



**Cradle Arc plc**  
**(the “Company” or, together with its subsidiaries, the “Group”)**

## **CORPORATE GOVERNANCE**

### **Chairman’s Statement**

As a result of recent changes to the AIM Rules for Companies (the “AIM Rules”), the Board has reviewed which recognised corporate governance code to apply to the Company on a comply or explain basis, as required by AIM Rule 26. Of the two most widely recognised formal codes for UK companies, the Board has decided to adhere to the Quoted Companies Alliance’s Corporate Governance Code for small and mid-size quoted companies (the “QCA Code” or the “Code”) (updated in April 2018).

Accordingly, the Company is required to maintain on its website details of the QCA Code, how the Company complies with the Code and an explanation of any deviations from such Code. This information is required to be reviewed annually and going forward it is intended that it will be reviewed at the same time as the Company’s Annual Report and Accounts are prepared.

The Directors recognise the importance of sound corporate governance and have sought to address these new requirements in a timely manner as set out in the table below. Cradle Arc has adopted an internal corporate governance framework that supports compliance with the QCA Code on an on-going basis by the Board, its Committees and its employees, and in its relations with its wider stakeholders. The Board recognises the importance of maintaining appropriately high standards of corporate governance and has put in place governance structures that would be expected in light of the Group’s size, stage of development and resources. In ensuring good corporate governance Cradle Arc applies the ten principles of the QCA Code as detailed below.

## The QCA Code

	<b>Principle</b>	<b>Disclosure</b>
1	<b>Establish a strategy and business model which promotes long-term value for shareholders</b>	<p>The objective of the Group is to deliver material long term value for its stakeholders by becoming a major metals producer in Africa. The Group's strategy is to continue to build upon the commercial production achieved in June 2018 at its Mowana Copper Mine in Botswana to initially achieve nameplate capacity to process 1.2 million tonnes ("Mt") of ore per annum, and thereafter implement process plant upgrades to increase throughput capacity to process 2.6Mt of ore per annum, via the proposed installation of Dense Media Separation (DMS) upgrades, subject to financing. The Group continues to retain exposure to gold exploration through its joint ventures, for example at the Kossanto West Gold project in Mali and is actively pursuing partnerships for the continued development of its Matala and Dunrobin Gold mines in Zambia or an outright disposal.</p> <p>The Company's latest Annual Report, for the year ended 31 December 2017, sets out a number of the key risks and uncertainties that may represent challenges to the successful execution of the Company's strategy and business model, and how such risks and uncertainties are managed by the Company.</p>
2	<b>Seek to understand and meet shareholder needs and expectations</b>	<p>Cradle Arc has an established programme of engaging openly with its shareholders. Communications occur via its corporate website, the publication of its Annual Report and the Interim Results, trading and other announcements made via a regulatory information service and at its Annual General Meeting and General Meetings where the Board encourages investors to participate.</p> <p>The Company's website contains information on Cradle Arc's business, corporate information and specific disclosures required under the AIM Rules and the QCA Code. Following the announcement of the Company's full year and half yearly results the Company makes presentations to institutional shareholders, private client brokers and investment analysts, as appropriate. Periodic meetings and site visits are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Company's broker and discussion of this feedback is a standard item on the Board's agenda.</p>

3	<p><b>Consider stakeholder and social responsibilities and their implications for long term-success</b></p>	<p>The Company recognises its responsibility to promote its success for the benefit of all its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, funders, suppliers and to the local communities where its projects and operations are based.</p> <p>The Board is also conscious that the tone and culture that it sets will impact all aspects of the Company and the way its employees behave and operate. The importance of maintaining sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Company has close ongoing relationships with a broad range of stakeholders, monitoring feedback from them and uses such feedback to develop future policy.</p> <p>Cradle Arc undertakes its exploration and mining activities in a manner that seeks to minimise or eliminate negative environmental impacts and that seeks to maximise positive impacts of an environmental nature. As a mining company, Cradle Arc ensures proper environmental stewardship on its projects that promotes convergence around common environmental and social standards.</p> <p>Cradle Arc operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee’s suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement in health and safety management. This results in continuous improvement in the health and safety programme.</p> <p>Employee involvement is fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.</p>
4	<p><b>Embed effective risk management, considering both opportunities and threats, throughout the organisation</b></p>	<p>The Board is responsible for the Company’s system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Company’s strategic objectives and business model.</p> <p>The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. The management accounts contain a number of indicators that are designed to reduce the possibility of mis-statement in the financial statements.</p>

		<p>Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of the Company's system of internal controls. This is achieved primarily via a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. Details of these risks, and their management, are contained in the Company's Annual Report and Accounts.</p> <p>The Board is not aware of any significant failings or weaknesses in the Company's existing system of internal controls. On the recommendation of the Audit Committee, the Board has determined that an internal audit function is currently not required due to the small size of the Company's administrative function and the high level of director review and authorisation of transactions.</p>
5	<p><b>Maintain the Board as a well-functioning, balanced team led by the chair</b></p>	<p>The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which we operate. The full Board is responsible and accountable to shareholders for the management and success of the Group and for providing effective controls to assess and manage the risks that the Company faces.</p> <p>The Group's business is directed by the Board and is managed on a day-to-day basis by the Chief Executive Officer. The Board monitors compliance with the objectives and policies of the Group through monthly performance reporting, budget updates and periodic operational reviews.</p> <p>The Company has four non-executive Directors, each considered to be independent by the Board. The Board has a formal schedule of matters reserved for its decisions. Informal board meetings are held every two weeks given the Company's current stage of development. Regular formal board meetings are held at a frequency across each year which ties in as far as possible with the Group's financial reporting and trading calendars and an increase in frequency of formal board meetings will occur from the 2018/19 financial year onwards.</p> <p>The Board is assisted by an Audit Committee and a Remuneration Committee. In light of the size of the Board, the Directors do not consider it necessary to establish a Nomination Committee. However, this will be kept under regular review.</p>

		<p>The Audit Committee, comprising Roger Williams (Chair) and Michael Golding, reviews the Group’s annual and interim financial statements before submission to the Board for approval. The Audit Committee also reviews regular reports from management and the external auditor on accounting and internal control matters. Where appropriate, the Audit Committee monitors the progress of action taken in relation to such matters. The Audit Committee also recommends the appointment, and reviews the fees, of the external auditor. The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. A formal statement of independence is received from the external auditor each year.</p> <p>The Remuneration Committee, comprising Michael Golding (Chair), Roger Williams and Roy Pitchford is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Group.</p> <p>The Board and its various committees receive appropriate and timely information prior to each meeting. A formal agenda is produced for each meeting and board committee papers are distributed several days before meetings take place. Any director can challenge proposals with decisions being taken after due discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.</p> <p>All relevant directors attended all board and committee meetings during the Company’s last financial year. All directors spend such time as is necessary to effectively carry out their roles and directors have access to advice or services needed to enable them to carry out their roles and duties effectively.</p>
6	<p><b>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b></p>	<p>The directors of the Company are:</p> <ul style="list-style-type: none"> <li>• Roy Pitchford, Non-Executive Chairman</li> <li>• Kevin Van Wouw, Chief Executive Officer</li> <li>• Mark Jones, Director of Business Development</li> <li>• Roger Williams, Non-Executive Director</li> <li>• Oscar Kirkovits, Non-Executive Director</li> <li>• Michael Golding, Non-Executive Director</li> </ul>

		<p>The skills and experience of the Board are set out in their biographical details included within the Investor Information section of the Company's website and are considered by the Board as representing the appropriate range of capabilities needed to deliver the strategy of the Company for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. Cargil Management Services Limited acts as Company Secretary.</p>
7	<p><b>Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</b></p>	<p>The collective performance of the Board is reflected in the success of the business. Evaluation of the performance of the Board, its Committees and individual members has historically been implemented on an on-going and ad hoc basis given the stage of the Company's development. The Company does not therefore currently comply with Principle 7 but it is currently reviewing a formal internal board evaluation process that will be led by the Chairman.</p> <p>Succession planning is currently the responsibility of the Board as a whole, the establishment of a Nominations Committee not being considered necessary due to the current size of the Board.</p>
8	<p><b>Promote a corporate culture that is based on ethical values and behaviours</b></p>	<p>The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way that employees behave and operate. The importance of maintaining sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives.</p> <p>The Company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of the Group's business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of, <i>inter alia</i>, sustained real growth in future profitability.</p> <p>In addition, employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents, which, in turn, as a mining company, the Board considers, to be a fundamental part of recognising and establishing ethical values and behaviours throughout the Group.</p>

9	<p><b>Maintain Governance structures and processes that are fit for purpose and support good decision making by the Board</b></p>	<p>The Company maintains appropriate governance structures and processes according to its current size and complexity, and its stage of development and level of resources.</p> <p>There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive Officer. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance.</p> <p>The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group.</p> <p>The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Directors and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders.</p> <p>The roles of the Board and its Committees are described further in section 5 above.</p>
10	<p><b>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</b></p>	<p>The Company recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Company has actively engaged with its shareholders through meetings, presentations and roadshows. The Board believes that the Annual Report and Accounts, and the Interim Results published at the half-year stage, play an important part in presenting all shareholders with an assessment of the Company's position and prospects. All regulatory announcements are published on the Company's website. The Annual General Meeting and General Meetings are an opportunity for shareholders to meet and discuss the Company's business with the Directors.</p> <p>The Board is supported by the Audit and Remuneration Committees, each of which has access to such information, resources and advice that it deems necessary, at the Company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee.</p>

**Roy Pitchford**

*Non-Executive Chairman*

Cradle Arc plc

27 September 2018