

Cradle Arc Plc

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Cradle Arc enters option agreement for joint venture or sale of subsidiary

Cradle Arc Plc (LON:CRA) said it has entered into an option agreement with Singa Holdings Zambia Private Limited to either establish a joint venture or acquire its subsidiary, Luiiri Gold Mines Limited.

The AIM-listed precious metals explorer said the first option agreement would allow Singa to acquire Luiiri, which holds the group's Matala and Dunrobin gold assets in Zambia, for US\$2.5mIn until it expires on 1 July 2018.

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If the option agreement is exercised, following the acquisition of Luiiri Cradle Arc will receive a royalty of 1.5% of gross revenue generated from the Matala and Dunrobin gold assets, up to a maximum aggregate amount of the net present value of US\$2.5mIn discounted at 8%.

The group added that it had also granted Singa an exclusive option, expiring on 30 June 2018, to form a joint venture for the operation of the Matala and Dunrobin assets.

If this option is agreed, any such joint venture terminates upon the commencement of commercial gold production. If Singa chooses to enter the joint venture, Cradle Arc said it has the right to require Singa to exercise the acquisition option.

Cradle Arc added that an option fee of US\$30,000 was payable by Singa to the company in three equal monthly tranches from the date of the agreement.

Kevin van Wouw, chief executive of Cradle Arc, commented: "The development of our Zambian gold assets has long been an important goal for the Company. We are, however, extremely mindful of the potential dilution that raising equity funds for the development of Matala could have on existing shareholders at the Company's current share price, and we therefore consider that this partnership with Singa represents the best path towards potential production in the near to mid-term.

He added: "Should the Share Option be exercised, the total amount payable to Cradle Arc would, in our view, represent fair value given the project's current stage of development and will support the Company's future strategy. On exercise of the Share Option, the Company will receive US\$2.5mIn, which will contribute towards the cost of the planned Dense Media Separation (DMS) upgrades at the Group's Mowana Copper Mine, together with the potential future royalty stream."

Cradle Arc shares were steady at 6.98p in early trading Monday.

--Adds share price--

Price: 6.99p

Market Cap: £14.56M

Share Information

Code: CRA

Listing: AIM

52 week **High** **Low**
11.83857p 3.503p

Sector: General Mining - Gold

Website: www.cradlearc.com

Company Synopsis:

Cradle Arc is an African focused base and precious metals exploration and production company, which is committed to becoming a diverse metals producer in Africa by applying new mining models and techniques to achieve cash positive production from proven mining assets while securing strategic JV partnerships for its exploration assets to maximise value.

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