Opening balance at 1 July 2015	11,187,500		287,491
Options issued – 6 May 2016	750,000		-
Options expired – 31 May 2016	(7,687,500)		-
Options issued – 16 June 2016	2,000,000		-
	6,250,000		**287,491**
30 June 2015			
Opening balance at 1 July 2014	25,635,006	-	287,391
Options issued – 24 December 2014	2,000,000	-	-
Options issued – 11 March 2014	500,000	-	-
Options expired – 24 January 2015	(17,947,506)	-	-
Options issued – 30 April 2015	1,000,000	0.0001	100
	11,187,500		287,491
Total contributed equity at 30 June 2016			**28,275,882**
Total contributed equity at 30 June 2015			19,293,174

c) Share Based Payments

Performance Rights

In the prior period, the Company issued 2,625,000 Performance Rights to certain employees and consultants in three tranches. Tranche 1 vested in the prior period. The principal terms and conditions of the Performance Rights include continuous employment with, or provision of services to, the Company and the fulfilment of specific project-related milestones.

The Performance Rights have performance based conditions that are required to be satisfied prior to milestone dates, as below. If the performance conditions are achieved by the relevant milestone date, the Performance Rights will vest and the Performance Rights may be exercised into an equivalent number of shares in the Company in accordance with the performance rights terms and conditions.

Notes to the Financial Statements (continued)

Tranche of Performance Rights	Performance Conditions	Description	Number of Performance Rights issued/ to be issued	Weighting	Milestone Date	Expiry Date
Tranche 2	Cradle DFS Delivery	Delivery of a positive Cradle DFS with an NPV10 of >US$400 million.	1,050,000	40%	30/09/16[1]	30/09/16
Tranche 3	Project Construction Decision	The Company making a decision to proceed to project construction, evidenced by the Board resolving to continue as such.	787,500	30%	30/09/16[2]	30/09/17

[1] The Directors resolved on 2 February 2016 to extend the Milestone Date for Tranche 2 of the Performance Rights to 30 September 2016; on 20 April 2016 the Tranche 2 performance condition was met and the performance rights converted to Ordinary Shares.

[2] The Directors resolved on 20 September 2016 to extend the Milestone Date for Tranche 3 of the Performance Rights to 30 September 2017.

Unlisted Options

The fair value of the share options, as described below, are determined using a binomial option pricing method at their grant date that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The expected life of the options is based on historical data, and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

- On 6 May 2016, 750,000 unlisted share options were issued to Robert Behets, who subsequently became a Director of the Company. 250,000 of the Options vest on 6 May 2017 and 500,000 vest on 6 May 2018, provided that he is a consultant, employee or director as at those dates. The options are exercisable at $0.25 each on or before 30 April 2018.

Valuation date	6 May 2016
Dividend yield (%)	Nil
Expected volatility (%)	85%
Risk-free interest rate (%)	1.69%
Expected life of option (years)	3.00
Option exercise price ($)	$0.25
Share price at grant date ($)	$0.26
Expiry date	31 October 2018

- On 4 February 2016, 1,000,000 unlisted share options were granted to James Kelly, pending Shareholder approval, as part of his services performed as a Director of the Company. The options are exercisable at $0.25 each on or before 31 October 2018. As the options are subject to Shareholder approval, the fair value at the commencement of the service period has been estimated as below.

Valuation date	4 February 2016
Dividend yield (%)	Nil
Expected volatility (%)	85%
Risk-free interest rate (%)	1.86%
Expected life of option (years)	2.74
Option exercise price ($)	$0.25
Share price at grant date ($)	$0.19
Expiry date	31 October 2018

Notes to the Financial Statements (continued)

Share based payments expense

The following table lists the inputs to the fair value of the rights and options:

Tranche of Performance Rights and Options issued	Issue Date	Fair value	Vesting Date	Share based payments expense 30 June 2016 $	Share based payments expense 30 June 2015 $
Tranche 2	15/11/2013	$0.22	30/09/2015	31,070	123,268
Tranche 3	15/11/2013	$0.22	30/09/2016	60,390	60,225
Unlisted options	24/12/2014	$0.0757	28/11/2014	-	151,400
Unlisted options	11/03/2015	$0.10	28/11/2014	-	48,500
Unlisted options	30/04/2015	$0.11	28/11/2014	-	109,000
Unlisted options[1]	06/05/2016	$0.12	06/05/20171	9,388	-
Unlisted options	04/02/2016	$0.0882	30/09/2016	12,961	-
Total share based payment expense				**113,809**	492,393

[1]250,000 vest on 6 May 2017 and 500,000 vest on 6 May 2018

d) Foreign Currency Translation Reserve

	30 June 2016 $	30 June 2015 $
Opening balance at 1 July	1,417,000	-
Currency translation differences arising during the year	96,472	1,417,000
Closing balance at 30 June	**1,513,472**	1,417,000

Exchange differences arising on translation of the foreign controlled operations are taken to the foreign currency translation reserve as describe in note 1(g). The reserve is recognized in profit and loss when the net investment is disposed of.

e) Capital Risk Management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to Shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the entity's share price at the time of the investment.

The Company is actively pursuing additional investments in the short term as it continues to integrate and grow its business in order to maximise synergies. Refer to note 1b) on Going Concern position of Company.

16. ACCUMULATED LOSSES

	30 June 2016 $	30 June 2015 $
Opening balance at 1 July	(8,428,145)	(4,492,381)
Loss after income tax expense for the period	(9,202,549)	(3,935,764)
Closing balance at 30 June	**(17,630,694)**	(8,428,145)

17. DIVIDENDS

There were no dividends paid or declared during the financial period.

Notes to the Financial Statements (continued)

18. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, receivables, payables and contingent consideration.

The Company has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result, the Company has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the Company change its position in the future, a considered summary of these policies will be disclosed at that time.

The Company's current exposure to the risk of changes in the market is managed by the Board of Directors.

The Company holds the following financial instruments:

	30 June 2016 $	30 June 2015 $
Financial assets		
Cash and cash equivalents	5,571,352	2,351,093
Trade and other receivables	59,211	1,141,354
	5,630,563	**3,492,447**
Financial liabilities		
Trade and other payables	118,002	351,843
Accrued expense	79,827	95,022
Contingent consideration	-	2,864,063
	197,829	**3,310,928**

a) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount as disclosed in the Statement of Financial Position and Notes to the Financial Statements. The Company's exposure to credit risk relates to its cash and cash equivalents held with Bankwest.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities:

30 June 2016	Less than 6 months $	6-12 months $	Between 1-5 years $	Total $	Carrying Amount $
Financial liabilities					
Trade and other payables	118,002	-	-	118,002	118,002
Accrued expenses	79,827	-	-	79,827	79,827
	197,829	**-**	**-**	**197,829**	**197,829**

30 June 2015	Less than 6 months $	6-12 months $	Between 1-5 years $	Total $	Carrying Amount $
Financial liabilities					
Trade and other payables	351,843	-	-	351,843	351,843
Accrued expenses	95,022	-	-	95,022	95,022
	446,865	-	-	446,865	446,865

c) Interest Rate Risk

The following table set out the Company exposure to the interest rate risk:

30 June 2016	Floating interest rate $	Non-interest bearing $	1 Year or less $	Over 1 to 5 years $	Total $
Financial assets					
Cash and cash equivalents	5,571,352	-	5,571,352	-	5,571,352
	5,571,352	**-**	**5,571,352**	**-**	**5,571,352**

30 June 2015	Floating interest rate $	Non-interest bearing $	1 Year or less $	Over 1 to 5 years $	Total $
Financial assets					
Cash and cash equivalents	2,351,093	-	2,351,093	-	2,351,093
	2,351,093	-	2,351,093	-	2,351,093

The Company has minimal exposure to interest rate risk other than reductions/increases in interest earned should the rates decrease/increase respectively. As an indication of possible sensitivity to changes in interest rates a 1% movement in the interest rates, would not have a material impact on the consolidated profit and loss or equity of the Group.

d) Foreign Currency Risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Tanzanian Shilling (TZS) and United States Dollars (USD).

Foreign exchange risk arises from commercial transactions. The risk is measured using cash flow forecasting and use of foreign currency accounts.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.

The consolidated entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2016 $	30 June 2015 $
Trade receivable in denomination currency		
Trade receivable - USD	-	391,101
Trade payables in denomination currency		
Trade payables - USD	2,054	-
Trade payables - CHF	-	552
Trade payables - GBP	19,820	-
Cash and cash equivalent held in denomination currency		
Cash and cash equivalent - USD	3,326,524	2,068,498
Cash and cash equivalent - TZS	14,354	1,756
Consolidated entity sensitivity		
Spot rates per AUD as at 30 June		
USD	0.7442	0.7657
TZS	1,627	1,603
CHF	0.7281	0.72
GBP	0.5557	-

Notes to the Financial Statements (continued)

A 10% increase or decrease in the value of Australian Dollar against the above currencies at 30 June would have the following effect:

	30 June 2016 $		30 June 2015 $	
	Profit/(loss) 10% increase	**Profit/(loss)** 10% decrease	**Profit/(loss)** 10% increase	**Profit/(loss)** 10% decrease
United States Dollars (USD)	(332,858)	332,858	(245,960)	245,960
Tanzanian Shillings (TZS)	(1,435)	1,435	(176)	176
Swiss Francs (CHF)	-	-	(55)	55
Total	**(334,293)**	**334,293**	(246,191)	246,191

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described at note 1t.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

30 June 2016 **Financial liabilities**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration				
Opening balance at 1 July	-	-	2,864,063	2,864,063
Fair value measurement during the year (note 14)	-	-	1,917,188	1,917,188
Conversion to ordinary shares (note 14)	-	-	(4,781,251)	(4,781,251)
	-	**-**	**-**	**-**

30 June 2015 **Financial liabilities**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration				
Opening balance at 1 July	-	-	2,437,500	2,437,500
Fair value measurement during the year	-	-	426,563	426,563
	-	**-**	**2,864,063**	**2,864,063**

a) Valuation Techniques Used to Derive Level 3 Fair Values

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The contingent consideration was valued by applying the probability weighted payout approach as described in note 14.

b) Fair Values of Other Financial Instrument

The group also has a number of financial instruments that are not measured at fair value in the balance sheet. The carrying value of cash, trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

20. COMMITMENTS AND CONTINGENCIES

Commitments

Estimated commitments for which no provisions were included in the financial statements are as follows:

a) Rental Commitments

	30 June 2016 $	30 June 2015 $
< 1 year	-	54,487
1 – 5 years	-	20,544
Total rental commitments	**-**	75,031

Rental commitments relate to annual rent required over the mining license for the Panda Hill Niobium Project. During the year the licenses were fully transferred to Panda Hill Tanzania (note 10b).

b) Panda Hill Niobium Project

As per the agreement with RECB, there is a final commitment of USD$3 million expected to be paid by the end of the third quarter 2016 (refer note 10b).

Contingencies

There were no contingent assets or contingent liabilities as at the date of this report.

21. RELATED PARTY TRANSACTIONS

a) Key Management Personnel Remuneration

Disclosures relating to Key Management Personnel are set out in the Directors Report.

b) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

			Transactions		Balances (owing to) / owed by	
Entity	**Relationship**	**Nature of transactions**	**Full year 30-Jun-16 $**	**Full year 30-Jun-15 $**	**Full year 30-Jun-16 $**	**Full year 30-Jun-15 $**
Elgra Consultancy Pty Ltd	(i)	Reimbursement to Elgra for corporate administration costs.	25	239	-	518
Saval Consulting Pty Ltd	(ii)	Reimbursement to Saval for corporate administration costs.	3,511	12,212	-	-
Skye Equity Pty Ltd	(iii)	Reimbursement to/(from) Skye Equity for corporate administration costs.	-	23,491	22,000	(66,000)
Verona Capital Pty Ltd	(iv)	Reimbursement (from)/to Verona for corporate administration costs.	(8,462)	38,946		8,462
Panda Hill Tanzania Ltd	(v)	Reimbursement from Panda Hill Tanzania for corporate administration costs.	-	920,037	-	-
	(v)	Invoices issued from PHM for Project costs.	1,761,631	10,039,083	75,181	391,101

(i) Elgra Consultancy Pty Ltd ('Elgra') is a company associated with Mr Grant Davey, who resigned as Director on 10 November 2015.

(ii) Saval Consulting Pty Ltd ('Saval') is a company associated with Mr Craig Burton.

(iii) Skye Equity Pty Ltd ('Skye') is a company associated with Mr Craig Burton.

(iv) Verona Capital Pty Ltd ('Verona') is a company associated with Mr Craig Burton and Mr Grant Davey (who resigned as Director on 10 November 2015).

Notes to the Financial Statements (continued)

c) Other Related Party Transactions

There were no other related party transactions.

d) Terms and Conditions

All related party transactions were made on normal commercial terms and conditions and at market rates. All outstanding balances are unsecured and repayable in cash; there were no fixed repayment terms with any of the related parties.

22. PARENT ENTITY INFORMATION

a) Summary of Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2016 $	30 June 2015 $
Current assets	5,590,075	2,369,206
Non-current assets	22,564,580	27,128,044
Total Assets	**28,154,655**	29,497,250
Current liabilities	228,239	3,156,011
Total Liabilities	**228,239**	3,156,011
Contributed equity	27,988,391	19,005,683
Issued options	287,491	287,491
Share based payment reserve	489,319	606,510
Consolidation reserve	17,155,110	13,335,160
Foreign currency translation reserve	1,512,980	1,417,127
Accumulated losses	(19,506,875)	(8,310,732)
Total Equity	**27,926,416**	26,341,239
Loss for the year	**(11,196,143)**	(3,888,498)
Total comprehensive loss for the year	**(11,196,143)**	(3,888,498)

b) Commitments and Contingent Liabilities of the Parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2016 (30 June 2015: nil).

c) Guarantees Entered into the Parent Entity

There were no guarantees entered into by the parent entity.

Notes to the Financial Statements (continued)

23. EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this Report, there are no events subsequent to the balance date.

24. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	30 June 2016 $	30 June 2015 $
Loss after income tax	(11,196,614)	(3,964,019)
Adjustments for non-cash movements:		
Foreign currency movement	(309,089)	(323,413)
Share based payment expense	113,809	492,393
Impairment expense	3,922,657	224,100
Write down of intercompany loans on loss of subsidiary	1,907,839	-
Share of joint venture losses	25,648	169,344
Loss on disposal of subsidiary	441	-
Loss on dilution of interest in PHT	2,410,303	2,109,036
Loss on re-measurement of financial liability	1,917,188	426,563
Provision for annual leave	-	44,893
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other debtors	544,663	(423,410)
(Decrease) in trade and other creditors	(313,729)	(310,222)
Net cash used in operating activities	**(976,884)**	(1,554,735)

25. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations.

	30 June 2016 $	30 June 2015 $
Reconciliation of earnings to net loss		
Loss attributable to ordinary equity holders of the parent member	(9,202,549)	(3,935,764)
Loss attributable to non-controlling interest	(1,994,065)	(28,255)
	(11,196,614)	(3,964,019)
Loss used in calculating basis and diluted EPS	(9,202,549)	(3,935,764)
Basic and dilutive EPS (cents per share)	**(6.72)**	(3.06)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	**136,988,439**	128,727,617

Options are potential Ordinary Shares that are non-dilutive and have therefore not been used to calculate the dilutive loss per share (refer note 15b) for total options at 30 June 2016 that may be dilutive in future.

Directors' Declaration

The Directors of the Company declare that in their opinion:

1. The financial statements and notes, as set out in pages 19 to 48, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001;
   (b) are in accordance with International Financial Reporting Standards, as stated in note 1(a) to the financial statements; and
   (c) give a true and fair view of the Company's financial position as at 30 June 2016, and its performance for the year ended on that date.
2. The Directors have been given the declaration required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2016.
3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.
4. Subject to achieving the matters set out in note 1(b) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Craig Burton
Non-Executive Director
Signed at Perth this 29th September 2016

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Independent auditor's report to the members of Cradle Resources Limited

Report on the financial report

We have audited the accompanying financial report of Cradle Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001* . We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

GL:EH:CRADLE:008

Independent Auditor's Report to Members (continued)

Opinion

In our opinion:

a) the financial report of Cradle Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cradle Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
29 September 2016

Shareholding Information

EXCHANGE LISTING

Cradle Resources Limited shares and listed options are listed on the Australian Securities Exchange. The Company's ASX code is CXX.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 28 October 2016

Name of Shareholder	Total Number of Voting Shares in Cradle Resources Limited in which the Substantial Shareholders and their Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Tremont Investments Limited	32,224,828	19.56%
Craig Burton	30,800,000	18.69%
Arredo Pty Ltd	15,900,000	9.65%
Edwards Family Holdings Ltd	14,250,000	8.65%
Brett Mitchell	11,520,000	6.99%
HSBC Custody Nominees (Australia) Limited	8,619,200	5.23%

CLASS OF SHARES AND VOTING RIGHTS

At 28 October 2016 there were 739 holders of 164,727,617 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
b. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
c. on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is nil.

SUBSTANTIAL UNLISTED OPTION HOLDERS (HOLDING NOT LESS THAN 5%)

As at 28 October 2016

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20% of Unlisted Options	Number Held
Unlisted options exercisable at $0.25 on or before 31 October 2018	2,500,000	3	Konkera Pty Ltd Argonaut Equity Partners Pty Limited Camet Metallurgy Inc.	1,000,000 1,000,000 500,000
Unlisted options exercisable at $0.25 on or before 30 April 2018	1,000,000	1	Argonaut Investments Pty Ltd	1,000,000
Unlisted options exercisable at $0.25 on or before 31 October 2018 (vesting 6 May 2017)	250,000	1	Robert Behets	250,000
Unlisted options exercisable at $0.25 on or before 31 October 2018 (vesting 6 May 2018)	500,000	1	Robert Behets	500,000
Unlisted options exercisable at $0.30 on or before 30 June 2018	2,000,000	1	Jackie Au Yeung	2,000,000

PERFORMANCE RIGHTS

As at 28 October 2016

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20% of Performance Rights	Number Held
Performance Rights	1,837,500	2	Keith Bowes Russell Bradford	1,050,000 787,500

Shareholding Information (continued)

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 28 OCTOBER 2016

	Shareholder	Shares Held	% of Shares
1	AVIEMORE CAPITAL PTY LTD	28,800,000	17.48
2	TREMONT INVESTMENTS LIMITED	19,195,191	11.65
3	ARREDO PTY LTD	15,900,000	9.65
4	EDWARDS FAMILY HOLDINGS LTD	14,250,000	8.65
5	PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	13,029,637	7.91
6	MR BRETT MITCHELL & MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	9,720,000	5.90
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,619,200	5.23
8	RECB LIMITED	6,200,000	3.76
9	CITICORP NOMINEES PTY LIMITED	2,305,115	1.40
10	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,172,519	1.32
11	ALBA CAPITAL PTY LTD <BURTON SUPER FUND A/C>	2,000,000	1.21
12	MR BRETT MITCHELL & MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	1,800,000	1.09
13	LONE JET PTY LTD	1,684,475	1.02
14	AFM PERSEUS FUND LIMITED	1,600,000	0.97
15	CARJAY INVESTMENTS PTY LTD	1,250,000	0.76
16	RED PUMA PTY LTD	1,200,000	0.73
17	IVORYROSE HOLDINGS PTY LTD <ASHFORTH SUPER FUND A/C>	1,125,000	0.68
18	CASHFLOW INVESTMENTS LIMITED	1,100,000	0.67
19	MICHELLE BOWES	1,050,000	0.64
20	CAPITAL DRILLING (MAURITIUS) LTD	800,000	0.49
	Total	**133,801,137**	**81.23**

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Number of Ordinary Shareholders
1 – 1,000	19
1,001 – 5,000	145
5,001 – 10,000	165
10,001 – 100,000	324
100,001 and over	86
Total	**550**

TENEMENT SCHEDULE

Panda Hill Tenement Schedule

Tenement	Area (km^2)	Status	Expiry
ML237/2006	4.96	Granted	November 2026
ML238/2006	7.704	Granted	November 2026
ML239/2006	9.498	Granted	November 2026

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