# Annual Report 2020

Cradle Resources Limited
ABN 60 149 637 016

## Corporate Directory

### Directors
Craig Burton Chairman
Grant Davey Executive Director
Chris Bath Non-Executive Director

### Company Secretary
Chris Bath

### Registered Office
102 Forrest Street
Cottesloe WA 6011

Tel: +61 8 9320 4700
Fax: +61 8 9320 4750

### Stock Exchange Listing
Cradle Resources shares are listed on the Australian Securities Exchange

ASX Code: **CXX**

### Share Registry
Link Market Services Limited
QV1 Building
Level 12, 250 St Georges Terrace
Perth WA 6000

Tel: 1300 554 474
Int: +61 1300 554 474

### Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

### Website
www.cradleresources.com.au

## Contents

# Financial and Activities Review

## Overview

During the financial year, the Group continued to focus on the development of its Panda Hill Niobium Project ("**Project**") located in Tanzania as well as considering new opportunities in the resources sector that could add value to shareholders.

Cradle and Tremont Investments Limited currently own 50% each of Panda Hill Tanzania Ltd (PHT), which owns the Project. As previously disclosed, the Company and Tremont have been in dispute regarding whether a definitive feasibility study for the Project has been delivered within the meaning of the Shareholders Agreement. The dispute had been referred to arbitration.

During the year, Cradle reached agreement with Tremont in connection with the Panda Hill Project and the current dispute and arbitration between Cradle and Tremont (**Tremont Agreement**). Subject to shareholder approval, Cradle and Tremont have agreed to dismiss the Arbitration and release each other from all associated claims, thereby bringing an end to this long running dispute. The Arbitration will be settled as follows:

- Cradle will buy-back Tremont's existing 19.5% shareholding in Cradle in return for transferring to Tremont 19.5% of Cradle's shares in PHT;
- PHT will issue Tremont additional shares to convert Tremont's existing loan to PHT to equity in PHT; and
- PHT will issue Cradle additional shares to convert Cradle's existing loan to PHT to equity in PHT.

As a result of the transactions noted above, Tremont will hold 62.8% and Cradle will hold 37.2%, respectively, of the equity in PHT.

Shareholder approval was obtained at a meeting of shareholders on 18 September 2020. The completion of the transaction is subject to the Tanzanian Fair Competition Commission providing a "no objections" letter.

Following implementation:

- Tremont will fund all financial requirements of PHT and the Panda Hill Niobium Project until the development costs of the Project are raised
- A development capital raising may only be funded by PHT by a combination of bank debt and the issue of new ordinary shares at US$1.00 minimum or such greater price as third parties participate.

As a result, Cradle will have no further financial exposure to PHT or the Panda Hill Niobium Project whilst retaining significant upside upon the project achieving development funding.

The Board remains of the view that the Project is one of the best undeveloped niobium projects in the world and is waiting to go into production to meet strong ongoing growth in the global demand for niobium for use in high-end steel products. The global steel industry is seeking more diversity of supply with 88% of global supply currently coming from one operation in Brazil. More than 80% of all Niobium used is consumed as ferroniobium, mainly in the production of high-strength, low-alloy (HSLA) steels for the construction, automotive and pipeline industries. It is also used in certain types of stainless and heat-resisting steels.

Cradle continues to work with Tremont to engage with the Tanzanian Government to clarify the uncertainty surrounding new legislation governing the mining sector in Tanzania, and to progress discussions on what project financiers would require so as to complete the financing of the Project.

## Panda Hill Niobium Project

The Group currently owns 50% of Panda Hill Tanzania Limited ("PHT"), which owns 100% of the Panda Hill Niobium Project in Tanzania.

The Project is located in the Mbeya region in south western Tanzania, approximately 680km west of the capital Dar es Salaam (refer Figure 1). The industrial city of Mbeya is situated only 26km from the project area and has a population of approximately 280,000 people. The Project is located near the main highway to the capital Dar es Salaam and in close proximity to the Songwe Airport which has regular domestic flights from Dar es Salaam and plans for regional expansion.


*Figure 1: Location of the Panda Hill Niobium Project*

The Project is covered by three granted Mining Licences (refer 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 all renewed during the December 2015 quarter for a further 10-year period (valid until November 2026).

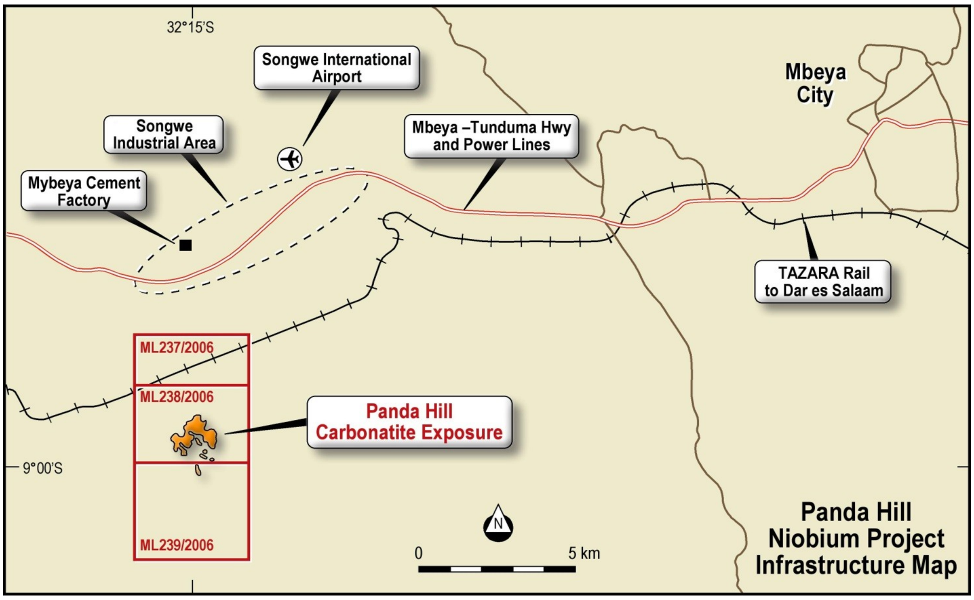


*Figure 2: Mining Licences and Local Infrastructure*

As previously reported, in July 2017, the Tanzanian Government passed amendments to the legal framework governing the mining sector in Tanzania ("New Legislation") which, amongst other things, entitles the Tanzanian Government to a 16% shareholding in all Tanzanian mining companies.

## Tanzanian Legislation

The New Legislation is contained in four bills which have been passed by the Tanzanian Parliament. The New Legislation appears to predominantly target the mining and export of precious metals and metal concentrates from existing operations in Tanzania that have been the focus of recent reviews conducted by Presidential Committees.

The New Legislation allows the Tanzanian Government ("Government") to renegotiate all existing Mine Development Agreements ("MDAs"). In addition, the New Legislation requires mandatory beneficiation of minerals within the country and no licence or permit shall be issued for exportation of raw minerals and mineral concentrates.

PHT does not have an MDA with the Government. The Project consists of three standard Mining Licences which do not require MDAs, as opposed to the Special Mining Licences used by larger projects which are eligible for concessional tax arrangements via MDAs.

The Company released a Definitive Feasibility Study ("DFS") on the Project in April 2016. The DFS was based on the Project upgrading its niobium concentrate to ferro-niobium on-site. Ferro-niobium is a final product that is sold directly to steel mills, with no further upgrading required.

## Business Strategy

The Company's strategy is to maximise shareholder value through:

- Minimising financial exposure to the Panda Hill Niobium Project whilst retaining significant upside to the project achieving development funding; and
- Identify new opportunities in the resources sector that could add value to shareholders

To achieve its strategic objective, the Group currently has the following business strategies and prospects:

- Maintain a low cost base whilst the Group evaluates the impact of the New Legislation;
- Work with the Tanzanian Government to clarify the uncertainty surrounding the New Legislation;
- Review and adjust the Project development plans as appropriate in light of the New Legislation;
- Continue negotiations to secure funding for the Project; and
- Continue to investigate corporate opportunities that have the potential to create shareholder value.

## Material Risks

The company's activities present inherent risk and therefore the Board is unable to provide certainty that any or all of these activities will be able to be achieved.

The material business risks faced by Cradle that are likely to have an effect on the Company's future prospects, and how the Company manages these risks, include:

- New Legislation – Tanzania has introduced the New Legislation which includes a number of changes to the legal and regulatory framework governing the natural resources sector in Tanzania. The New Legislation requires, amongst other things, (a) the Government shall have not less than 16% non-dilutable free carried interest in the capital of any mining company; (b) the Government shall be entitled to acquire, in total, up to 50% of the shares of any mining company, commensurate with quantified value of tax incentives incurred by the Government in favour of the mining company; (c) increases in the Government mineral royalty rates for certain minerals; and (d) a new 1% clearing fee on the value of all minerals exported from Tanzania from 1 July 2017. The Company's DFS did not factor in any Government free carried interest. The Group continues to work closely with the various levels of government in Tanzania to clarify the uncertainty surrounding the New Legislation, however the proposed changes are likely to have an adverse effect on the Group and the Project;
- Country risk – the Group's operations in Tanzania are exposed to various levels of political, economic and other risks and uncertainties. There are risks attached to exploration and mining operations in a developing country like Tanzania which are not necessarily present in a developed country like Australia. The Company continues to work closely with the various levels of government in Tanzania but there can be no assurances that the future political developments in Tanzania will not directly impact the Company's operations or its ability to attract funding for its operations;
- Future capital requirements – the ability to finance a mining project is dependent on the Group's existing financial position, the availability and cost of project and other debt markets, the availability and cost of leasing and similar finance packages for project infrastructure and mobile equipment, the availability of mezzanine and offtake financing and the ability to access equity markets to raise new capital. There can be no guarantees that when the Group seeks to implement

financing strategies to pursue the development of its projects that suitable financing alternatives will be available and at a cost acceptable to the Group;

- Commodity price volatility – the demand for, and price of, niobium is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative metals, actions taken by governments, and global economic and political developments. Future production, if any, from the Company's mineral resource and other mineral properties will be dependent upon the price of niobium being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk; and

- Exploration and development risks – the exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. To mitigate this risk, the Group has undertaken systematic and staged exploration and testing programs on its mineral properties and has undertaken a number of technical and economic studies with respect to its projects. However, there can be no guarantee that the Group's mineral properties will be successfully brought into production.

## COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The impact of COVID-19 has seen significant volatility in commodity and foreign exchange markets with restrictions on the movement of people and goods within both Australia and overseas and there remains ongoing uncertainty about the extent and duration of its impact on demand and prices for commodities, including niobium. Expenditure at the Panda Hill Project continues to be kept at a low level while discussions with the Tanzanian government continue and there is not expected to be any impact on the financial results of Cradle in the short term. The longer term outlook is for strong ongoing growth in the global demand for niobium for use in high-end steel products.

## Directors' report

Your Directors submit this Directors Report for the financial year ended 30 June 2020.

The Financial Report covers Cradle Resources Limited (the Company or Cradle) and its controlled entities.

## Directors

The directors of the Company during the year ended 30 June 2020 and up to the date of this report are set out below.

**Craig Burton**
*BJuris, LLB, MAICD*
*Non-Executive Chairman*

Mr 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 Panda Hill Tanzania Ltd, the 50/50 joint venture company between Cradle and Tremont Investments Limited.

Mr Burton was appointed a Director of the Company on 16 September 2013 and served as Chairman of the Company from 16 September 2013 to 1 August 2016. Mr Burton was subsequently re-appointed Chairman on 8 July 2019.

Directorships of other listed entities within the past three years:

Capital Drilling Limited (January 2009 – 31 August 2018)
Atrum Coal Limited (January 2017 – August 2017)
Grand Gulf Energy Limited (5 March 2019 – present)
Whitebark Energy Limited (August 2013 – October 2015).

**Grant Davey**
*BSc*
*Executive Director*

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 acted as CEO for several ASX-listed exploration and mining projects. Mr Davey was instrumental in developing the Panda Hill Niobium Project in Tanzania, having previously been a Director of Cradle from April 2013 to November 2015. Mr Davey is also a Director of Panda Hill Tanzania Ltd, the 50/50 joint venture company between Cradle and Tremont Investments Limited.

Mr Davey was appointed a Director of the Company on 27 July 2017. Mr Davey was also a Director of the Company from 15 April 2013 to 10 November 2015.

Directorships of other listed entities within the past three years:

Lotus Resources Limited (June 2020 – present)
Superior Lake Resources Limited (February 2018 – present)
Graphex Mining Ltd (March 2016 – September 2019)
Boss Resources Limited (January 2016 – February 2019).

**Chris Bath**
*CA, MAICD*
*Non-Executive Director and Company Secretary*

Mr Bath is a Chartered Accountant and Member of the Australian Institute of Company Directors. He has more than 20 years' experience in the energy and resources sector, including oil and gas, coal, gold and mining services, having held the role of CFO and company secretary for companies listed on ASX, JSX and AIM markets with operations in Australia and Asia.

Mr Bath was appointed a Director of the Company on 8 July 2019.

Directorships of other listed entities within the past three years:

Grand Gulf Energy Limited (March 2019 – present).

**Ian Middlemas**
*Non-Executive Director*

Mr Middlemas resigned as a Director of the Company on 8 July 2019.

## Principal activities

The principal activities of Cradle during the financial year consisted of the exploration and development of mineral resource projects. There was no significant change in the nature of these activities during the year.

## Operating Results

The net loss of the Consolidated Entity for the year ended 30 June 2020 was $534,604 (2019: $243,579). A financial and activities review is set out on pages 1 to 4.

## Financial Position

At 30 June 2020, the Company had cash reserves of $1,182,078 (2019: $1,865,314). At 30 June 2020, the Company had net assets of $24,945,581 (2019: $24,987,052), a decrease of 0.17% compared with the previous year.

## Dividends paid or recommended

No recommendation for payment of dividends has been made for the year ended 30 June 2020 (2019: Nil).

## Environmental regulation and performance

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

The Directors are not aware of any non-compliance with environmental laws by the Consolidated Entity.

## Significant changes in the state of affairs

No significant changes in the state of affairs occurred during the period other than already referred to in the Financial and Activities Review.

## Directors' meetings

The number of meetings of Directors held during the year and the number of meetings attended by each director were as follows:

| | Board Meetings | |
|---|---|---|
| | Number eligible to attend | Number attended |
| Mr Craig Burton | 5 | 5 |
| Mr Grant Davey | 5 | 5 |
| Mr Chris Bath | 5 | 5 |

There were no Board committees operating during the financial year. The Board as a whole currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee, and Remuneration Committee, however this will be reviewed should the size and nature of the Company's activities change.

## Directors' interests

The relevant interest of each director in the ordinary share capital of Cradle at the date of this report is:

| | Shares held in Cradle Resources Limited |
|---|---|
| Mr Craig Burton | 30,800,000[1] |
| Mr Grant Davey | 1,066,276[1] |
| Mr Chris Bath | - |

[1] Held by entities in which a relevant interest is held.

## Significant events after the balance date

During the year Cradle reached agreement with Tremont in connection with the Panda Hill Project and the current dispute and arbitration between Cradle and Tremont. Subject to shareholder approval, Cradle and Tremont agreed to dismiss the Arbitration and release each other from all associated claims, thereby bringing an end to this long running dispute. The Arbitration will be settled as follows:

- Cradle will buy-back Tremont's existing 19.5% shareholding in Cradle in return for transferring to Tremont 19.5% of Cradle's shares in PHT;
- PHT will issue Tremont and Cradle additional shares to convert existing loans from Tremont and Cradle to PHT to equity in PHT

The transactions result in Tremont holding 62.8% and Cradle holding 37.2%, respectively, of PHT shares.

On 18 September 2020, shareholders approved resolutions for the selective buy-back of 36,933,161 Shares from Tremont and the transfer of 4,607,389 PHT Shares from Cradle's wholly owned subsidiary PHM to Tremont. The completion of the transaction is subject to the Tanzanian Fair Competition Commission providing a "no objections" letter.

The effect of the transaction is to:

- Issue Cradle with additional shares in PHT to be offset against the amount owing by PHT to Cradle of $102,856
- reduce the total number of Cradle shares on issue to 152,748,622; and
- reduce Cradle equity by approximately $4.9 million.

The transaction will result in a gain being recognised in the year ended 30 June 2021.

Other than as outlined above, at the date of this report there are no matters or circumstances which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2020, of the Consolidated Entity.

## Share options and rights

As at the date of this report, there were nil Options issued over unissued Shares of the Company.

During the year ended 30 June 2020, no ordinary shares were issued as a result of the conversion of Performance Rights. Subsequent to year end and until the date of this report, no ordinary shares were issued following the conversion of Rights or exercise of Options.

## Indemnification and insurance of officers

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities. During the financial year, the Company paid an annualised insurance premium of $21,780 (2019: $24,200) to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

## Indemnification and insurance 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.

## Non-audit services

During the year, Ernst & Young (Australia), the Company's auditor, received $nil (2019: $nil) for the provision of non-audit services.

## Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 12 of the Annual Report.

## Remuneration report (audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

### Details of Key Management Personnel ("KMP")

Details of the KMP of the Group during or since the end of the financial year are set out below:

*Directors*

| | |
|---|---|
| Mr Craig Burton | Chairman |
| Mr Grant Davey | Executive Director |
| Mr Chris Bath | Non-Executive Director *(appointed 8 July 2019)* |
| Mr Ian Middlemas | Non-Executive Director (*resigned 8 July 2019*) |

*Other KMP*

| | |
|---|---|
| Mr Chris Bath | Company Secretary *(appointed 8 July 2019)* |
| Mr Greg Swan | Company Secretary (*resigned 8 July 2019*) |

Unless otherwise disclosed, the KMP held their position from 1 July 2019 until the date of this report.

### Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP: (i) the Group is currently focused on undertaking exploration and development activities; (ii) risks associated with small cap resource companies whilst exploring and developing projects; and (iii) other than profit which may be generated from asset sales, the Group does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

### Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long-term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

*Fixed Remuneration*

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and travel benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. No external remuneration consultants were used during the financial year.

*Performance Based Remuneration – Short Term Incentive ("STI")*

No key performance indicators ("KPI's") were set by the Board during the year.

Having regard to the current size, nature and opportunities of the Company, the Board may set KPI's that include measures such as: (i) successful exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs); (ii) successful development activities (e.g. completion of technical studies); (iii) successful corporate activities (e.g. recruitment and management of key personnel and investor relations activities); and (iv) successful business development activities (e.g. corporate transactions and capital raisings). These measures represent the key drivers in the short and medium-term success of the Company's development.

Where KPI's have been set, the Board will, on an annual basis subsequent to year end, assess performance against each individual executive's KPI criteria and considers the position of the Company to be able to award STI cash bonuses.

During the 2020 financial year, no cash bonuses were awarded to executive KMP (2019: $nil).

*Performance Based Remuneration – Long Term Incentive*
The Board does not currently have a long-term incentive plan ("LTIP") in place.

To achieve its corporate objectives and attract, incentivise, and retain key employees and contractors, the Board may grant long term incentives in the form of options and rights.

During the 2020 financial year, no Options or Rights were granted to executive KMP. At 30 June 2020, no Options and no Rights were held by executive KMP.

## Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the size, nature and risks of the Company, Incentive Options and Performance Rights may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. Given the size, nature and opportunities of the Company, Non-Executive Directors may also receive Options or Rights in order to secure and retain their services. The Company prohibits Non-Executive Directors entering into arrangements to limit their exposure to Options granted as part of their remuneration package.

Fees for the Chairman were set at $60,000 per annum (excluding post-employment benefits). Fees for Non-Executive Directors' were set at between $30,000 to $50,000 per annum (excluding post-employment benefits). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

During the 2020 financial year, no Options or Rights were granted to Non-Executive Directors. At 30 June 2020, no Options and no Rights were held by Non-Executive Directors.

## Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous financial years. Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP have received Incentive Options and Performance Rights which will be of greater value to KMP if the value of the Company's shares increases.

## Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of potential material asset sales) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of KMP.

## Remuneration of Directors and Other Key Management Personnel

Details of the remuneration of each Director and KMP of the Group are as follows:

| 2020 | Short-term benefits Salary & fees $ | Short-term benefits Cash bonus $ | Post-employment benefits $ | Share-based payments $ | Termination benefits $ | Total $ | Percentage performance related % |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr Craig Burton[1] | **59,812** | - | - | - | - | **59,812** | - |
| Mr Ian Middlemas | - | - | - | - | - | - | - |
| Mr Grant Davey | **120,000** | - | - | - | - | **120,000** | - |
| Mr Chris Bath | **29,348** | | | | | **29,348** | |
| **Other KMP** | | | | | | | |
| Mr Greg Swan | - | - | - | - | - | - | - |
| | **209,160** | - | - | - | - | **209,160** | - |

[1]A company associated with Mr Burton provides administration services, accounting and financial reporting support, telephone and IT facilities, office space and printing and office consumables to Cradle. During the year, Cradle paid $117,742 for these services.

| 2019 | Short-term benefits Salary & fees $ | Short-term benefits Cash bonus $ | Post-employment benefits $ | Share-based payments $ | Termination benefits $ | Total $ | Percentage performance related % |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr Craig Burton | **50,000** | - | - | - | - | **50,000** | - |
| Mr Ian Middlemas | **36,000** | - | - | - | - | **36,000** | - |
| Mr Grant Davey | **120,000** | - | - | - | - | **120,000** | - |
| | | | | | | | - |
| **Other KMP** | | | | | | | |
| Mr Greg Swan[1] | - | - | - | - | - | - | - |
| | **206,000** | - | - | - | - | **206,000** | |

[1]Mr Swan provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd (Apollo). During the year, Apollo was paid $180,000 for the provision of administration and company secretarial services to the Group.

No Options or Rights were granted to KMP of the Group by the Company during the financial year, and no Options or Rights previously granted to KMP were exercised or lapsed during the financial year.

## Option and Right Holdings of Key Management Personnel

| | Held at 1 July 2019 | Lapsed | Held at 30 June 2020 | Vested and exercisable at 30 June 2020 |
|---|---|---|---|---|
| **Directors** | | | | |
| Mr Ian Middlemas | - | - | - | -[1] |
| Mr Craig Burton | - | - | - | - |
| Mr Grant Davey | - | - | - | - |
| Mr Chris Bath | - | - | - | - |
| **Other KMP** | | | | |
| Mr Greg Swan | - | - | - | -[1] |

[1]As at the date of resignation

## Shareholdings of Key Management Personnel

| | Held at 1 July 2019 | On-market purchases | Sales | Held at 30 June 2020 |
|---|---|---|---|---|
| **Directors** | | | | |
| Mr Ian Middlemas | **15,400,000** | - | - | **15,400,000**[1] |
| Mr Craig Burton | **30,800,000** | - | - | **30,800,000** |
| Mr Grant Davey | **1,066,276** | - | - | **1,066,276** |
| Mr Chris Bath | - | - | - | - |
| **Other KMP** | | | | |
| Mr Greg Swan | **250,000** | - | - | **250,000**[1] |

[1]As at the date of resignation

## Loans involving Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2020 (2019: Nil).

## Contracts with Directors and KMP

Mr Grant Davey, Executive Director, is engaged under a consultancy agreement with Matador Capital Pty Ltd ("Matador"). The agreement may be terminated by either party at any time for any or no reason without payment or penalty upon at least one (1) months' prior written notice of termination to the other, or payment in lieu thereof. Matador receives a monthly retainer of A$10,000 and will receive a discretionary bonus based on achievement of key performance indicators to be determined by the Board.

Mr Greg Swan provided services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ("Apollo"). Apollo receives a monthly retainer of A$15,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group. The agreement may be terminated by either party at any time for any or no reason without payment or penalty upon at least one (1) months' prior written notice of termination to the other, or payment in lieu thereof.

Signed in accordance with a resolution of the Directors.

**GRANT DAVEY**
**Executive Director**

29 September 2020

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 the financial report of Cradle Resources Limited for the financial year ended 30 June 2020, 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

T S Hammond
Partner
Perth
29 September 2020

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| Interest income | | **12,892** | 37,676 |
| Corporate and administrative expenses | | **(356,450)** | (292,045) |
| Arbitration expenses | | **-** | (55,784) |
| Independent expert report expenses | | **(18,312)** | - |
| Employee benefits expenses | 1 | **(209,160)** | (206,000) |
| Share of loss of joint venture interests | 6 | **(20,583)** | (20,805) |
| Other income and expenses | 1 | **57,009** | 293,378 |
| **Loss before income tax** | | **(534,604)** | (243,580) |
| Income tax expense | 2 | **-** | - |
| **Loss for the period** | | **(534,604)** | (243,580) |
| **Loss attributable to members of Cradle Resources Limited** | | **(534,604)** | (243,580) |
| | | | |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Exchange differences arising on translation of foreign operations | 9 (e) | **493,132** | 1,169,757 |
| **Other comprehensive (loss)/income for the period, net of tax** | | **493,132** | 1,169,757 |
| **Total comprehensive loss for the period** | | **(41,472)** | 926,177 |
| **Total comprehensive loss attributable to members of Cradle Resources Limited** | | **(41,472)** | 926,177 |
| | | | |
| **Earnings per share** | | | |
| Basic and diluted loss per share (cents per share) | 11 | **(0.28)** | (0.13) |

The accompanying notes form part of the financial statements.

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **1,182,078** | 1,865,314 |
| Other receivables | 5 | **36,823** | 18,933 |
| **Total Current Assets** | | **1,218,901** | 1,884,247 |
| | | | |
| **Non-current Assets** | | | |
| Other receivables | 5 | **102,856** | 102,856 |
| Interest in joint ventures | 6 | **23,717,870** | 23,056,027 |
| **Total Non-Current Assets** | | **23,820,726** | 23,158,883 |
| | | | |
| **TOTAL ASSETS** | | **25,039,627** | 25,043,130 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 7 | **94,047** | 56,078 |
| **Total Current Liabilities** | | **94,047** | 56,078 |
| | | | |
| **TOTAL LIABILITIES** | | **94,047** | 56,078 |
| | | | |
| **NET ASSETS** | | **24,945,580** | 24,987,052 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 8 | **31,245,828** | 31,245,828 |
| Reserves | 9 | **14,302,365** | 13,809,233 |
| Accumulated losses | 10 | **(20,602,613)** | (20,068,009) |
| **TOTAL EQUITY** | | **24,945,580** | 24,987,052 |

The accompanying notes form part of the financial statements.

| | Issued Capital<br>$ | Share Based Payments Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Consolidation Reserve<br>$ | Accumulated Losses<br>$ | Total Equity<br>$ |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | **31,245,828** | **-** | **2,887,952** | **10,921,281** | **(20,068,009)** | **24,987,052** |
| Net loss for the year | **-** | | **-** | **-** | **(534,604)** | **(534,604)** |
| **Other comprehensive income:** | | | | | | |
| Exchange differences on translation of foreign operations | **-** | **-** | **493,132** | **-** | **-** | **493,132** |
| **Total comprehensive loss for the period** | **-** | **-** | **493,132** | **-** | **(534,604)** | **(41,472)** |
| | | | | | | |
| **Transactions with owners recorded directly in equity:** | | | | | | |
| Share placement | **-** | **-** | **-** | **-** | **-** | **-** |
| Share issue costs | **-** | **-** | **-** | **-** | **-** | **-** |
| Conversion of performance rights | **-** | **-** | **-** | **-** | **-** | **-** |
| Expiry of options | **-** | **-** | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2020** | **31,245,828** | **-** | **3,381,084** | **10,921,281** | **(20,602,613)** | **24,945,580** |
| | | | | | | |
| **Balance at 1 July 2018** | 31,245,828 | 293,350 | 1,718,195 | 10,921,281 | (20,117,779) | 24,060,875 |
| Net loss for the year | - | - | - | - | (243,580) | (243,580) |
| **Other comprehensive income:** | | | | | | |
| Exchange differences on translation of foreign operations | - | - | 1,169,757 | - | - | 1,169,757 |
| **Total comprehensive loss for the period** | - | - | 1,169,757 | - | (243,580) | 926,177 |
| | | | | | | |
| **Transactions with owners recorded directly in equity:** | | | | | | |
| Share placement | - | - | - | - | - | - |
| Share issue costs | - | - | - | - | - | - |
| Conversion of performance rights | - | - | - | - | - | - |
| Expiry of options | - | (293,350) | - | - | 293,350 | - |
| **Balance at 30 June 2019** | 31,245,828 | - | 2,887,952 | 10,921,281 | (20,068,009) | 24,987,052 |

The Accompanying notes form part of these financial statements.

| | Notes | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Payments to suppliers, employees and others | | **(563,844)** | (692,760) |
| Interest received | | **12,892** | 37,675 |
| **Net cash used in operating activities** | 4(a) | **(550,952)** | (655,084) |
| **Cash flows used in investing activities** | | | |
| Contributions to joint venture | 6 | **(132,284)** | (189,833) |
| **Net cash used in investing activities** | | **(132,284)** | (189,833) |
| **Cash flows used in financing activities** | | **-** | - |
| **Net (decrease in cash and cash equivalents** | | **(683,236)** | (844,918) |
| Net foreign exchange differences | | **-** | - |
| Cash and cash equivalents at beginning of period | | **1,865,314** | 2,710,231 |
| **Cash and cash equivalents at end of period** | 4 | **1,182,078** | 1,865,314 |

The accompanying notes form part of these financial statements.

## Basis of Preparation

This section sets out the basis upon which the Group's (comprising Cradle Resources Limited and its subsidiaries) financial statements are prepared as a whole. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section.

Cradle Resources Limited (Cradle) is a for-profit company limited by shares incorporated in Australia whose shares are listed on the Australian Stock Exchange. The Group is principally engaged in the exploration and development of mineral resource projects.

The Company's registered office is at 102 Forrest Street, Cottesloe, Western Australia. These consolidated financial statements comprise the Company and its subsidiaries and were authorised for issue in accordance with a resolution of the directors on 29 September 2020.

### Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial report has been prepared on a historical cost basis, and the financial report is presented in Australian dollars, unless otherwise stated.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2020, the Group had cash and cash equivalents of $1,182,078 (2019: $1,865,314) and net current assets of $1,124,854 (2019: $1,828,169).

The Directors consider that the Group is a going concern and can fund its planned project expenditures during the twelve-month period from the date of signing this report.

As previously advised, the Company and Tremont are in dispute regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration. The arbitration hearing has been adjourned by mutual agreement, pending renegotiation of the Shareholders Agreement. A revised agreement has now been reached and shareholders approved the terms of this agreement (**Tremont Agreement**) on 18 September 2020. Completion is subject to the Tanzanian Fair Competition Commission providing a "no objections" letter. As a result, Cradle will have no further financial exposure to PHT or the Panda Hill Project whilst retaining significant upside upon the project achieving development funding. If the Tremont Agreement does not complete, and, if the definitive feasibility study which has been presented is accepted as a definitive feasibility study within the meaning of the Shareholders Agreement the parties will then consider whether to proceed with construction of a mine to carry out mining activities on the Project ("Decision to Mine"). Any Decision to Mine on the Project will require Cradle to provide funding to PHT based on its pro-rata shareholding in PHT or dilute its interest in PHT based upon a value of such interest of US$20 million plus contributions made by Cradle since October 2015, which is currently approximately US$3.5 million.

### Key judgements and estimates

In the process of applying the Group's accounting policies, management has had to make judgements, estimates and assumptions about future events that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates and in the current year these estimates and judgements incorporate the impact of uncertainties associated with COVID-19 as outlined below. The reasonableness of these estimates and underlying assumptions are reviewed on an ongoing basis. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

#### 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 necessary to recognise an impairment loss on its investments in joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises an impairment in the 'Share of profit of a joint venture' in the statement

### COVID-19 Financial impacts

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The impact of COVID-19 has seen significant volatility in commodity and foreign exchange markets with restrictions on the movement of people and goods within both Australia and overseas and there remains ongoing uncertainty about the extent and duration of its impact on demand and prices for commodities, including niobium. Expenditure at the Panda Hill Project continues to be kept at a low level while discussions with the Tanzanian government continue and there is not expected to be any impact on the financial results of Cradle in the short term.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. 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.

Generally, there is a presumption that a majority of voting rights results in control. 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 related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### Investments 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 joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate and joint venture 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 not tested for impairment separately.

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 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, and then recognises an impairment within '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.

### Foreign currencies

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.

*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.

**Income tax**

*Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

*Deferred income tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

**Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held on call with financial institutions.

**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.

**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.

**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.

**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.

### Goods and services tax

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.

### 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.

### 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.

### 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.

### 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.

### Parent entity information

The financial information for the parent entity, Cradle Resources Limited, disclosed in note 13 has been prepared on the same basis as the consolidated financial statements, except as set out below:

*Investments in subsidiaries and joint venture entities*

Investments in subsidiaries 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.

*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. The determination of joint control was based on the Group's voting rights and potential voting rights. Refer to Note 6 for further details on interests in joint ventures.

*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. Refer to Note 14 for further details on assumptions and estimates.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

### Leases

The Group has adopted AASB 16 on 1 July 2019.

From 1 July 2019, leases are recognised as a lease asset and a corresponding liability at the date at which the leased asset is available for use by the Group. A lease is a contract (i.e., an agreement between two or more parties that creates enforceable rights and obligations), or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of an identified asset.

As the Group has not entered into any contracts that convey the right to use an asset for a period of time in exchange for consideration, there is no financial impact from the adoption of this standard.

## 1. Other income and expenses

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Sundry income | | **57,009** | 288,744 |
| Net foreign exchange gains/(losses) | | **-** | 4,364 |
| Total other income included in profit or loss | | **57,009** | 293,378 |
| **Employee benefits expense (including directors and officers)** | | | |
| Wages, salaries and fees | | **(209,160)** | (206,000) |
| Employee benefits expense included in profit or loss | | **(209,160)** | (206,000) |
| Share-based payment expense included in profit or loss | 14 | **-** | - |
| Total employee benefits expense included in profit or loss | | **(209,160)** | (206,000) |

## 2. Income tax

| | 2020 $ | 2019 $ |
|---|---|---|
| **Recognised in profit or loss** | | |
| Current income tax: | | |
| Current income tax expense in respect of the current year | **-** | - |
| Deferred income tax: | | |
| Relating to origination and reversal of temporary differences | **(105,605)** | - |
| Adjustments in respect of current income tax of previous years | **(8,250)** | - |
| DTA not brought to account | **113,905** | - |
| Income tax expense included in profit or loss | **-** | - |

| (a) Reconciliation between tax expense and accounting profit or loss before income tax | 2020 $ | 2019 $ |
|---|---|---|
| Accounting loss before income tax | **(534,604)** | (243,580) |
| At the domestic income tax rate of 27.5% (2019: 27.5%) | **(147,016)** | (66,984) |
| Adjustment to income tax expense due to: | | |
| Non-deductible expenditure | **41,362** | 21,202 |
| Deductible expenditure | **(8,250)** | - |
| Deferred tax assets not brought to account | **113,905** | 45,782 |
| Income tax expense attributable to profit or loss | **-** | - |

| (b) Deferred Tax Assets and Liabilities | 2020 | 2019 |
|---|---|---|
| Deferred income tax at balance date relates to the following: | $ | $ |
| Deferred Tax Asset | | |
| Capital allowances | **15,808** | 14,525 |
| Tax losses | **2,010,252** | 1,954,685 |
| Deferred tax assets not brought to account [1] | **(2,026,060)** | (1,969,210) |
| | **-** | - |

[1] The benefit of deferred tax assets not brought to account will only be brought to account if: (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

## 2. Income tax (continued)

### (c) Tax Consolidation

The Company and its wholly-owned Australian resident entities have not formed a tax consolidated group.

## 3. Dividends paid or provided for on ordinary shares

No dividends have been paid or proposed for the year ended 30 June 2020 (2019: Nil).

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Franking Credit Balance** | | |
| Franking credits available to shareholders of Cradle Resources Limited for subsequent financial years | **-** | - |

## 4. Cash and cash equivalents

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash at bank | **1,182,078** | 1,865,314 |

### (a) Reconciliation of net loss after tax to net cash used in operating activities

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Loss for the year | **(534,604)** | (243,580) |
| Adjustments to reconcile profit before tax to net cash flows: | | |
| Share of loss of joint venture interests | **20,583** | 20,804 |
| Net foreign exchange differences | **-** | (4,634) |
| Gain on investment | **(57,009)** | (288,744) |
| Change in operating assets and liabilities: | | |
| Decrease/(Increase) in trade and other receivables | **2,090** | 27,179 |
| Decrease/(Increase) in prepayments | **(19,980)** | - |
| (Decrease)/Increase in trade and other payables | **37,968** | (166,111) |
| Net cash outflow from operating activities | **(550,952)** | (655,085) |

## 5. Other receivables

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | | |
| Prepayments | **19,980** | - |
| GST receivable | **16,843** | 18,933 |
| Total current trade and other receivables | **36,823** | 18,933 |
| **Non-current** | | |
| Loans to joint venture[1] | **102,856** | 102,856 |
| Total non-current trade and other receivables | **102,856** | 102,856 |

[1] Loans to joint venture represents shareholder loans from the Company to Panda Hill Tanzania Ltd to fund ongoing exploration and evaluation activities. The loans are unsecured, interest free, and repayable on demand.

## 6. Interest in joint ventures

| | | 2020 $ | 2019 $ |
|---|---|---|---|
| Panda Hill Tanzania Ltd | 6(a) | **23,717,870** | 23,056,027 |
| Total interest in joint ventures | | **23,717,870** | 23,056,027 |

### (a) Panda Hill Tanzania Ltd

On 6 June 2014, the Company executed an Investment and Shareholders Agreement with Tremont Investments Limited ("Tremont"), Panda Hill Mining Pty Ltd ("PHM") and Panda Hill Tanzania Ltd ("PHT") to fund the Project, pursuant to which Tremont has earned a 50% interest in the Project for US$20 million. The Board of PHT is comprised of two representatives of the Company and two representatives of Tremont. Certain significant decisions will require unanimous approval over the operations of PHT. As the relevant activities of PHT require approval by both parties and both parties have rights to the net assets, 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. The carrying value is measured using the equity method of accounting.

| | 2020 $ | 2019 $ |
|---|---|---|
| **Reconciliation of movements in interest in Panda Hill Tanzania Ltd** | | |
| Carrying amount at 1 July | **23,056,027** | 21,428,498 |
| Acquisition of interest in/contributions to joint venture [1] | **189,679** | 478,577 |
| Foreign exchange differences | **492,747** | 1,169,757 |
| Share of joint venture (loss)/profit for the year | **(20,583)** | (20,805) |
| Carrying amount at 30 June | **23,717,870** | 23,056,027 |
| **Summarised statement of financial position for Panda Hill Tanzania Ltd** | | |
| Cash and cash equivalents | **26,956** | 226,581 |
| Other current assets | **1,473,870** | 1,438,248 |
| Non-current assets | **52,038,146** | 50,422,939 |
| Current liabilities | **(6,103,233)** | (5,975,713) |
| Net assets | **47,435,739** | 46,112,055 |
| **Reconciliation of net assets to equity accounted amounts** | | |
| Group's share of net assets (2020: 50%; 2019: 50%) | **23,717,870** | 23,056,027 |
| Carrying amount at 30 June | **23,717,870** | 23,056,227 |

**Notes:**

[1] During the 2019 financial year, the Company made cash contributions to the joint venture totalling $189,833, being the Company's share of cash call requests to cover project expenditures. A further $288,744 were deemed contributions to the joint venture.

At year end an assessment was made of any potential impairment triggers in relation to the value of the interest in PHT. The directors determined that there was no objective evidence of impairment in respect of the Group's investment in PHT and accordingly no impairment adjustment has been made against the investment. In making this determination, the directors had regard to the valuation described below.

During the year Cradle reached agreement with Tremont in connection with the Panda Hill Project and the current dispute and arbitration between Cradle and Tremont (**Tremont Agreement**). Cradle and Tremont agreed to dismiss the Arbitration and release each other from all associated claims, thereby bringing an end to this long running dispute. The Arbitration will be settled as follows:

- Cradle will buy-back Tremont's existing 19.5% shareholding in Cradle (36,933,161) in return for transferring to Tremont 19.5% of Cradle's shares in PHT (4.6m PHT shares);
- PHT will issue Tremont and Cradle additional shares to convert existing loans from Tremont and Cradle to PHT to equity in PHT.

On 18 September 2020 Shareholders approved the transaction with Tremont. The completion of the transaction is subject to the Tanzanian Fair Competition Commission providing a "no objections" letter.

The transactions result in Tremont holding 62.8% and Cradle holding 37.2%, respectively, of PHT shares.

In relation to the Tremont Agreement, the Directors commissioned an independent expert, RSM Corporate Australia Pty Ltd (**RSM**), to prepare a report to ascertain whether the transaction was fair and reasonable to Shareholders (other than Tremont). As part of this report, RSM assessed the value of Cradle's interest in PHT. Cradle subsequently engaged SRK Consulting (Australasia) Pty Ltd (**SRK**) to prepare an Independent Specialist Report in relation to matters on which RSM is not an expert.

RSM's valuation is on the basis of fair market value, being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

## 6. Interest in joint ventures (continued)

SRK considers that the Panda Hill Project is a pre-development project and accordingly adopted the following valuation methodologies in determining its assessed range of values:

- Market – Sales Comparison Approach; and
- Cost – Yardstick Factors.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis. SRK placed most reliance on the values implied by the Sales Comparison Approach, which is based on a review of global transactions involving niobium as the primary commodity to be produced. SRK undertook an assessment of the agreement terms and then these values were normalised to 1 July 2020 niobium pentoxide price of US$30.3/Kg.

As a cross-check, SRK also considered a cost-based method for its valuation of the Panda Hill resources and exploration target.

SRK concluded that the valuation range for a 100% interest in the Panda Hill Project as at 1 July 2020 is between $47.0m and $62.1m, with a preferred value of $54.0m.

RSM considered the other assets and liabilities of PHT, which primarily relate to minor cash holdings and outstanding balances with joint venture partners.

Reflecting the 50% interest held by Cradle in PHT, the RSM assessed value is in the range $20.20m and $27.75m, with a preferred value of $23.7m.

## 7. Trade and other payables

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Trade creditors | **36,563** | 26,078 |
| Accrued expenses | **57,482** | 30,000 |
| | **94,045** | 56,078 |

## 8. Contributed equity

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Issued capital** | | |
| 189,681,783 fully paid ordinary shares (2019: 189,681,783) | **31,245,828** | 31,245,828 |

### (a) Movements in Issued Capital During the Past Two Years

There were no shares issued during the period.

### (b) Rights Attaching to Ordinary Shares

The rights attaching to fully paid ordinary shares ("Shares") arise from a combination of the Company's Constitution, statute and general law.

(i) *Shares* - The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) *Meetings of Members* - Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders. The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) *Voting* - Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents. On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution* - The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules* - Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

## 9. Reserves

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Share based payments reserve** | 10(b) | - | - |
| **Foreign currency translation reserve** | 10(e) | 3,381,085 | 2,887,952 |
| **Consolidation reserve** | 10(f) | 10,921,281 | 10,921,281 |
| **Total reserves** | | 14,302,366 | 13,809,233 |

### (a) Nature and Purpose of Reserves

*Share based payments reserve*
The share based payments reserve is used to record the fair value of options and performance rights issued by the Group.

*Foreign currency translation reserve*
Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(g). The reserve is transferred to statement of profit or loss and other comprehensive income when the net investment is disposed of.

*Consolidation reserve*
On 6 June 2014, the Group entered into an Investment and Shareholders Agreement with Tremont, PHM and PHT to fund the Project, pursuant to which Tremont was granted 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. The transaction was accounted for as an equity transaction with a non-controlling interest.

### (b) Movements in options and performance rights granted as share-based payments during the past two years

| Date | Details | Number of Options | Number of Performance Rights | $ |
|---|---|---|---|---|
| **2020** | | | | |
| 1-Jul-19 | Opening balance | - | - | - |
| 30-Jun-20 | Closing balance | - | - | - |
| **2019** | | | | |
| 1-Jul-18 | Opening balance | 3,250,000 | - | **293,350** |
| 1-Oct-18 | Lapse of unlisted $0.25 incentive options | (3,250,000) | - | **(293,350)** |
| 30-Jun-19 | Closing balance | - | - | - |

## 9. Reserves (continued)

### (c) Terms and Conditions of Incentive Options

Unlisted share options ("Options") are granted based upon the following terms and conditions:

(i) Each Option entitles the holder to the right to subscribe for one Share upon the exercise of each Option;
(ii) The Options are unlisted options exercisable at $0.25 each on or before 31 October 2018;
(iii) The Options are exercisable at any time prior to the expiry date, subject to vesting conditions being satisfied (if applicable);
(iv) Shares issued on exercise of the Options rank equally with the then Shares of the Company;
(v) Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options;
(vi) If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
(vii) No application for quotation of the Options will be made by the Company.

### (d) Terms and Conditions of Performance Rights

Unlisted performance rights ("Rights") are granted based upon the following terms and conditions:

(i) Each Right automatically converts into one Share upon vesting of the Right;
(ii) Each Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Right to vest;
(iii) Shares issued on conversion of the Rights rank equally with the then Shares of the Company;
(iv) Application will be made by the Company to ASX for official quotation of the Shares issued upon conversion of the Rights;
(v) If there is any reconstruction of the issued share capital of the Company, the rights of the Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
(vi) No application for quotation of the Rights will be made by the Company.

### (e) Movements in foreign currency translation reserve during the past two years

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Foreign Currency Translation Reserve** | | |
| Balance at 1 July | **2,887,952** | 1,718,195 |
| Exchange differences on translation of foreign operations | **493,132** | 1,169,757 |
| Balance at 30 June | **3,381,084** | 2,887,952 |

### (f) Movements in consolidation reserve during the past two years

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Consolidation Reserve** | | |
| Balance at 1 July | **10,921,281** | 10,921,281 |
| Balance at 30 June | **10,921,281** | 10,921,281 |

## 10. Accumulated losses

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Balance at 1 July | **(20,068,009)** | (20,117,779) |
| Net loss for the year attributable to members of the parent | **(534,604)** | (243,580) |
| Expiry of share options transferred to accumulated losses | **-** | 293,350 |
| Balance at 30 June | **(20,602,613)** | (20,068,009) |

## 11. Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | 2020 $ | 2019 $ |
|---|---|---|
| **Basic Earnings:** | | |
| Net loss attributable to members of the parent entity | **(534,604)** | (243,580) |
| **Weighted Number of Ordinary Shares** | | |
| Basic earnings per share | **189,681,783** | 189,681,783 |
| Diluted earnings per share | **189,681,783** | 189,681,783 |
| Basic (loss)/earnings per share | **(0.28)** | (0.13) |
| Diluted (loss)/earnings per share | **(0.28)** | (0.13) |

### (a) Recognition and measurement

There are no dilutive shares at 30 June 2020.

Since 30 June 2020, nil Ordinary Shares and nil Incentive Securities have been issued. There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

## 12. Related parties

### (a) Subsidiaries

| | | % Equity Interest | |
|---|---|---|---|
| **Name** | **Country of Incorporation** | **2020 %** | **2019 %** |
| Songwe Hill Limited | Tanzania | **100%** | 100% |

### (b) Ultimate Parent

Cradle Resources Limited is the ultimate parent of the Group.

### (c) Key Management Personnel

| | 2020 $ | 2019 $ |
|---|---|---|
| Short-term employee benefits | **209,160** | 206,000 |
| Other | **-** | - |
| | **209,160** | 206,000 |

Further details relating to Key Management Personnel, including remuneration details and equity holdings are included in the Remuneration Report.

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2020 (2019: Nil).

There were no other transactions with KMP during the year ended 30 June 2020.

### (d) 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.

## 13. Parent entity disclosures

| | 2020 $ | 2019 $ |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current Assets | **1,218,901** | 1,884,247 |
| Non-Current Assets | **23,820,727** | 23,158,883 |
| Total Assets | **25,039,628** | 25,043,130 |
| **Liabilities** | | |
| Current Liabilities | **94,045** | 56,078 |
| Total Liabilities | **94,045** | 56,078 |
| **Equity** | | |
| Contributed equity | **31,245,687** | 31,245,687 |
| Reserves | **14,301,451** | 13,808,321 |
| Accumulated losses | **(20,601,560)** | (20,066,956) |
| Total Equity | **24,945,581** | 24,987,053 |
| **Financial Performance** | | |
| Loss for the year | **(534,604)** | (243,579) |
| Total comprehensive profit/(loss) | **(534,604)** | (243,579) |

### (a) Other information

The Company has not entered into any guarantees in relation to its subsidiaries. Refer to Note 18 for details of contingent assets and liabilities.

## 14. Share-based payments

### (a) Recognised Share-based Payment Expense

From time to time, the Group provides Incentive Options or Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required.

During the past two years, no share-based payments have been recognised.

### (b) Summary of Incentive Options and Performance Rights granted as Share-Based Payments

There were no Incentive Options or Performance Rights granted as share-based payments during the last two years.

The following table illustrates the number and weighted average exercise prices (WAEP) of Incentive Options and Performance Rights granted as share-based payments at the beginning and end of the financial year:

| | 2020 Number | 2020 WAEP | 2019 Number | 2019 WAEP |
|---|---|---|---|---|
| **Outstanding at beginning of year** | **-** | **-** | 3,250,000 | $0.25 |
| Converted/exercised during the year | **-** | **-** | - | - |
| Granted during the year | **-** | **-** | - | - |
| Lapsed during the year | **-** | **-** | (3,250,000) | $0.25 |
| **Outstanding at end of year** | **-** | **-** | - | - |

## 14. Share-based payments (continued)

### (c) Weighted Average Remaining Contractual Life

At 30 June 2020, the weighted average remaining contractual life of Incentive Options and Performance Rights on issue that had been granted as share-based payments was 0 years (2019: 0 years).

### (d) Range of Exercise Prices

At 30 June 2020 and 30 June 2019 there were no Options and Performance Rights on issue.

### (e) Weighted Average Fair Value

There were no Incentive Options granted as share-based payments during the current financial year or the previous financial year.

### (f) Option and Rights Pricing Model

The fair values of the equity-settled Incentive Options and Performance Rights granted are estimated as at the date of grant using the Black Scholes or Binomial option valuation model taking into account the terms and conditions upon which the options were granted. There were no Incentive Options or Performance Rights granted by the Group during the last two financial years.

## 15. Auditors' remuneration

The auditor of Cradle Resources Limited is Ernst & Young.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Amounts received or due and receivable by Ernst & Young (Australia) for: | | |
| • an audit or review of the financial report of the Company and any other entity in the consolidated group | **35,500** | 32,000 |
| • taxation and advisory services provided to the Company and any other entity in the consolidated group | **-** | - |
| | **35,500** | 32,000 |

## 16. Segment information

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

### (a) Reconciliation of Non-Current Assets by geographical location

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Australia | **-** | - |
| Tanzania | **23,820,727** | 23,158,883 |
| | **23,820,727** | 23,158,883 |

Non-Current Assets for this purpose consist of interests in/loans to joint ventures.

## 17. Financial risk management objectives and policies

### (a) Overview

The Group's principal financial instruments comprise interest in joint ventures, receivables, payables, and cash. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

## 17. Financial risk management objectives and policies (continued)

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

### (b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

The carrying amount of the Group's cash and cash equivalents and trade and other receivables represents the maximum credit risk exposure, as represented below:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash and cash equivalents | **1,182,078** | 1,865,314 |
| Other receivables | **36,823** | 18,933 |
| Loans to joint venture | **102,856** | 102,856 |
| | **1,321,757** | 1,987,103 |

With respect to credit risk arising from cash and cash equivalents and trade and other receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts. Trade and other receivables are comprised primarily of loans to joint ventures, GST receivable and refundable deposits. Where possible the Group trades only with recognised, creditworthy third parties.

### (c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2020 and the date of this report, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments for the Group, are provided below. There are no netting arrangements in respect of financial liabilities.

| | ≤6 Months<br>$ | 6-12 Months<br>$ | 1-5 Years<br>$ | ≥5 Years<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 94,045 | - | - | - | **94,045** |
| | **94,045** | - | - | - | **94,045** |
| **2019** | | | | | |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 56,078 | - | - | - | 56,078 |
| | 56,078 | - | - | - | 56,078 |

### (d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of interests in joint ventures, receivables and payables are non-interest bearing. The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

## 17. Financial risk management objectives and policies (continued)

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Interest-bearing financial instruments** | | |
| Cash and cash equivalents | **1,182,078** | 1,865,314 |
| | **1,182,078** | 1,865,314 |

The Group's cash at bank had a weighted average floating interest rate at year end of 0.90%. At the reporting date, the Group did not have any material exposures to interest rate risk.

### (e) 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 Dollar (USD).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

At the reporting date, the Group did not have any material exposure to financial instruments denominated in foreign currencies.

### (f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

### (g) Capital Management

The Group defines its capital as total equity of the Group, being $24,945,581 as at 30 June 2020 (2019: $24,987,052). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities.

### (h) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value.

## 18. Commitments and contingencies

As previously advised, the Company and Tremont were in dispute regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute had been referred to arbitration.

During the year Cradle reached agreement with Tremont to settle the arbitration, subject to shareholder approval. On 18 September 2020 Shareholders approved the transaction with Tremont. The completion of the transaction is subject to the Tanzanian Fair Competition Commission providing a “no objections” letter.

## 19. Events subsequent to balance date

During the year Cradle reached agreement with Tremont in connection with the Panda Hill Project and the current dispute and arbitration between Cradle and Tremont. On 18 September 2020 Shareholders approved the transaction with Tremont. The completion of the transaction is subject to the Tanzanian Fair Competition Commission providing a “no objections” letter.

Cradle and Tremont agreed to dismiss the Arbitration and release each other from all associated claims, thereby bringing an end to this long running dispute. The Arbitration will be settled as follows:

- Cradle will buy-back Tremont's existing 19.5% shareholding in Cradle (36,933,161) in return for transferring to Tremont 19.5% of Cradle's shares in PHT (4.6m PHT shares);
- PHT will issue Tremont and Cradle additional shares to convert existing loans from Tremont and Cradle to PHT to equity in PHT.

The transactions result in Tremont holding 62.8% and Cradle holding 37.2%, respectively, of PHT shares.

## 19. Events subsequent to balance date (continued)

On 18 September 2020, shareholders approved resolutions for the selective buy-back of 36,933,161 Shares from Tremont and the transfer of 4,607,389 PHT Shares from Cradle's wholly owned subsidiary PHM to Tremont. The completion of the transaction is subject to the Tanzanian Fair Competition Commission providing a "no objections" letter.

The effect of the transaction is to:

- Issue Cradle with additional shares to be offset against the amount owing by PHT to Cradle of $102,856
- reduce the total number of Cradle shares on issue to 152,748,622; and
- reduce Cradle equity by approximately $4.9 million.

The transaction will result in a gain being recognised in the year ended 30 June 2021.

Other than as outlined above, at the date of this report there are no matters or circumstances which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2020, of the Consolidated Entity.

## Directors' declaration

In accordance with a resolution of the Directors of Cradle Resources Limited:

1. In the opinion of the Directors:

   (a) the financial statements and notes of Cradle Resources Limited for the financial year ended 30 June 2020 are 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 2020 and its performance for the year ended on that date; and

   (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

   (b) The financial statements and notes are in compliance with International Financial Reporting Standards, as noted in the Basis of Preparation which forms part of the financial statements.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board

**GRANT DAVEY**
**Executive Director**

29 September 2020

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

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

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Cradle Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment accounted for using the equity method

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| As disclosed in Note 6, the Group holds an investment in the Panda Hill joint venture, carried at $23.7 million at 30 June 2020. The application of the equity method of accounting for the joint venture investment is predicated on the Group having joint control with the other party under the arrangement.<br><br>This is considered a key audit matter due to the following:<br><br>► The significance of the balance to the overall financial position of the Group<br><br>► The judgment involved in assessing whether the entity is controlled or a joint venture. The Group's assessment on whether it has control is based on the Investment and Shareholders' Agreement<br><br>► The assessment of the recoverability of the investment is subject to significant judgement as to the identification of objective evidence of impairment. The Group determined that there was no such evidence of impairment at 30 June 2020 | In performing our procedures:<br><br>► We considered the Group's assessment that it has joint control over the investment based on the Investment and Shareholders' Agreement<br><br>► We confirmed that there were no changes to the joint venture arrangement with respect to decision making power<br><br>► We agreed the Group's contributions to the joint venture during the period to supporting documentation and considered the calculation of the Group's share of the joint venture's foreign currency translation reserve and loss for the year<br><br>► We considered, with involvement from our valuation specialists, the Group's assessment of whether any objective evidence of impairment existed at 30 June 2020 with respect to the investment in the joint venture<br><br>► We assessed the adequacy of the disclosure included in the financial report relating to the investment in the joint venture, including the equity accounted result. |

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2. Going concern basis of preparation

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| As disclosed in the basis of preparation included in the notes to the financial statements, the financial statements have been prepared on a going concern basis. In determining that there is a reasonable basis to conclude that the Group can pay its debts as and when they fall due, the directors have noted that the settlement of the Groups' arbitration with Tremont Investments Limited ("Tremont") is subject to various approvals. The directors also note that if these approvals are not received, and if the Group is unsuccessful in its arbitration with Tremont, then Tremont may decide to proceed with construction of a mine to carry out mining activities on the Panda Hill project. If this occurs then the Group will require additional funding to fund its share of expenditure, or alternatively can dilute its interest in the Panda Hill project by not contributing to the development.<br><br>The going concern assumption is fundamental to the basis of preparation of the financial report. This is considered a key audit matter due to the judgement involved in preparing cash flow forecasts and determining whether there is a reasonable basis to conclude that the Group can pay its debts as and when they fall due for a period of at least twelve months from the date of approval of the financial report. | We identified and evaluated the judgements and assumptions within the cash flow forecasts that form the basis of the Directors' assessment, which included the following procedures:<br><br>▶ We assessed the key assumptions in the cash flow forecasts with reference to the Group's contractual obligations and its estimated corporate and overhead costs<br><br>▶ We considered the potential impact of the arbitration between the Group and Tremont on the Group's ability to pay its debts as and when they fall due with reference to the Group's obligations under the existing Investment and Shareholders' Agreement with Tremont, and under the new agreement with Tremont that is still subject to final approvals<br><br>▶ We assessed the adequacy of the disclosure included in the financial report relating to going concern. |

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Cradle Resources Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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.

Ernst + Young

Ernst & Young

T.S Hammond
Partner
Perth
29 September 2020

# Mineral resources and ore reserves statement

## 1. Mineral Resources

The Company's Mineral Resources as at 30 June 2020 and 2019, reported in accordance with the 2012 Edition of the JORC Code, are:

| Panda Hill Niobium Project | | Mineral Resources as at 30 June 2020 (reported above a 0.3% $Nb_2O_5$ lower cut-off) | | | Mineral Resources as at 30 June 2019 (reported above a 0.3% $Nb_2O_5$ lower cut-off) | | |
|---|---|---|---|---|---|---|---|
| **Mineralisation Type** | **Classification** | **Tonnage (Mt)** | **$Nb_2O_5$ (%)** | **Contained $Nb_2O_5$ (kt)** | **Tonnage (Mt)** | **$Nb_2O_5$ (%)** | **Contained $Nb_2O_5$ (kt)** |
| **Primary Carbonatite**[1] | Measured | 14 | 0.62 | 84 | 14 | 0.62 | 84 |
| | Indicated | 50 | 0.49 | 247 | 50 | 0.49 | 247 |
| | Inferred | 103 | 0.48 | 496 | 103 | 0.48 | 496 |
| | **Subtotal** | **167** | **0.50** | 828 | **167** | **0.50** | 828 |
| **Weathered Carbonatite**[2] | Measured | 2 | 0.67 | 15 | 2 | 0.67 | 15 |
| | Indicated | 3 | 0.53 | 15 | 3 | 0.53 | 15 |
| | Inferred | 6 | 0.52 | 32 | 6 | 0.52 | 32 |
| | **Total** | **11** | **0.55** | **63** | **11** | **0.55** | **63** |
| **Combined Resource** | Measured | 16 | 0.63 | 99 | 16 | 0.63 | 99 |
| | Indicated | 53 | 0.50 | 263 | 53 | 0.50 | 263 |
| | Inferred | 109 | 0.48 | 528 | 109 | 0.48 | 528 |
| | **Subtotal** | **178** | **0.50** | **891** | **178** | **0.50** | **891** |

**Notes:**
1 Primary Carbonatite is defined as a region of fresh to Moderately Oxidised material dominated by carbonatite lithologies. This material is expected to have a higher metallurgical recovery.
2 Weathered Carbonatite is a region dominated by strongly oxidised material comprising weathered carbonatite with other mixed lithologies. This material is expected to have a lower recovery than the Primary Carbonatite material.
3 Figures have been rounded.

In April 2015, Cradle announced an updated Mineral Resource estimate for the Panda Hill Niobium Project, comprising 178 million tonnes at an average grade of 0.5% $Nb_2O_5$ (Niobium Oxide). Following the annual review of the Company's Mineral Resources, there has been no change to the Mineral Resources reported for the Panda Hill Niobium Project located in Tanzania.

## 2. Ore Reserves

The Company had no reported Ore Reserves as at 30 June 2020 and 2019.

## 3. Governance of Mineral Resources and Ore Reserves

The Company engages external consultants and competent persons (as determined pursuant to the JORC Code) to prepare and calculate estimates of its Mineral Resources and Ore Reserves. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the Mineral Resource and Ore Reserve estimates are then reported in accordance with the requirements of the JORC Code and other applicable rules (including ASX Listing Rules).

Where material changes occur during the year to a project, including the project's size, title, exploration results or other technical information then previous Mineral Resources or Ore Reserves estimates and market disclosures are reviewed for completeness.

The Company reviews its Mineral Resources and Ore Reserves as at 30 June each year. Where a material change has occurred in the assumptions or data used in a previously reported Mineral Resource or Ore Reserve, then where possible a revised Mineral Resource or Ore Reserve estimate will be prepared as part of the annual review process. However, there are circumstance where this may not be possible (e.g. an ongoing drilling programme), in which case a revised Mineral Resource or Ore Reserve estimate will be prepared and reported as soon as practicable.

## 4. Competent Person Statement

The information in this Mineral Resources Statement that relates to Mineral Resources is based on, and fairly represents, information compiled by Mr Ingvar Kirchner, who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Kirchner is a full-time employee of AMC Consultants and 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 Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Mineral Resources and Reserves'. Mr Kirchner approves and consents to the inclusion in the Mineral Resources Statement of the matters based on his information in the form and context in which it appears. Mr Kirchner has approved this Mineral Resource Statement as a whole and consents to its inclusion in the form and context in which it appears.

## ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2020.

### 1. Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

| Name | Number of Ordinary Shares | % |
|---|---|---|
| Tremont Investments Limited | 36,933,161 | 19.47 |
| Aviemore Capital Pty Ltd | 28,800,000 | 15.18 |
| Arredo Pty Ltd | 15,400,000 | 8.12 |
| Edwards Family Holdings Ltd | 14,250,000 | 7.51 |
| National Nominees Limited | 13,540,663 | 7.14 |
| Nero Resource Fund Pty Ltd | 6,820,423 | 3.66 |
| HSBC Custody Nominees (Australia) Limited | 6,460,750 | 3.41 |
| RECB Limited | 6,200,000 | 3.27 |
| Mr Brett Mitchell & Mrs Michelle Mitchell | 5,720,000 | 3.02 |
| Edwards Family Holdings Limited | 2,575,000 | 1.36 |
| Ms Nicole Gallin & Mr Kyle Haynes | 2,500,000 | 1.32 |
| Alba Capital Pty Ltd | 2,000,000 | 1.05 |
| Mr Azman Haroon | 1,963,359 | 1.04 |
| 31 May Pty Ltd | 1,643,268 | 0.87 |
| Blu Bone Pty Ltd | 1,608,112 | 0.85 |
| 1202 Management Pty Ltd | 1,600,000 | 0.84 |
| Mr Mark John Bahen & Mrs Margaret Patricia Bahen | 1,550,000 | 0.82 |
| Abrolhos Edge Pty Ltd | 1,450,000 | 0.76 |
| Harold Cripps Holdings Pty Ltd | 1,448,942 | 0.76 |
| Kobia Holdings Pty Ltd | 1,350,000 | 0.71 |
| **Total twenty largest shareholders** | **153,813,678** | **81.09** |
| Others | 35,868,105 | 18.91 |
| **Total ordinary shares on issue** | **189,681,783** | **100.00** |

### 2. Distribution of Equity Securities

The distribution of ordinary shares ranked according to size was as follows:

| Category | Ordinary Shares | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and Over | 182,538,109 | 96.23 | 89 | 19.00 |
| 10,001 to 100,000 | 6,063,653 | 3.20 | 164 | 36.46 |
| 5,001 to 10,000 | 854,534 | 0.45 | 102 | 22.49 |
| 1,001 to 5,000 | 221,423 | 0.12 | 71 | 15.72 |
| 1 to 1,000 | 4,064 | 0.00 | 29 | 6.33 |
| **Total** | **189,681,783** | **100** | **455** | **100** |

## ASX additional information (continued)

### 3. Voting Rights

See Note 9(b) of the Notes to the Financial Statements.

### 4. Substantial Shareholders

Substantial Shareholder notices have been received from the following:

| Shareholder | Number of Shares |
|---|---|
| Tremont Investments Limited | 36,933,161 |
| Mr Craig Ian Burton | 30,800,000 |
| Edwards Family Holdings Ltd | 17,641,000 |
| Arredo Pty Ltd | 15,400,000 |
| Harvest Lane Asset Management Pty Ltd and associates | 13,907,343 |

### 5. On-Market Buy Back

There are currently no on-market buyback programs for any of Cradle Resources Limited's listed securities.

### 6. Restricted Securities

3,100,000 ordinary shares are subject to an orderly market restriction until the commencement of commercial production at the Panda Hill niobium mine.

### 7. Exploration Interests

PHT, the joint venture company owned 50% by Cradle and 50% by Tremont Investments Limited, held the following interests in tenements:

| Project Name | Tenement Type | Tenement Number | Percentage Interest | Status |
|---|---|---|---|---|
| Panda Hill Niobium, Tanzania | Mining Licence | ML237/2006 | 100% | Granted |
| Panda Hill Niobium, Tanzania | Mining Licence | ML238/2006 | 100% | Granted |
| Panda Hill Niobium, Tanzania | Mining Licence | ML239/2006 | 100% | Granted |

### 8. Corporate Governance

The Company's Corporate Governance Statement for the year ended 30 June 2020, which explains how Cradle complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th Edition', is available in the Corporate Governance section of the Company's website, www.cradleresources.com.au and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

### 9. Competent Persons Statement

The information in this report that relates to Exploration Results and Resources was extracted from Cradle's ASX announcement dated 30 April 2015 entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' which is available to view on the Company's website at www.cradleresources.com.au. Cradle confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcement; b) all material assumptions and technical parameters underpinning the Coal Resource included in the original ASX announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original ASX announcement.