

Quarterly Report

30 September 2023

Cradle Resources Limited (**Cradle** or the **Company**) provides an update on its activities for the quarter ended 30 September 2023.

Highlights

- **Cradle has entered into a binding share sale agreements to acquire 84% of all the issued shares in Volt Geothermal Pty Ltd (“Volt”) and Within Energy Pty Ltd (“Within”) (together, the “Acquisitions”). As part of the Acquisitions, Cradle has also entered into the Joint Venture Agreement in respect of the Projects**
- **Consideration for the Acquisitions is 220,360,329 CXX shares.**
- **Geothermal energy has seen a strong increase in demand over the past decade as the world drives towards zero carbon emissions. Geothermal provides a renewable base-load alternative that produces 24/7 energy, a major challenge for other renewable energy solutions such as solar and wind**
- **The Acquisitions allow Cradle to grow its resource base and provide opportunities in the renewable energy industry via a focus on geothermal opportunities, with unique base-load potential**
- **The Company’s securities will remain suspended until after shareholder approval has been obtained and the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules as a green energy company.**
- **The Company’s cash balance at 30 September 2023 was \$473,943. The Company will seek shareholder approval for the acquisition of the Projects and a capital raise of \$6 million to fund the work programme for the Projects and for working capital purposes.**

Overview

Following disposal of its main undertaking (the interest in PHT) in the September 2021 quarter, the Company was advised by ASX that, in its opinion, the Company’s current operations are not sufficient to warrant the continued quotation of its securities. Trading in the Company’s securities was suspended on 13 January 2022.

On 7 July 2023, Cradle announced it had entered into a binding agreement to acquire Volt Geothermal Pty Ltd (“Volt”) and Within Energy Pty Ltd (“Within”), with geothermal assets in Queensland and South Australia (the Projects).

Following completion of the Acquisitions, the Company plans to focus on systematically exploring early-stage geothermal targets and developing geothermal resources. This will involve a fit-for-purpose exploration program

that includes analysing subsurface geology to identify geothermal resources at commercially viable well depths, which will lead to:

- a) surveys.

- b) defining exploration well locations; and
- c) exploration drilling.

The Company's strategy is to follow a typical path for the development of an exploration project through the following stages:

1. exploration and appraisal activities to confirm the existence of geothermal resources and demonstrate the commercial viability of the project;
2. study work such as pre-feasibility and definitive feasibility as part of the commercialization of the geothermal resource; and
3. project development which involves drilling of production wells and installation of surface facilities for the delivery of energy to the market.

The Company's success with the strategy outlined above will determine future exploration and funding programs to advance the Projects being acquired.

The Acquisitions allow Cradle to grow its resource base and provide opportunities in the renewable energy industry via a focus on geothermal opportunities, with unique base-load potential.

Project overview

Subject to the satisfaction of certain conditions precedent, completion of the Acquisitions will result in the Company acquiring:

- an indirect 84% ownership interest in the Volt Project, which comprises of five granted geothermal exploration licences and one application for a geothermal exploration licence in South Australia; and
- an indirect 84% ownership interest in the Within Project, which comprises one granted geothermal exploration licence and three applications for geothermal exploration licences in Queensland, (together, the "**Projects**").

Initial work on the Projects will focus on preliminary survey and resource assessments based on offset well data, exploration location definition and exploration drilling. Subject to exploration success, the focus will shift to resource estimates, field development and production drilling.

The Company will release further details on the Projects and work programs in the notice of meeting and prospectus to be sent to all shareholders – refer to the indicative timetable below.

Acquisition structure

The Company has entered into binding Sale Agreements to acquire an 84% interest in Volt and Within, respectively.

The consideration for the Acquisitions is 220,360,329 CXX shares, which will be allocated between the vendors of Volt and Within as follows:

Vendor	Number of CXX Shares
Mimo Strategies Pty Ltd as trustee for Mimo Trust	79,363,223
Ninety35 Pty Ltd as trustee for 2Gen Family Trust	26,476,744
Stephen Biggins as trustee for The Rescap Family Trust	70,447,615
Jadematt Investments Pty Ltd as trustee for K Upstream Trust	44,072,747

Completion of the Acquisitions is subject to, and conditional upon, the satisfaction or waiver of (amongst others) the following conditions precedent:

- the parties having obtained all regulatory consents and approvals which are necessary for the Acquisitions, including all approvals required from the ASX;
- the Company having received a conditional re-admission letter from ASX on terms acceptable to the Company; and
- completion of the Capital Raising Offer.

Indicative timetable

Event	Indicative Date
Dispatch Notice of Meeting to shareholders	Monday, 6 November 2023
Lodge Prospectus with ASIC and ASX	Wednesday, 8 November 2023
Capital Raising Offer opens	Wednesday, 15 November 2023
General Meeting	Wednesday, 6 December 2023
Capital Raising Offer closes	Friday, 8 December 2023
Completion of the Acquisition	Friday, 29 December 2023
Recommence trading on the ASX	Tuesday, 16 January 2023

The dates in this timetable are indicative only and subject to change.

For further information please refer to the Company's announcement dated 7 July 2023, and Transaction Announcement dated 31 October 2023.

Re-compliance with ASX Chapters 1 and 2

The Acquisitions will result in a significant change to the nature and scale of the Company's activities. Accordingly, the Company will seek shareholder approval under ASX Listing Rule 11.1.2 at a general meeting and will also seek to re-comply with Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list of ASX. The Acquisitions may not proceed if ASX exercises that discretion, if the requirements for re-compliance with Chapters 1 and 2 of the ASX Listing Rules are not satisfied or if shareholders do not approve the Acquisitions.

Funding

The Company's cash balance at 30 September 2023 was \$473,943.

The Company will seek shareholder approval for the acquisition of the Projects and a capital raise of \$6 million to fund the work programme for the Projects and for working capital purposes. The Company does not expect that the Public Offer will be underwritten.

The Company has a loan facility with Matador Capital of \$500,000 which remains undrawn. Refer to Appendix 5B section 7.6 for further details.

Payments to related parties of the entity and their associates

During the Quarter, payments to related parties for directors' fees totalled \$178,500.

Mr Grant Davey, who is a Director of the Company, is a director and shareholder of Matador Capital Pty

Ltd (“Matador Capital”). The Company makes payments to Matador Capital under Shared Services and Office Use Agreements in which Matador Capital provides office space, office administration services, bookkeeping and accounting services and IT hardware & infrastructure to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis and totalled \$5,200.

Authorised for release by the Board of Directors.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Cradle Resources Limited

ABN

60 149 637 016

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(12)	(12)
(e) administration and corporate costs	(365)	(365)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(376)	(376)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	850	850
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5)	(5)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	845	845

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5	5
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(376)	(376)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	845	845

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	474	474

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	474	5
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	474	5

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	184
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	500	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	-
7.5 Unused financing facilities available at quarter end		500
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<ul style="list-style-type: none"> • Facility Limit of \$500,000 • Lender: Davey Management (Aus) Pty Ltd • Interest rate of 8% • Limited recourse - The recourse of the Lender against the Borrower is limited to the assets of the Borrower after payment of all unsubordinated creditors • Subordination - the repayment of the total outstanding amount shall be subordinated and postponed and made subject to all debts, claims, demands, rights and causes of action of all unsubordinated creditors • Repayment date is 31 October 2024. 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(376)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(376)
8.4 Cash and cash equivalents at quarter end (item 4.6)	474
8.5 Unused finance facilities available at quarter end (item 7.5)	500
8.6 Total available funding (item 8.4 + item 8.5)	974
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.6
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

Authorised by: **Board of Cradle Resources Limited**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.