CRADLE RESOURCES LIMITED

ABN 60 149 637 016

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2018

Cradle Resources Limited
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Perth WA 6000

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CORPORATE DIRECTORY AND CONTENTS

CORPORATE DIRECTORY

Directors
Ian Middlemas – Chairman
Grant Davey – Executive Director
Craig Burton – Non-Executive Director

Company Secretary
Mr Greg Swan

Registered Office
Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

Tel: +61 8 9322 6322
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Stock Exchange
Australian Securities Exchange
Home Branch – Perth
Level 40, 152-158 St Georges Terrace
Perth WA 6000

ASX Code
CXX – Fully paid Ordinary Shares

Share Registry
Link Market Services Limited
Ground Floor, 178 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

Bankers
Australia and New Zealand Banking Group Limited

Solicitors
DLA Piper

Website
www.cradleresources.com.au

CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Cradle Resources Limited for the year ended 30 June 2018 and any public announcements made by Cradle Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The Directors of Cradle Resources Limited present the consolidated financial report of Cradle Resources Limited ("**Company**" or "**Cradle**") and the entities it controlled during the half year ended 31 December 2018 ("**Consolidated Entity**" or "**Group**").

DIRECTORS

The names and details of the Company's Directors in office at any time during the financial year or since the end of the financial year are:

Mr Ian Middlemas – Chairman
Mr Grant Davey – Executive Director
Mr Craig Burton – Non-Executive Director

Unless otherwise stated, all Directors held their office from 1 July 2018 until the date of this report.

OPERATING AND FINANCIAL REVIEW

Overview

During the half 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.

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.

The New Legislation resulted in the termination of the scheme implementation agreement relating to a proposed scheme of arrangement ("Scheme") pursuant to which Tremont Investments Limited ("Tremont") would have acquired all of the issued shares of Cradle.

Notwithstanding this, the Board remains of the view that the Panda Hill Niobium Project is a world class asset and will be the first new niobium producer in over 40 years. The demand for niobium remains high due to its use in the production of quality steel.

The Company continues to liaise 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. The Company also understands that the Tanzanian Government plans to release new regulations to accompany the new legislation, which may address some of the Company's concerns with the new legislation.

The Company also continues to consider other resource opportunities that have the potential to add value to shareholders.

Panda Hill Niobium Project

The Group 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.

The Project is covered by three granted Mining Licences 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).

PHT, the joint venture company owned 50% by Cradle and 50% by Tremont, owns 100% of the Project. Cradle and Tremont have entered into an agreement in relation to PHT ("Shareholders Agreement").

As previously advised, the Company and Tremont are in the preliminary stages of the dispute resolution mechanism prescribed by the Shareholders Agreement, regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration with a preliminary conference being set for June 2019. Cradle's position remains as set out previously. Subject to the outcome of the dispute, if the definitive feasibility study prepared by PHT 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.

OPERATING AND FINANCIAL REVIEW (Continued)

Panda Hill Niobium Project (Continued)

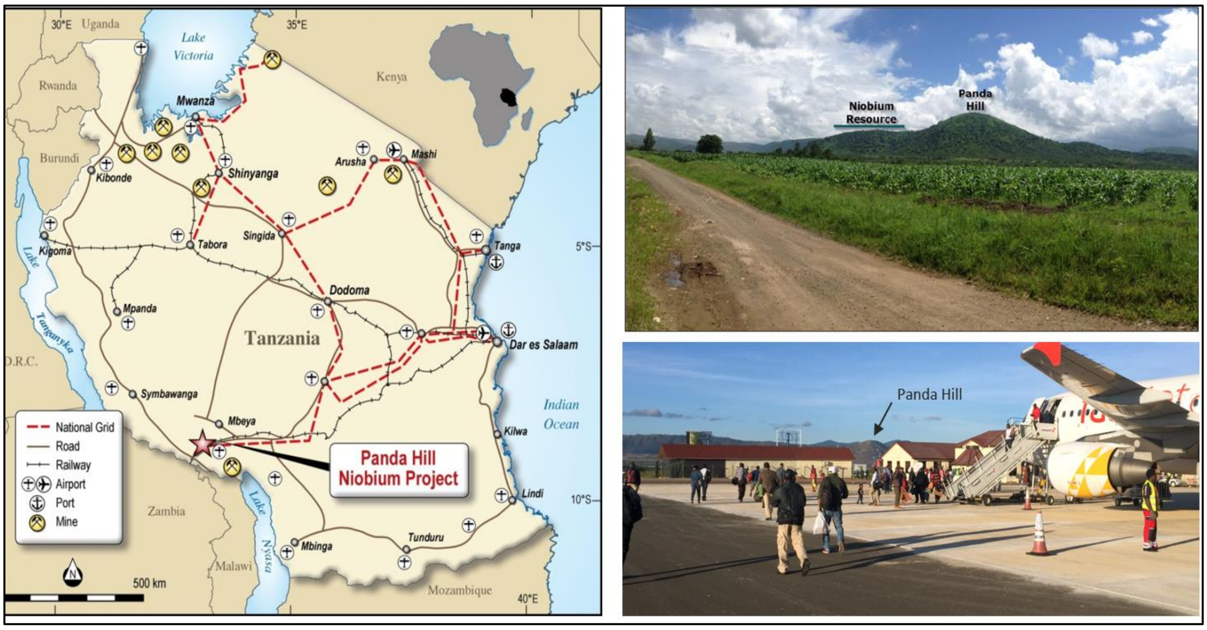

Figure 1: Location of the Panda Hill Niobium Project

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.

The New Legislation resulted in the termination of the scheme implementation agreement relating to a proposed scheme of arrangement ("Scheme") pursuant to which Tremont Investments Limited ("Tremont") would have acquired all of the issued shares of Cradle.

Notwithstanding this, the Board remains of the view that the Panda Hill Niobium Project is a world class asset and will be the first new niobium producer in over 40 years. The demand for niobium remains high due to its use in the production of quality steel.

During the half year, the Company continued to liaise with all levels of 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.

Operating Results

The net loss of the Consolidated Entity for the half year ended 31 December 2018 was $183,698 (31 December 2017: $464,425).

Financial Position

At 31 December 2018, the Company had cash reserves of $2,278,891 (30 June 2018: $2,710,231) and no debt. At 31 December 2018, the Company had net assets of $24,892,748 (30 June 2018: $24,060,875).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

As at the date of this report there are no matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2018, of the Consolidated Entity.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 31 December 2018 has been received and can be found on page 5 of the Interim Financial Report.

Signed in accordance with a resolution of the directors.

GRANT DAVEY
Executive Director

14 March 2019

Ernst & Young
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Auditor's Independence Declaration to the Directors of Cradle Resources Limited

As lead auditor for the review of the half-year financial report of Cradle Resources Limited for the half-year ended 31 December 2018, 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 review; and

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

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

Ernst + Young

Ernst & Young

T S Hammond
Partner
14 March 2019

TH:CT:CXX:013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2018

	Notes	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
Operations			
Interest income		**20,272**	7,294
Corporate and administrative expenses		**(172,296)**	(168,838)
Arbitration expenses		**(29,737)**	-
Business development expenses		**(2,526)**	(188,446)
Employee benefits expenses		**(126,023)**	(117,652)
Share of loss of joint venture interests	5	**(12,457)**	(13,340)
Share-based payments		**-**	16,000
Other income and expenses	3	**139,069**	557
Loss before income tax		**(183,698)**	(464,425)
Income tax expense		**-**	-
Net loss for the period		**(183,698)**	(464,425)
Net loss attributable to members of Cradle Resources Limited		**(183,698)**	(464,425)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		**1,015,571**	(295,487)
Other comprehensive income/(loss) for the period, net of tax		**1,015,571**	(295,487)
Total comprehensive income/(loss) for the period		**831,873**	(759,912)
Total comprehensive income/(loss) attributable to members of Cradle Resources Limited		**831,873**	(759,912)
Earnings per share			
Basic and diluted loss per share (cents per share)		**(0.10)**	(0.28)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	31 Dec 2018 $	30 Jun 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	**2,278,891**	2,710,231
Trade and other receivables		**15,704**	46,112
Total Current Assets		**2,294,595**	2,756,343
Non-current Assets			
Other receivables		**102,856**	98,223
Interest in joint ventures	5	**22,644,814**	21,428,498
Total Non-Current Assets		**22,747,670**	21,526,721
TOTAL ASSETS		**25,042,265**	24,283,064
LIABILITIES			
Current Liabilities			
Trade and other payables		**149,517**	222,189
Total Current Liabilities		**149,517**	222,189
TOTAL LIABILITIES		**149,517**	222,189
NET ASSETS		**24,892,748**	24,060,875
EQUITY			
Contributed equity	6	**31,245,828**	31,245,828
Reserves	7	**13,655,047**	12,932,826
Accumulated losses		**(20,008,127)**	(20,117,779)
TOTAL EQUITY		**24,892,748**	24,060,875

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2018

	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Consolidation Reserve $	Accumulated Losses $	Total Equity $
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 period	**-**	**-**	**-**	**-**	**(183,698)**	**(183,698)**
Other comprehensive income:						
Exchange differences on translation of foreign operations	**-**	**-**	**1,015,571**	**-**	**-**	**1,015,571**
Total comprehensive income/(loss) for the period	**-**	**-**	**1,015,571**	**-**	**(183,698)**	**831,873**
Transactions with owners recorded directly in equity:						
Expiration of unlisted incentive options	**-**	**(293,350)**	**-**	**-**	**293,350**	**-**
Balance at 31 December 2018	**31,245,828**	**-**	**2,733,766**	**10,921,281**	**(20,008,127)**	**24,892,748**
Balance at 1 July 2017	28,275,882	575,600	841,302	10,921,281	(19,300,109)	21,313,956
Net loss for the period	-	-	-	-	(464,425)	(464,425)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	(295,487)	-	-	(295,487)
Total comprehensive loss for the period	-	-	(295,487)	-	(464,425)	(759,912)
Transactions with owners recorded directly in equity:						
Conversion of performance rights	173,250	(173,250)	-	-	-	-
Share issue costs	(2,022)	-	-	-	-	(2,022)
Balance at 31 December 2017	28,447,110	402,350	545,815	10,921,281	(19,764,534)	20,552,022

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2018

	Notes	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
Cash flows used in operating activities			
Payments to suppliers, employees and others		**(372,844)**	(664,064)
Interest received		**20,272**	7,294
Net cash used in operating activities		**(352,572)**	(656,770)
Cash flows used in investing activities			
Contributions to joint venture		**(78,768)**	(181,821)
Loans to joint venture		**-**	(92,514)
Net cash used in investing activities		**(78,768)**	(274,335)
Cash flows generated from financing activities			
Share issue costs		**-**	(2,022)
Repayment of loans from other entities		**-**	3,950
Net cash generated from financing activities		**-**	1,928
Net decrease in cash and cash equivalents		**(431,340)**	(929,177)
Cash and cash equivalents at beginning of period		**2,710,231**	1,410,562
Cash and cash equivalents at end of period	4	**2,278,891**	481,385

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cradle Resources Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The consolidated interim financial statements of the Company as at and for the period from 1 July 2018 to 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Cradle Resources Limited for the year ended 30 June 2018 and any public announcements made by Cradle Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

(a) Basis of Preparation

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

The consolidated interim 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 31 December 2018, the Group had cash and cash equivalents of $2,278,891 (30 June 2018: $2,710,231) and net current assets of $2,145,078 (30 June 2018: $2,534,154).

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 the preliminary stages of the dispute resolution mechanism prescribed by the Shareholders Agreement, regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration with a preliminary conference being set for June 2019. Cradle's position remains as set out previously. Subject to the outcome of the dispute, if the definitive feasibility study prepared by PHT 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.

(b) Statement of Compliance

This general purpose condensed financial report for the half year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001.*

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2018, other than as detailed below.

In the current half year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 9 Financial Instruments, and relevant amending standards
- AASB 15 Revenue from Contracts with Customers, and relevant amending standards
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

The adoption of the aforementioned standards has resulted in an immaterial impact on interim financial statements of the Group as at 31 December 2018. A discussion on the impact of the adoption of AASB 9 is included below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) Changes in Significant Account Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2018, except for new standards, amendments to standards and interpretations effective 1 January 2018 as set out in note 1(b). The Group has set out below the main changes due to the adoption of AASB 9.

AASB 9 *Financial Instruments*

The Group has adopted AASB 9 from 1 July 2018, which has resulted in changes to the accounting policies applied by the Group and the analysis for possible adjustments to amounts recognised in the Interim Financial Report. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the balance sheet as at 30 June 2018 but recognised in the opening balance sheet as at 1 July 2018. The Group has not recognised a loss allowance on trade and other receivables following an assessment of the impact of the new impairment model introduced by AASB 9.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in Significant Account Policies (Continued)

AASB 9 *Financial Instruments* (Continued)

Classification and Measurement

On 1 July 2018, the Group has assessed financial instruments held by the Group and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Group classified financial assets and liabilities measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Group's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The following table summarises the impact on the classification and measurement of the Group's financial instruments at 1 July 2018:

Presented in statement of financial position	Financial Asset	AASB 139	AASB 9	Reported $	Restated $
Cash and cash equivalents	Bank deposits	Loans and receivables	Amortised cost	No change	No change
Trade and other receivables	Loans and receivables	Loans and receivables	Amortised cost	No change	No change
Other receivables	Loans and receivables	Loans and receivables	Amortised cost	No change	No change
Trade and other payables	Loans and receivables	Amortised cost	Amortised cost	No change	No change

The Group does not currently enter into any hedge accounting and therefore there is no impact to the Group's Interim Financial Reports.

Impairment

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the Group to adopt an ECL position across the Group's financial assets from 1 July 2018. The Group's receivables balance consists of GST refunds from the Australian Tax Office and interest receivables from recognised Australian banking institutions. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, an impairment loss would be considered immaterial.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Given the Group's receivables are from the Australian Tax Office and recognised Australian banking institutions, the Group has assessed that the risk of default is minimal and as such, no impairment loss has been recognised against these receivables as at 31 December 2018.

(d) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 31 December 2018. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

Standard/Interpretation	Application Date of Standard	Application Date for Company
AASB 16 *Leases*	1 January 2019	1 July 2019
Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019	1 July 2019
AASB 2017-7 *Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures*	1 January 2019	1 July 2019
AASB 2018-1 *Amendments – Annual Improvements 2015-2017 Cycle*	1 January 2019	1 July 2019
AASB 2018-2 *Amendments – Plan Amendment, Curtailment or Settlement (AASB 119)*	1 January 2019	1 July 2019

AASB 16 *Leases*

AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. Under current requirements, leases are classified based on their nature as either finance leases which are recognised on the Statement of Financial Position, or operating leases, which are not recognised on the Statement of Financial Position.

Under AASB 16 Leases, the Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Issued standards and interpretations not early adopted (Continued)

AASB 16 *Leases* (Continued)

The Group is in the process of assessing the impact of adopting the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward, however, the adoption of AASB 16 is expected to have an immaterial impact on the financial statements of the Group due to the minimal number, if any, of non-cancellable leases currently entered into by the Group which would not fall under a short-term or low value exception.

Transition

The Group will initially apply AASB 16 on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend however on future economic conditions, including the Group's borrowing rate, the composition of the Group's lease portfolio, the extent to which the Group elects to use practical expedients and recognition exemptions, and the new accounting policies, which are subject to change until the Group presents its first financial statements that include the date of initial application.

2. SEGMENT INFORMATION

AASB 8 Operating Segments, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group 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 Group.

3. OTHER INCOME AND EXPENSES

	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
Other Income		
Deemed contributions to joint venture[1]	**134,435**	-
Net foreign exchange gains	**4,634**	557
Total other income included in profit or loss	**139,069**	557

Notes:
[1] During the period, the Company's joint venture partner sole-funded certain expenditures of its joint venture company, PHT, totaling A$268,870, of which A$134,435 (being 50% of the expenditures) is deemed to have been contributed by Cradle and has been recognised as a gain through profit or loss. The Company continues to own 50% of PHT.

4. CASH AND CASH EQUIVALENTS

	31 Dec 2018 $	30 Jun 2018 $
Cash at bank	**2,278,891**	2,710,231

5. INTEREST IN JOINT VENTURES

	Note	31 Dec 2018 $	30 Jun 2018 $
Panda Hill Tanzania Ltd	5(a)	**22,644,814**	21,428,498

(a) Panda Hill Tanzania Ltd

On 6 June 2014, the Company executed an Investment and Shareholders Agreement with Tremont, Panda Hill Mining Pty Ltd ("PHM") and 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. Its carrying value is measured using the equity method of accounting.

	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
Reconciliation of movements in interest in Panda Hill Tanzania Ltd		
Carrying amount at 1 July	**21,428,498**	20,311,088
Cash contributions to joint venture	**78,767**	195,590
Deemed contributions to joint venture[1]	**134,435**	-
Foreign exchange differences	**1,015,571**	(295,487)
Share of joint venture loss for the period	**(12,457)**	(13,340)
Carrying amount at 31 December	**22,644,814**	20,197,851

Notes:
[1] During the period, the Company's joint venture partner sole-funded certain expenditures of its joint venture company, PHT, totaling A$268,870, of which A$134,435 (being 50% of the expenditures) is deemed to have been contributed by Cradle and has been recognised as a gain through profit or loss. The Company continues to own 50% of PHT.

6. CONTRIBUTED EQUITY

	31 Dec 2018 $	30 Jun 2018 $
Issued capital		
189,681,783 fully paid ordinary shares (30 June 2018: 189,681,783)	**31,245,828**	31,245,828

There was no movement in issued capital during the half year to 31 December 2018.

7. RESERVES

	Note	31 Dec 2018 $	30 Jun 2018 $
Share based payments reserve			
Nil unlisted $0.25 options expiring 31-Oct-18 (30 June 2018: 3,250,000)		-	293,350
Total share based payments reserve	7(a)	-	293,350
Foreign currency translation reserve		**2,733,766**	1,718,195
Consolidation reserve		**10,921,281**	10,921,281
Total reserves		**13,655,047**	12,932,826

(a) Movements in share-based payments reserve

Date	Details	Number of Incentive Options	$
1-Jul-18	Opening balance	**3,250,000**	**293,350**
31-Oct-18	Lapse of unlisted $0.25 incentive options	**(3,250,000)**	**(293,350)**
31-Dec-18	Closing balance	-	-

8. CONTINGENT ASSETS AND LIABILITIES

As previously advised, the Company and Tremont are in the preliminary stages of the dispute resolution mechanism prescribed by the Shareholders Agreement, regarding whether a definitive feasibility study has been delivered within the meaning of the Shareholders Agreement. The dispute has been referred to arbitration with a preliminary conference being set for June 2019. Cradle's position remains as set out previously. Subject to the outcome of the dispute, if the definitive feasibility study prepared by PHT 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.

9. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividend has been paid or provided for during the half year (31 December 2017: Nil).

10. EVENTS SUBSEQUENT TO BALANCE DATE

As at the date of this report there are no matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2018, of the Consolidated Entity.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

   (i) section 304 (compliance with accounting standards and the Corporations Regulations 2001) and;

   (ii) section 305 (giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the half year ended on that date); and

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

On behalf of the Board

GRANT DAVEY
Executive Director

14 March 2019

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Cradle Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Building a better working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

T S Hammond
Partner
Perth
14 March 2019