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**Annual Report
2023**



Corporate Directory

Directors

Grant Davey
Chris Bath
David Wheeler

Company Secretary

Catherine Anderson

Registered Office

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Perth WA 6000
Tel: +61 8 9200 3425
Fax: +61 8 9200 4961

Stock Exchange Listing

Cradle Resources Limited shares are listed on the Australian Securities Exchange

ASX Code: **CXX** (suspended)

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

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Directors' report

The Directors present their report together with the financial statements of Cradle Resources Limited ("Cradle" or "the Company") for the financial year ended 30 June 2023.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below.

Grant Davey

BSc, MAICD

Executive Director

Mr Davey is an entrepreneur with 30 years of senior management and operational experience in the development, construction and operation of precious metals, base metals, uranium and bulk commodities throughout the world. More recently, he has been involved in venture capital investments in several exploration and mining projects and has been instrumental in the acquisition and development of the Panda Hill niobium project in Tanzania, the Cape Ray gold project in Newfoundland and more recently the acquisition of the Kayelekera Uranium mine in Malawi from Paladin Energy Limited. He is currently a director of Lotus Resources Limited (ASX:LOT) and TSX-V listed Waroona Resources Inc and is a member of the Australian Institute of Company Directors.

Mr Davey was appointed as 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:

| Company | Appointed | Resigned |
|--|------------|----------|
| Frontier Energy Limited | March 2019 | - |
| Lotus Resources Limited | June 2020 | - |
| Waroona Energy Inc. (formerly Metallum Resources Inc.) | March 2022 | - |

Chris Bath

CA, MAICD

Non-Executive Director and CFO

Mr Bath is a Chartered Accountant and member of the Australian Institute of Company Directors, with over 20 years of senior management experience in the energy and resources sector both in Australia and South-East Asia. Mr Bath has been the Chief Financial Officer for companies listed on AIM, ASX and JSX.

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

Directorships of other listed entities within the past three years:

| Company | Appointed | Resigned |
|---------------------------|---------------|--------------|
| Grand Gulf Energy Limited | March 2019 | October 2021 |
| Frontier Energy Limited | December 2021 | - |

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David Wheeler

FAICD

Non-Executive Director

Mr Wheeler has more than 30 years of senior executive management, directorships, and corporate advisory experience. He is a foundation Director and Partner of Pathways Corporate a boutique corporate advisory firm that undertakes assignments on behalf of family offices, private clients, and ASX listed companies.

Mr Wheeler has a wealth of experience on public and private company boards and currently holds several Directorships and Advisory positions in Australian companies.

Mr Wheeler is a fellow of the Australian Institute of Company Directors. Mr Wheeler was appointed as a Director of the Company on 12 October 2021.

Directorships of other listed entities within the past three years:

| Company | Appointed | Resigned |
|------------------------------------|----------------|----------------|
| Protean Energy Limited | May 2017 | - |
| PVW Resources Limited | August 2017 | - |
| Ragnar Metals Limited | December 2017 | - |
| Avira Resources Limited | September 2018 | - |
| Tyranna Resources Limited | October 2019 | - |
| Syntonic Limited | November 2019 | May 2022 |
| Blaze Minerals Limited | March 2020 | November 2021 |
| Delecta Limited | June 2020 | - |
| Health House International Limited | April 2021 | May 2023 |
| Cycliq Group Limited | June 2021 | - |
| Athena Resources Limited | June 2021 | September 2022 |
| ColorTV Limited | April 2022 | - |
| Ozz Resources Limited | May 2022 | - |
| Wellfully Limited | February 2023 | June 2023 |

Company Secretary

On 23 May 2023, Ms Catherine Anderson was appointed as Company Secretary and Mr Brian Scott resigned as Company Secretary.

Ms Anderson (B Juris (Hons), LLB (UWA)) is a legal practitioner admitted in Western Australia and Victoria with over 30 years' experience in both high-level private practice and in-house roles from working in both Melbourne and Perth particularly in the area of capital raisings, corporate acquisitions and structures and regulatory compliance. During her career, Catherine has advised on all aspects of corporate and commercial law and brings extensive experience over a range of industries, in particular the mining and IT/cyber security sectors.

Principal activities

The principal activities of Cradle during the financial year consisted of assessing new business opportunities and projects. There was no significant change in the nature of these activities during the year.

Review of operations

During the financial year, the Company continued to review new project opportunities that could add value to shareholders.

Financial position

At 30 June 2023, the Company's cash and cash equivalents amounted to \$4,877 (2022: \$149,804) and net liabilities amounted to \$216,211 (2022: net assets, \$140,595).

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Funding

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets or other sources and managing cash flows in line with available funds. On 7 July 2023 the Company completed a placement of \$850,000 at \$0.02 per share by way of the issue of 42,500,000 new shares at \$0.02 plus a free attaching option with an exercise price of \$0.05 and expiry of three years from date of issue. The issue of these options is subject to shareholder approval.

The Company also secured in the prior year a non-recourse subordinated debt facility of \$500,000 available which remains undrawn as at 30 June 2023. The Company entered into an agreement with Davey Management (Aus) Pty Ltd ("Davey Management"), a related entity of Director Mr Grant Davey, whereby Davey Management agreed to provide a non-recourse subordinated debt facility of \$500,000 to enable the Company to continue as a going concern.

Matador Capital Pty Ltd ("Matador Capital"), also a related entity of Mr Grant Davey, has provided a letter of financial support, whereby Matador Capital agrees, effective from 1 August 2022 to defer recharges of costs for office space and other services pursuant to the Cost Sharing Agreement and the Office Use Agreement. Matador Capital has agreed not to charge these costs to Cradle while Cradle does not have the financial resources to pay these costs.

Business Strategy

The Company has been focused on assessing and acquiring new business opportunities and assets and announced on 7 July 2023 that it entered into a binding agreement to acquire Volt Geothermal Pty Ltd ("Volt") and Within Energy Pty Ltd ("Within") (collectively "Acquisition"), with geothermal assets in Queensland and South Australia (the Projects).

Cradle plans to focus on systematically exploring early-stage geothermal targets and developing geothermal resources. This will involve a fit-for-purpose exploration programme analysing subsurface geology to identify thermal resource potential at different well depths, undertaking preliminary survey and resource assessments based on offset well data, exploration location definition and exploration drilling. This will determine priority targets for exploration drilling for geothermal resources.

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

1. Exploration and appraisal activities to confirm existence of the resource and demonstrate the commercial viability;
2. Study work such as pre-feasibility and definitive feasibility as part of the commercialisation of the resource; and
3. Project development which involves drilling of production wells and installation of surface facilities for delivery of energy to market.

Success with the strategy outlined above will determine future exploration and funding programs to advance the projects being acquired.

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

At a proposed general meeting, the Company will need to obtain shareholder approval for, among other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. A prospectus will be issued to assist the Company to re-comply with these requirements. There is a risk that the Company may not be able to meet the requirements of re-quotations on the ASX.

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:

a) Conditional Acquisition and Re-compliance with Chapters 1 and 2 of the Listing Rules

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. The Company will issue a prospectus to assist the Company to re-comply with these requirements. It is anticipated that the Shares will remain suspended until completion of the Offers, completion of the Acquisition, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that the Shares will consequently remain suspended from quotation.

b) Contractual and completion risk

The Company has agreed to undertake the Acquisitions subject to the satisfaction of certain conditions precedent. If any of the conditions precedent is not satisfied or waived, or any of the counterparties do not comply with their obligations, completion of the Acquisition may be deferred or not occur. Failure to complete the Acquisitions would mean the Company may not be able to meet the requirements of ASX for re-instatement of the Shares to Official Quotation, and the Company's Shares will remain suspended from quotation until such time as the Company does re-comply with the Listing Rules. If this occurs, all application monies received pursuant to the prospectus will be refunded in full (without interest).

c) Requirements for Additional Capital

The Company's capital requirements depend on numerous factors. To develop the Projects, the Company will require further financing in addition to amounts raised pursuant to a prospectus. There can be no assurance as to the levels of future borrowings or further capital raisings that will be required to meet the aims of the Company in developing the Projects or otherwise for the Company to undertake its business.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or adapt the scope of the development of the Projects. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

d) Environmental and Other Regulatory Risk

The Projects are subject to regulations regarding environmental matters. The governments and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects, Cradle's future activities are expected to have an impact on the environment, particularly if development proceeds. Cradle intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws. The cost and complexity of complying with the applicable environmental laws and regulations may prevent Cradle from being able to develop potentially economically viable resources.

e) Geothermal development

Possible future development of geothermal operations at any of the Projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable energy, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

Dividends paid or recommended

No recommendation for payment of dividends has been made for the year ended 30 June 2023 (2022: Nil).

Operating results

The net loss of the Company for the year ended 30 June 2023 amounted to \$356,806 (2022: \$876,025 profit).

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Significant changes in the state of affairs

No significant changes in the state of affairs occurred during the year other than already referred to in this Directors' Report.

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 Grant Davey | 8 | 7 |
| Mr Chris Bath | 8 | 8 |
| Mr David Wheeler | 8 | 8 |

There were no Board committees operating during the financial year. The Board currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee. This approach 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 issued by the Company as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is:

| | Ordinary Shares | |
|------------------|-----------------|-----------------|
| | Held directly | Held indirectly |
| Mr Grant Davey | - | 23,073,673 |
| Mr Chris Bath | - | 1,864,246 |
| Mr David Wheeler | - | - |

Share options and rights

As at the date of this report, there were no options or rights issued over unissued Shares of the Company.

During the year ended 30 June 2023 and up to the date of this report, no ordinary shares were issued as a result of the conversion of rights or options.

Significant events after the balance date

On 7 July 2023, the Company completed a placement of \$850,000 utilising existing capacity under Listing Rule 7.1 and 7.1A to fund the costs associated with the re-compliance process and for working capital purposes, by way of the issue of 42,500,000 new shares at \$0.02 plus a free attaching option with an exercise price of \$0.05 and expiry of three years from date of issue. The issue of these options is subject to shareholder approval.

The Company's securities remain suspended until after the shareholder approval has been sought and the Company complies with Chapters 1 and 2 of the ASX Listing Rules as a green energy Company.

Other than as outlined above are no matters or circumstances which have arisen since 30 June 2023 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2023, of the Company;
- the results of those operations, in financial years subsequent to 30 June 2023, of the Company; or
- the state of affairs, in financial years subsequent to 30 June 2023, of the Company.

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Corporate governance

The Directors of the Company support and have adhered to the principles of Corporate Governance. The Company's corporate governance key statements, frameworks, policies and charges are all available on the Company's website at <https://www.cradleresources.com.au/company-profile/corporate-governance/>.

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 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 in relation to the above indemnities. During the financial year, the Company paid an annualised insurance premium of \$20,535 (2022: \$20,535) to provide for 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 the financial year.

Non-audit service

The Company's auditors have not provided any non-audit service during the financial year (2022: Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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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 Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on the overall performance of the entity and comparable market remunerations.

Details of KMP

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

| | |
|------------------|------------------------|
| Mr Grant Davey | Executive Director |
| Mr Chris Bath | Non-Executive Director |
| Mr David Wheeler | Non-Executive Director |

Unless otherwise disclosed, the KMP held their position from 1 July 2022 until the date of this report.

Remuneration Policy

The Company's remuneration policy for its KMP has been developed by the Board considering the size of the Company, the size of the management team, the nature and stage of development of the Company'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 Company is focussing on assessing and acquiring new business opportunities and assets; (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 Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Executive Remuneration

The Company's remuneration policy is to provide a fixed remuneration component and to develop an appropriate performance-based remuneration (both short term incentives and long-term incentives) once the Company successfully identifies and acquires a new project or asset. 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 consulting fees and other non-monetary 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.

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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 financial year, no cash bonuses were awarded to executive KMP (2022: \$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 financial year, no options nor rights were granted to 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. 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 Company may pay to the Non-Executive Directors a maximum total amount of Director’s fees, determined by the Company in a meeting of Members, or until so determined, as the Directors resolve. Directors’ fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the Company. 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 \$120,000 per annum (excluding post-employment benefits). Fees for Non-Executive Director was set at between \$35,000 and \$40,000 per annum. 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 financial year, no options nor rights were granted to Non-Executive Directors.

Relationship between Remuneration of KMP and Shareholder Wealth

The Company’s approach to remuneration is designed to attract and retain key executive talent, recognise the individual contributions of the Company’s people, and motivate them to achieve strong performance aligned to the business strategy, whilst discouraging excessive risk taking.

In summary, the Company’s approach to remuneration is to:

- Provide remuneration that is competitive and consistent with market standards;
- Align remuneration with the Company’s overall strategy and shareholder interests;
- Reward superior performance within an objective and measurable incentive framework;
- Ensure that executives understand the link between individual reward and Group and individual performance;
- Be at a level acceptable to shareholders; and
- Apply sufficiently flexible remuneration practices that enable the Company to respond to changing circumstances.

Remuneration of Directors

Details of the remuneration of each Director of the Company are as follows:

| | Short-term benefits | | | Total | Percentage performance related |
|------------------|---------------------|------------|----------------------|----------------|--------------------------------|
| | Consulting fees | Cash bonus | Share-based payments | | |
| 2023 | \$ | \$ | \$ | \$ | % |
| Directors | | | | | |
| Mr Grant Davey | 120,000 | - | - | 120,000 | - |
| Mr Chris Bath | 35,000 | - | - | 35,000 | - |
| Mr David Wheeler | 36,000 | - | - | 36,000 | - |
| | 191,000 | - | - | 191,000 | - |

| | Short-term benefits | | | Total | Percentage performance related |
|-------------------------------|---------------------|------------|----------------------|----------------|--------------------------------|
| | Consulting fees | Cash bonus | Share-based payments | | |
| 2022 | \$ | \$ | \$ | \$ | % |
| Directors | | | | | |
| Mr Grant Davey | 120,000 | - | - | 120,000 | - |
| Mr Chris Bath | 30,000 | - | - | 30,000 | - |
| Mr David Wheeler ¹ | 27,000 | - | - | 27,000 | - |
| Mr Craig Burton ² | 18,333 | - | - | 18,333 | - |
| | 195,333 | - | - | 195,333 | - |

¹ Mr Wheeler was appointed on 12 October 2021

² Mr Burton resigned on 12 October 2021

Shareholdings of KMP

| Directors | Held at 1 July 2022 | Entitlement offers | On-market purchases | Off-market purchases | Sales | Held at 30 June 2023 |
|------------------|---------------------|--------------------|---------------------|----------------------|-------|----------------------|
| Mr Grant Davey | 23,073,673 | - | - | - | - | 23,073,673 |
| Mr Chris Bath | 1,864,246 | - | - | - | - | 1,864,246 |
| Mr David Wheeler | - | - | - | - | - | - |
| | 24,937,919 | | | | | 24,937,919 |

The earnings of the Company for the last five years to 30 June 2023 are summarised below:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--------------------------------|-----------|---------|-------------|-----------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Other income | 11,902 | 952 | 3,229 | 12,892 | 37,676 |
| Net (loss) / profit before tax | (347,138) | 876,025 | (2,088,378) | (534,604) | (243,580) |
| Net (loss) / profit after tax | (356,806) | 876,025 | (2,088,378) | (534,604) | (243,580) |
| Dividends paid | - | - | - | - | - |

Other transactions with Related Parties

Mr Grant Davey is an executive Director of the Company and is a director and shareholder of Matador Capital Pty Ltd ("Matador Capital"). From May 2021, Matador Capital has provided various services under a Shared Services Agreement in which Matador Capital provides office space, technical staff including geologists and project management, and general office costs to the company at cost plus 5%. The total cost incurred for the year ended 30 June 2023 was \$35,837 (2022: \$144,324). Matador Capital has provided a letter of financial support, whereby Matador Capital agrees, effective from 1 August 2022 to defer recharges of costs for office space and other services pursuant to the Cost Sharing Agreement and the Office Use Agreement.

The Company entered into an agreement with Davey Management (Aus) Pty Ltd (“Davey Management”), a related entity of Mr Grant Davey, whereby Davey Management agreed to provide a loan facility of up to \$500,000 to the Company. The key terms are:

- Facility Limit of \$500,000
- Interest rate of 8% per annum
- Limited recourse – the recourse of the Lender against the Company is limited to the assets of the Company after payment of all unsubordinated creditors
- Subordination – the repayment of the total outstanding amount shall be subordinated and postponed and made subject to all debts, claims, demands, rights and causes of action of all unsubordinated creditors
- Repayment date is 31 October 2024

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) month’s prior written notice of termination to the other, or payment in lieu thereof. Matador receives a monthly retainer of A\$10,000 and may receive a discretionary bonus based on achievement of KPIs to be determined by the Board.

Signed in accordance with a resolution of the Directors.



GRANT DAVEY
Executive Director
5 September 2023

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**Building a better
working world**

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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 2023, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene 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

Pierre Dreyer
Partner
Perth
5 September 2023

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|------------------|-------------|
| Interest income | | 55 | 952 |
| Sundry income | 6 | 11,847 | - |
| Total income | | 11,902 | 952 |
| Corporate and administrative expenses | | (155,151) | (363,897) |
| Consultancy fees, including directors' fees | 6 | (213,557) | (291,108) |
| Foreign exchange loss | | - | (4,534) |
| Foreign exchange gain on foreign operations reclassified from reserves | 14 | - | 1,534,612 |
| Net (Loss)/Profit before income tax | | (356,806) | 876,025 |
| Income tax expense | 7 | - | - |
| Net (Loss)/Profit for the year | | (356,806) | 876,025 |
| Net (Loss)/Profit attributable to members of Cradle Resources Limited | | (356,806) | 876,025 |
| Other comprehensive loss | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Foreign exchange gain on foreign operations reclassified to profit and loss | 14 | - | (1,534,612) |
| Other comprehensive loss for the year, net of tax | | - | (1,534,612) |
| Total comprehensive loss for the year | | (356,806) | (658,587) |
| Total comprehensive loss attributable to members of Cradle Resources Limited | | (356,806) | (658,587) |
| Earnings per share | | | |
| Basic and diluted (loss)/earnings per share (cents per share) | 15 | (0.19) | 0.48 |

The accompanying notes form part of the financial statements.

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|------------------|--------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9 | 4,877 | 149,804 |
| Other receivables | 10 | 26,309 | 36,046 |
| Other financial asset | 11 | - | 62,018 |
| Total Current Assets | | 31,186 | 247,868 |
| TOTAL ASSETS | | 31,186 | 247,868 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | (229,801) | (107,272) |
| Loan payable | 12 | (17,596) | - |
| Total Current Liabilities | | (247,397) | (107,272) |
| TOTAL LIABILITIES | | (247,397) | (107,272) |
| NET (LIABILITIES) / ASSETS | | (216,211) | 140,595 |
| EQUITY | | | |
| Share capital | 13 | 11,034,280 | 11,034,280 |
| Reserves | 14 | - | 10,921,281 |
| Accumulated losses | | (11,250,491) | (21,814,966) |
| TOTAL (DEFICIENCY ON EQUITY)/ EQUITY | | (216,211) | 140,595 |

The accompanying notes form part of the financial statements.



Statement of changes in equity
for the year ended 30 June 2023

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| | Share Capital \$ | Foreign Currency Translation Reserve \$ | Consolidation Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|--|------------------------|---|--------------------------------|-----------------------------|-----------------------|
| Balance at 1 July 2021 | 28,660,507 | 1,534,612 | 10,921,281 | (22,690,991) | 18,425,409 |
| Net profit for the year | - | - | - | 876,025 | 876,025 |
| Other comprehensive loss: | | | | | |
| Foreign exchange gain on foreign operations reclassified to profit or loss | - | (1,534,612) | - | - | (1,534,612) |
| Total comprehensive income/(loss) for the year | | (1,534,612) | - | 876,025 | (658,587) |
| Transactions with owners recorded directly in equity: | | | | | |
| Issue of shares (note 13) | 694,312 | - | - | - | 694,312 |
| Share issue costs (note 13) | (47,637) | - | - | - | (47,637) |
| In specie distribution (note 13) | (18,272,902) | - | - | - | (18,272,902) |
| Balance at 30 June 2022 | 11,034,280 | - | 10,921,281 | (21,814,966) | 140,595 |
| Balance at 1 July 2022 | 11,034,280 | - | 10,921,281 | (21,814,966) | 140,595 |
| Net loss for the year | - | - | - | (356,806) | (356,806) |
| Total comprehensive loss for the year | - | - | - | (356,806) | (356,806) |
| Transaction with owners recorded directly in equity: | | | | | |
| Reclassification of consolidation reserve to accumulated losses (note 14) | - | - | (10,921,281) | 10,921,281 | - |
| Balance at 30 June 2023 | 11,034,280 | - | - | (11,250,491) | (216,211) |

The accompanying notes form part of these financial statements.

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|------------------|------------------|
| Cash flows used in operating activities | | | |
| Payments to suppliers and employees | | (210,893) | (629,890) |
| Business development costs | | (6,000) | (92,880) |
| Interest received | | 55 | 952 |
| Interest paid | | (118) | - |
| Sundry income | | 11,847 | - |
| Net cash used in operating activities | 9 | (205,109) | (721,818) |
| Cash flows used in investing activities | | | |
| Proceeds from return of security deposit | 11 | 62,018 | - |
| Payment of security deposit | 11 | - | (62,018) |
| Payment for share subscription in Panda Hill Mining Limited | 13 | - | (200,000) |
| Net cash from/(used in) investing activities | | 62,018 | (262,018) |
| Cash flows used in financing activities | | | |
| Repayment of borrowings | | (1,836) | - |
| Proceeds from the issue of ordinary shares | 13 | - | 694,312 |
| Share issue costs | 13 | - | (47,637) |
| Net cash (used in)/from financing activities | | (1,836) | 646,675 |
| Net decrease in cash and cash equivalents | | (144,927) | (337,161) |
| Cash and cash equivalents at beginning of year | | 149,804 | 486,965 |
| Cash and cash equivalents at end of year | 9 | 4,877 | 149,804 |

The accompanying notes form part of these financial statements.

1. Reporting entity

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

The Company's registered office is at Level 20, 140 St Georges Terrace, Perth 6000, Western Australia.

2. 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). These financial statements were authorised for issue in accordance with a resolution of the directors on 5 September 2023.

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

For the year end 30 June 2023, the Company made a loss of \$356,806 (2022: profit of \$876,025) and had operating cash outflows of \$205,109 (2022: \$721,818). At 30 June 2023, the Company had cash and cash equivalents of \$4,877 (2022: \$149,804) and net current liabilities of \$216,211 (2022: net current assets of \$140,595).

The 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. The Company has been focused on assessing and acquiring new business opportunities and assets.

On 7 July 2023, the Company announced that it entered into a binding agreement to acquire Volt Geothermal Pty Ltd and Within Energy Pty Ltd with geothermal assets in Queensland and South Australia ("the Projects"). On the same date, the Company completed a placement of \$850,000 at \$0.02 per share. The acquisition of the Company's 84% share interests in the Projects will be completed via issuance of Cradle shares and will not require further funding aside from the associated compliance and administrative costs.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets or other sources and managing cash flows in line with available funds.

The Company plans to undertake a capital raise of \$6 million to fund the Projects' work programme and for working capital purposes, subject to shareholder approval for the transaction. The Company will seek shareholders' approval for the acquisition of the Projects and to complete the capital raise of \$6 million at a general meeting, currently expected to be held in October 2023 and will also seek to re-comply with Chapters 1 and 2 of the ASX Listing. The Directors have prepared a cash flow forecast which indicates, on the basis that the Company completes a capital raise of \$6 million, that the Company would not require additional capital to fund ongoing activities and working capital requirements for the next 12 months from the date of authorisation of these financial statements.

In addition, Matador Capital Pty Ltd ("Matador Capital"), a related entity of one of the Directors, Mr Grant Davey, has provided a letter of financial support, whereby Matador Capital has agreed to defer recharges of costs under the Cost Sharing Agreement and the Office Use Agreement in place. In addition, in 2022, the Company entered into an agreement with Davey Management (Aus) Pty Ltd ("Davey Management"), also a related entity of Mr Grant Davey, whereby Davey Management agreed to provide a non-recourse subordinated debt facility of \$500,000, which remains undrawn, to enable the Company to continue as a going concern.

Should additional funding be required, the Directors are confident that they will be able to raise those additional funds. However, in the event that the Company is unable to raise those additional funds, there is significant uncertainty as to whether the Company would be able to continue as a going concern and realise its assets and settle its liabilities in the normal course of business.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Functional and presentation currency

The financial statements have been prepared on a historical cost basis and presented in Australian dollars which is the Company's functional currency and presentation currency.

4. Use of judgements and estimates

In the process of applying the Company's accounting policies, management may make judgements, estimates and assumptions about future events that affect the reported amounts of assets and liabilities, income and expense. The reasonableness of these estimates and underlying assumptions are reviewed on an ongoing basis.

During the financial year there was no judgement nor estimate applied by the Company on its accounting policies and reported amounts of assets, liabilities, income and expenses.

5. Significant accounting policies

a) Foreign currency

(i) Foreign currency transactions

The assets and liabilities of foreign operations in the prior years were translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss were translated at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

b) Finance income and costs

The Company's finance income and costs include interest income.

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

c) Financial instruments

(i) Financial assets at initial recognition

On initial recognition, a financial asset is classified as measured at (i) amortised cost, or (ii) FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held with an objective to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's cash and cash equivalents and other financial asset are measured at amortised cost.

(ii) Financial assets – subsequent measurements

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Financial liabilities – initial recognition and subsequent measurement

On initial recognition, the Company's financial liabilities are measured at its fair value.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises financial liability when its contractual obligations are discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to assessment when circumstances exist and warrant that the value are recoverable subject to the guidance of the accounting standards on asset recognition.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

e) 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 year 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.

f) 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, considering 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.

g) Income tax

(i) 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 Company operates and generates taxable income.

(ii) 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 (where applicable), 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.

h) 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 (loss)/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.

i) Share capital

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.

j) Goods and services tax ("GST")

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.

k) Segment reporting

The Company 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. There were no transactions during the year which were attributable to the segment (2022: \$Nil).

l) New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not resulted in a significant or material change to the Company's accounting policies.

m) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Company for the annual reporting period ended 30 June 2023. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

| 6. Income and Expenses | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|------------|
| Sundry income¹ | | 11,847 | - |
| Consultancy fees, including directors' fees | | | |
| Directors' consulting fees | | (191,000) | (195,333) |
| Other consultants | | (22,557) | (95,775) |
| Total consultancy fees, including directors' fees | | (213,557) | (291,108) |

¹The Sundry income represents an amount returned by Matador Capital Pty Ltd, a related entity during the financial year in relation to reduction of cost of recharges for the year.

7. Income tax expense

| | 2023 \$ | 2022 \$ |
|--|--------------------|--------------------|
| Recognised in profit or loss | | |
| Current income tax | - | - |
| Deferred income tax: | | |
| Relating to origination and reversal of temporary differences | 106,515 | (195,370) |
| Unrecognised deferred tax assets | (106,515) | 195,370 |
| Total income tax expense | - | - |
| (a) Reconciliation of net (loss) / profit before income tax to income tax expense | 2023 \$ | 2022 \$ |
| Net (Loss) / Profit before income tax | (356,806) | 876,025 |
| At the domestic income tax rate of 30% (2022: 30%) | (107,042) | 262,808 |
| Adjustment to income tax expense due to: | | |
| Foreign exchange gains on foreign operations reclassified from reserves | - | (460,384) |
| Non-taxable income | (4,641) | - |
| Non-deductible expenses | 5,168 | 2,206 |
| Unrecognised tax losses | 106,515 | 195,370 |
| | - | - |
| (b) Deferred tax asset | 2023 \$ | 2022 \$ |
| Deferred income tax asset relates to the following: | | |
| Tax losses | 2,637,353 | 2,533,364 |
| Deferred tax assets not brought to account ¹ | (2,637,353) | (2,533,364) |
| | - | - |

¹The benefit of deferred tax assets 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 Company in realising the benefit.

(c) Franking credits

The Company has no franking credits (2022: Nil).

8. Dividends paid or provided for on ordinary shares

No dividends have been paid or proposed for the year ended 30 June 2023. In 2022, the Company completed an in-specie distribution, resulting in a dividend payable of \$18,272,902 (refer to Note 13 for additional information). Other than as disclosed above, no dividends were paid during the year ended 30 June 2022.

9. Cash and cash equivalents

| | 2023 | 2022 |
|--------------|-------|---------|
| | \$ | \$ |
| Cash at bank | 4,877 | 149,804 |

(a) Reconciliation of cash flows cash used in operating activities

| | 2023 | 2022 |
|---|-----------|-------------|
| | \$ | \$ |
| Net (loss) / profit for the year | (356,806) | 876,025 |
| Adjustments to reconcile net (loss)/ profit before tax to net cash flows: | | |
| Net foreign exchange differences | - | (1,529,978) |
| Change in operating assets and liabilities: | | |
| Trade and other receivables | - | (1,851) |
| Other receivables | 9,737 | (20,535) |
| Trade and other payables | 141,960 | (45,479) |
| Net cash used in operating activities | (205,109) | (721,818) |

10. Other receivables

| | 2023 | 2022 |
|---------------------------|--------|--------|
| | \$ | \$ |
| Current | | |
| Prepayments | 18,114 | 20,535 |
| GST receivable | 8,195 | 15,511 |
| Total current receivables | 26,309 | 36,046 |

11. Other financial asset

| | 2023 | 2022 |
|-------------------------------|------|--------|
| | \$ | \$ |
| Current | | |
| Security deposit ¹ | - | 62,018 |
| Total other financial asset | - | 62,018 |

¹Security deposit pursuant to the Shared Services Agreement for the office premises which have been fully settled in October 2022 and returned in cash during the year.

12. Trade and other payables and loan payable

| (a) Trade and other payables | 2023 | 2022 |
|------------------------------|---------|---------|
| | \$ | \$ |
| Trade creditors | 200,223 | 84,272 |
| Accrued expenses | 29,578 | 23,000 |
| | 229,801 | 107,272 |

| (b) Loan payable | 2023 | 2022 |
|------------------|--------|------|
| | \$ | \$ |
| Loan payable | 17,596 | - |

Loan payable represents amounts drawn in June 2023 from a third-party financing company to fund the premium on insurance for the next financial year. The amount is payable in 10 equal monthly instalments, where the first instalment was paid on 30 June 2023.

13. Contributed equity

| | 2023 \$ | 2022 \$ |
|--|-------------------|-------------------|
| Share capital | | |
| 187,464,218 (2022: 187,464,218) fully paid ordinary shares | 11,034,280 | 11,034,280 |

(a) Movements in share capital

| | Number | \$ |
|--|--------------------|--------------|
| Balance at 1 July 2021 | 152,748,622 | 28,660,507 |
| 6 August 2021 In specie distribution ¹ | - | (18,272,902) |
| 22 September 2021 Issue of shares ² | 16,252,714 | 325,054 |
| 23 September 2021 Issue of shares ² | 18,462,882 | 369,258 |
| 24 September 2021 Share issue costs ² | - | (47,637) |
| Balance at 30 June 2022 and 2023 | 187,464,218 | 11,034,280 |

¹On 30 July 2021 shareholders of Cradle approved the demerger of its 37.2% interest in Panda Hill Tanzania (“PHT”) and Panda Hill Mining (“PHM”) and the in-specie distribution of 152,748,622 shares it held in PHM (“In-specie Shares”) to eligible Cradle shareholders on a pro-rata basis. As a result of this transaction, Cradle recognised a dividend payable of \$18,272,902, which comprises the following amounts:

| | \$ |
|-------------------------------|-------------------|
| Investment in PHT | 17,974,680 |
| Loan to PHT | 102,856 |
| Investment in PHM | 200,000 |
| Foreign exchange loss | (4,634) |
| Total dividend payable | 18,272,902 |

²In September 2021 the Company completed a non-renounceable pro-rata fully underwritten entitlement offer to Eligible Shareholders of New Shares each at an issue price of \$0.02 on the basis of 1 New Share for every 4.4 Shares held to raise \$694,312 before costs (“Offer”). The Offer closed on 21 September 2021, with the Company receiving acceptances for 16,252,714 New Shares, resulting in a shortfall of 18,462,882 New Shares. The shortfall was placed via the underwriter, CPS Capital Pty Ltd.

14. Reserves

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Foreign currency translation reserve | - | - |
| Consolidation reserve | - | 10,921,281 |
| Total reserves | - | 10,921,281 |

(a) Nature and Purpose of Reserves
Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities and investments in associates were taken to the foreign currency translation reserve, as described in the accounting policy note. The reserve was transferred to statement of profit or loss and other comprehensive income when the net investment is disposed of in 2022.

Consolidation reserve

On 6 June 2014, the Company 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 was therefore deemed to have present ownership interest in PHM. The transaction was accounted for as an equity transaction with a non-controlling interest at that date. During the financial year, the consolidation reserve was reclassified to accumulated losses following the demerger as disclosed in note 13(a).

(b) Movements in options and performance rights granted as share-based payments

No options and performance rights were granted during the year and there are no option or performances rights on issue (2022: \$Nil).

(c) Movements in foreign currency translation reserve

| | 2023 \$ | 2022 \$ |
|--|------------|-------------|
| Balance at 1 July | - | 1,534,612 |
| Net exchange differences on translation of foreign operations reclassified to profit or loss | - | (1,534,612) |
| Balance at 30 June | - | - |

15. Earnings per share

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

| | 2023 \$ | 2022 \$ |
|---|--------------------|-------------|
| Basic earnings: | | |
| Net (loss)/profit for the year | (356,806) | 876,025 |
| Weighted number of ordinary shares | 187,464,218 | 187,464,218 |
| Basic (loss)/earnings per share (cents per share) | (0.19) | 0.48 |
| Diluted (loss)/earnings per share (cents per share) | (0.19) | 0.48 |

There are no dilutive shares at 30 June 2023. (2022: Nil)

16. Related parties transactions
(a) Key Management Personnel

| | 2023 \$ | 2022 \$ |
|------------------------------|----------------|------------|
| Short-term employee benefits | 191,000 | 195,333 |

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

(b) Other transactions with Related Parties

Mr Grant Davey is an executive Director of the Company and is a director and shareholder of Matador Capital Pty Ltd (Matador Capital). From May 2021, Matador Capital has provided various services under a Shared Services Agreement in which Matador Capital provides office space, technical staff including geologists and project management, and general office costs to the company at cost plus 5%. The total cost incurred for the year ended 30 June 2023 was \$35,837 (2022: \$144,324). Matador Capital has provided a letter of financial support, whereby Matador Capital agrees, effective from 1 August 2022 to defer recharges of costs for office space and other services pursuant to the Cost Sharing Agreement and the Office Use Agreement.

The Company entered into an agreement with Davey Management (Aus) Pty Ltd (“Davey Management” or the “Lender”), a related entity of Mr Grant Davey, whereby Davey Management agreed to provide a loan facility of up to \$500,000 to the Company. The key terms are:

- Facility Limit of \$500,000
- Interest rate of 8% per annum
- Limited recourse – the recourse of the Lender against the Company is limited to the assets of the Company after payment of all unsubordinated creditors
- Subordination – the repayment of the total outstanding amount shall be subordinated and postponed and made subject to all debts, claims, demands, rights and causes of action of all unsubordinated creditors
- Repayment date is 31 July 2024

17. Auditors’ remuneration

The auditor of Cradle Resources Limited is Ernst & Young.

| | 2023 | 2022 |
|---|--------|--------|
| | \$ | \$ |
| Amounts received or due and receivable by Ernst & Young (Australia) for an audit or review of the financial report of the Company | 47,599 | 45,328 |

18. Financial risk management objectives and policies

(a) Overview

The Company’s principal financial instruments comprise, cash and cash equivalents and security deposit. The main risks arising from the Company’s financial instruments are interest rate risk, credit risk and liquidity risk.

This note presents information about the Company’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 in this note, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Company manages its exposure to key financial risks in accordance with the Company’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 Company’s financial risk management policy is to support the delivery of the Company’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 Company does not enter into derivative transactions to mitigate the financial risks. In addition, the Company’s policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Company’s operations change, the Directors will review this policy periodically going forward.

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

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and security deposit.

The carrying amounts of the Company’s cash and cash equivalents and other financial asset (security deposit) represents the maximum credit risk exposure, as represented below:

| | 2023 | 2022 |
|---------------------------|-------|---------|
| | \$ | \$ |
| Cash and cash equivalents | 4,877 | 149,804 |
| Other financial asset | - | 62,018 |
| | 4,877 | 211,822 |

The Company does not have any significant exposure to bad or doubtful debts.

(c) Liquidity Risk

Liquidity risk is the risk that the Company 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 Company will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2023 and as at authorisation of these financial statements, the Company has sufficient liquid assets to meet its financial obligations.

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

| | Current \$ | Less than 6 Months \$ | 6-12 Months \$ | 1-5 Years \$ | Total \$ |
|------------------------------|----------------|-----------------------------|----------------------|-----------------|----------------|
| 2023 | | | | | |
| Financial Liabilities | | | | | |
| Trade and other payables | 98,312 | 105,642 | 43,443 | - | 247,397 |
| | 98,312 | 105,642 | 43,443 | - | 247,397 |
| 2022 | | | | | |
| Financial Liabilities | | | | | |
| Trade and other payables | 107,272 | - | - | - | 107,272 |
| | 107,272 | - | - | - | 107,272 |

(d) Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to cash and cash equivalents with a floating interest rate.

At the reporting date, the Company did not have any material exposures to interest rate risk.

(e) Capital Management

The Company defines its capital as total equity of the Company, being total deficiency in equity of \$216,211 as at 30 June 2023 (2022: \$140,595 net equity). The Company manages its capital to ensure that entities in the Company 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 to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Company, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

(f) Fair Value

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

19. Events subsequent to reporting date

On 7 July 2023, the Company completed a placement of \$850,000 utilising existing capacity under Listing Rule 7.1 and 7.1A to fund the costs associated with the re-compliance process and for working capital purposes, by way of the issue of 42,500,000 new shares at \$0.02 plus a free attaching option with an exercise price of \$0.05 and expiry of three years from date of issue. The issue of these options is subject to shareholder approval.

The Company's securities remain suspended until after the shareholder approval has been sought and the Company complies with Chapters 1 and 2 of the ASX Listing Rules as a green energy Company.

Other than as outlined above are no matters or circumstances which have arisen since 30 June 2023 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2023, of the Company;
- the results of those operations, in financial years subsequent to 30 June 2023, of the Company; or
- the state of affairs, in financial years subsequent to 30 June 2023, of the Company.

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Directors' declaration

In the directors' opinion:

- a) the financial statements and notes comply with the Corporations Act 2001, including
 - i. giving true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
 - ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - iii. comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 of the financial statements.

- b) subject to the matters set out in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors.

On behalf of the Board



GRANT DAVEY
Executive Director
5 September 2023

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working world**

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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), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Company is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its 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 Company 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which describes the events or conditions that raise doubt about the Company's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Other than the matter described in the *Material uncertainty related to going concern* section, we have determined that there are no other key audit matters to communicate in our report.

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 2023 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 Company'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 Company 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 Company'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 Company'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 Company 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.

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 in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Cradle Resources Limited for the year ended 30 June 2023, 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



Pierre Dreyer
Partner
Perth
5 September 2023

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 1 September 2023.

1. Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

| Name | Number of Ordinary Shares | % |
|--|---------------------------|---------------|
| Aviemore Capital Pty Ltd | 32,300,000 | 14.05 |
| Sunset Capital Management Pty Ltd | 24,424,017 | 10.62 |
| Arredo Pty Ltd | 16,400,000 | 7.13 |
| HSBC Custody Nominees (Australia) Limited | 14,259,750 | 6.20 |
| Davey Holdings (Aus) Pty Ltd | 12,117,656 | 5.27 |
| Davey Management (Aus) Pty Ltd | 10,956,017 | 4.76 |
| Nero Resource Fund Pty Ltd | 8,370,519 | 3.64 |
| Mr Brett Mitchell & Mrs Michelle Mitchell | 7,020,000 | 3.05 |
| Citicorp Nominees Pty Limited | 6,316,880 | 2.75 |
| Recb Limited | 6,200,000 | 2.70 |
| National Nominees Limited | 5,948,540 | 2.59 |
| Aralad Management Pty Ltd | 5,000,000 | 2.17 |
| Mrs Emma Morrison | 3,750,000 | 1.63 |
| Mr Michael Robert Morrison | 3,750,000 | 1.63 |
| Bella Brodie Pty Ltd | 3,750,000 | 1.63 |
| Mr Mark John Bahen & Mrs Margaret Patricia Bahen | 2,855,090 | 1.24 |
| Cove Securities Pty Ltd | 2,500,000 | 1.09 |
| Helmet Nominees Pty Ltd | 2,389,653 | 1.04 |
| Ms Nicole Gallin & Mr Kyle Haynes | 2,250,000 | 0.98 |
| Alba Capital Pty Ltd | 2,000,000 | 0.87 |
| Total twenty largest shareholders | 172,558,122 | 75.04 |
| Balance of register | 57,406,096 | 24.96 |
| Total ordinary shares on issue | 229,964,218 | 100.00 |

ASX additional information (continued)

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 | 222,001,922 | 96.54 | 108 | 22.13 |
| 10,001 to 100,000 | 6,937,456 | 3.02 | 189 | 38.73 |
| 5,001 to 10,000 | 816,201 | 0.35 | 97 | 19.88 |
| 1,001 to 5,000 | 203,777 | 0.09 | 65 | 13.32 |
| 1 to 1,000 | 4,862 | 0.00 | 29 | 5.94 |
| Total | 229,964,218 | 100.00 | 488 | 100.00 |

3. Voting Rights

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.

4. Substantial Shareholders

Substantial Shareholder notices have been received from the following:

| | Number of Shares |
|---|------------------|
| Aviemoore Capital Pty Ltd | 32,300,000 |
| Sunset Capital Management Pty Ltd | 24,424,017 |
| Grant Davey | 23,073,673 |
| Arredo Pty Ltd | 16,400,000 |
| HSBC Custody Nominees (Australia) Limited | 14,259,750 |

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. Corporate Governance

The Company's Corporate Governance Statement for the year ended 30 June 2023, 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.