

Cradle Arc PLC

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Cradle Arc eyeing production expansion after ramp-up completes at Mowana

Cradle Arc Resources PLC (LON:CRA) made its debut on AIM on 24 January 2018, after a year spent putting the Mowana copper mine back into production.

"It's now owner operated," says chief executive Kevin van Wouw. The last piece of necessary equipment was delivered in February.

READ: Cradle Arc to push ahead with process enhancements at Mowana copper mine

"That puts us in a position where we can reach nameplate capacity."

It hasn't all been plain sailing, though. As with many start-up operations, there have been teething problems with the plant and processing facilities, and initial targets have been missed. But those problems are being addressed and the company is now on track to hit nameplate capacity during the fourth quarter of 2018.

That's currently set at 12,000 tonnes of copper in concentrate per year, although plans are in place to push that on up to at least 20,000 tonnes in due course.

That profile of rising production, particularly when set against the backdrop of a strong copper market, proved an enticing prospect for London investors last year when Cradle Arc was marketing.

Once the company had completed its reversal of the Mowana asset into what was then called Alecto, it was able to go out for £3.25m in pre-IPO money, securing a further £2.4m on admission.

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Admittedly, it did have to come back to the market in April for US\$10m in secured debt funding, but that money has successfully been deployed, and the company has now mined through the tricky transitional ores.

Cradle Arc is thus a straightforward enough proposition: a with plans to increase output and a clear idea of how to do so.

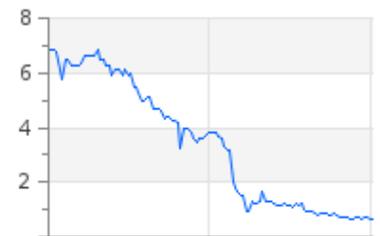
"We will get Wardell Armstrong to do a new block model resource to confirm the life of mine," says van Wouw.

Already a key component is in.

Cradle Arc reported on 31 January that a study by the well-known mining consultant SGS has confirmed the viability of using dense media separation techniques to separate ore from waste at Mowana, and is now finalising arrangements to finance the installation of the new plant.

Market Cap: £0M

1 Year Share Price Graph



June 2018 September 2018 December 2018

Share Information

Code: CRA

Listing: LSE

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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The impact is likely to be significant and could, as part of the feasibility study, boost the net present value of Mowana from the current US\$87m to upwards of US\$245m.

Part of that value uplift would come from confirmation of the viability of increasing output to as much as 22,000 tonnes per year, and there would be corresponding economies of scale.

At this stage, it's estimated that the application of the dense media separation option to the expanded operation would result in an internal rate of return (IRR) of 55%.

To formalise those estimates, the technical information gleaned from the SGS study will now be plugged into the work Wardell is undertaking.

Copper outlook positive

But at this stage, Van Wouw puts the overall cost of putting the second phase into production at around US\$20m.

In the meantime, the outlook for copper is broadly positive, after a rocky few months.

Van Wouw is bullish in the short-to-medium term, in the context of the general infrastructure spending in emerging markets.

It all sets a useful context for Cradle Arc to initiate expansion, and Botswana's continuing political stability provides the perfect backdrop.

One route for that expansion will be through the Makala project, which lies 70 kilometres away from Mowana. "There is a historic resource that grades 1.8% copper and one ounce of silver per tonne," says van Wouw.

Extra upside will come too from the company's gold activities in Zambia, where it has a contract to design, build and operate a gold mine called Matala.

That's currently in the midst of being funded, so watch this space.

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