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FEED UPDATE FOR PANDA HILL PROJECT

Highlights

- **FEED activities for Panda Hill have started with key areas identified during the Feasibility Study well advanced**
- **Opportunities to reduce upfront capital costs have been identified in relation to the tailings storage facility and haul road development**
- **Off-take negotiations are ongoing with potential off-take parties covering four geographical regions**
- **The Independent Engineer for the debt financing has been appointed and the due diligence process is progressing well**

Cradle Resources Limited (Cradle) is pleased to announce that the Front End Engineering Design (FEED) work is progressing well with some significant improvements from the Feasibility Study base case already identified.

The FEED team consists of the following partners, consultants and service providers:

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

Site visits were undertaken by the consultants with a view to finalising the front-end layouts and confirming availability of construction materials including backfill, aggregate and sand sources. Additional geotechnical field work has been completed in the area of the tailings dam and the site for the new prison. The tailings dam work is focused on the geotechnical evaluation of the footing materials under the TSF walls and within the basin through the validation of the assumptions made in the base case design during the Feasibility Study. Initial results are encouraging and the amount of earthworks required could be reduced significantly, reducing the upfront capital cost for the TSF. The redesign of the TSF is ongoing along with associated water infrastructure.

MDM is reviewing the plant layout, specifically the front end, for opportunities to optimise layout and thereby reduce the bulk earthworks and civil requirements. Long lead mechanical items have been identified and tender documentation is being drawn-up. Design work and site based contract packages for critical path items have started. Work is also underway on identifying a suitable logistics provider.

SMS has initiated work around developing the tactical mine plan. Detailing and optimisation of the haul road, starter pit and waste rock dumps is ongoing with opportunities identified for improvement. This work will be used for the final mining tender which will be issued shortly to a number of selected contractors.

A meeting was held in late June 2016 with the Ministry of Energy and Mines (MEM) and a Prison legal delegation in order to finalise the prison agreement. The agreement, once confirmed, will be sent to Department of Home Affairs and the Attorney General before signing by Panda Hill Tanzania (PHT) and the Department of Home Affairs. This is expected to take place within the next few months.

The PHT Board has approved the appointment of the project finance arranger in respect of the senior loans (approximately US\$100m). The preparation of a detailed indicative term sheet by the appointed financier is currently in progress, after which the agreement of a final term sheet will take place. Concurrent with the senior loan financing, the appointed financier is working to secure a loan guarantee under the Federal Republic of Germany's Untied Loan Guarantee Scheme (UFK). Preliminary financing approval is targeted for Q4 2016.

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

Negotiations with regard to offtake agreements are continuing with multiple parties covering four geographical regions. Revised proposals have been received from the parties with volume commitments and final pricing mechanisms being closed out.

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

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

The next stage of work will focus on:

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

By order of the Board

For further information, please visit www.cradleresources.com.au or contact:

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