

ARC MINERALS LIMITED
Interim Financial Statements
30 June 2023

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2023

	Notes	Six Months to 30 June 2023 (Unaudited) £ 000's	Six Months to 30 June 2022 (Unaudited) £ 000's
Administrative expenses		(2,201)	(808)
Operating Income / (Loss)		(2,201)	(808)
Zamsort/Handa Restructuring	9	-	(6,815)
Gains and losses on the disposal of Casa	7	-	(840)
Non-operating Income / (Loss)		(2,201)	(7,655)
Income / (Loss) before tax		(2,201)	(8,463)
Income tax expense		-	-
Income / (Loss) for the period	3	(2,201)	(8,463)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gains		(49)	32
Effect of currency translation		53	(487)
Other comprehensive income / (loss) for the period, net of tax		4	(455)
Total comprehensive income / (loss) for the period		(2,197)	(8,918)
Income / (Loss) attributable to:			
Equity holders of the parent		(2,196)	(6,573)
Non-controlling interest		(5)	(1,890)
		(2,201)	(8,463)
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		(2,206)	(6,830)
Non-controlling interest		(9)	(2,088)
		(2,197)	(8,918)
Loss per share attributable to the owners of the parent during the period (expressed in pence per share)			
- Basic	3	(0.18)	(0.69)

The notes on pages 5 to 11 are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) £ 000's	As at 31 December 2022 (Audited) £ 000's
ASSETS			
Non-current assets			
Intangible assets	4	5,169	5,233
Fixed assets	5	7	12
Total non-current assets		5,176	5,245
Current assets			
Trade and other receivables	6	1,109	1,096
Short term investments	8	231	1,738
Cash and cash equivalents		60	616
Total current assets		1,400	3,450
TOTAL ASSETS		6,576	8,695
LIABILITIES			
Current liabilities			
Trade and other payables	10	(2,933)	(2,733)
Total current liabilities		(2,933)	(2,733)
Non-current liabilities			
Long term payables	11	(106)	(117)
Total non-current liabilities		(106)	(117)
TOTAL LIABILITIES		(3,039)	(2,850)
NET ASSETS		3,537	5,845
EQUITY			
Share capital	12	-	-
Share premium		64,300	64,272
Share based payments reserve		283	283
Warrant reserve		84	84
Foreign exchange reserve		866	1,045
Retained earnings		(61,362)	(59,196)
Equity attributable to equity holders of the parent		4,171	6,488
Non-controlling interest		(634)	(643)
TOTAL EQUITY		3,537	5,845

The notes on pages 5 to 11 are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) £ 000's	As at 30 June 2022 (Unaudited) £ 000's
Cash flows from operating activities			
Loss before tax		(2,201)	(8,463)
Depreciation		5	3
Currency losses / (gains)		39	(285)
Fair value losses / (gains)	8	1,469	2,044
Zamsort/Handa restructuring	9	-	6,815
Operating loss before changes in working capital		(688)	114
(Increase)/ Decrease in trade and other receivables		(13)	(1,018)
Decrease in trade and other payables		194	(331)
Net cash used in operating activities		(507)	(1,235)
Cash flows used in investing activities			
Additions to intangible assets		(88)	(139)
Net cash used in investing activities		(88)	(139)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of share issue cost		28	2,191
Long term payables		11	(204)
Net cash used in financing activities		39	1,987
Net increase/(decrease) in cash and cash equivalents		(556)	613
Cash and cash equivalents at beginning of period		616	1,735
Cash and cash equivalents at end of period		60	2,348

The notes on pages 5 to 11 are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2023

	Share capital	Share premium	Foreign exchange reserve	Share based payment reserve	Warrant Reserve	Retained earnings	Total	Non-controlling interest	Total equity
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
As at 1 January 2022	-	62,019	(1,885)	273	84	(53,385)	7,106	1,076	8,182
Loss for the period	-	-	-	-	-	(6,573)	(6,573)	(1,890)	(8,463)
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Currency translation differences	-	-	(257)	-	-	-	(257)	(198)	(455)
Total comprehensive loss for the period	-	-	(257)	-	-	(6,573)	(6,830)	(2,088)	(8,918)
Warrants exercised	-	2,191	-	-	-	-	2,191	-	2,191
Effect of foreign exchange on the opening balance	-	-	4,768	-	-	-	4,768	-	4,768
Increase/(Decrease) of NCI	-	-	-	-	-	-	-	(1,210)	(1,210)
Total transactions with owners, recognised directly in equity	-	2,191	4,768	-	-	-	6,959	(1,210)	5,749
As at 30 June 2022⁽ⁱ⁾	-	64,210	2,626	273	84	(59,958)	7,235	(2,222)	5,013
As at 1 January 2023	-	64,272	1,045	283	84	(59,196)	6,488	(643)	5,845
Loss for the period	-	-	-	-	-	(2,196)	(2,196)	(5)	(2,201)
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Currency translation differences	-	-	(10)	-	-	-	(10)	14	4
Total comprehensive loss for the period	-	-	(10)	-	-	(2,196)	(2,206)	9	(2,197)
Share capital issued net of share issue costs	-	28	-	-	-	-	28	-	28
Effect of foreign exchange on the opening balance	-	-	(169)	-	-	30	(139)	-	(139)
Total transactions with owners, recognised directly in equity	-	28	(169)	-	-	30	(111)	-	(111)
As at 30 June 2023	-	64,300	866	283	84	(61,362)	4,171	(634)	3,537

(i) The presentation of comparative amounts for the period 1 January to 30 June 2022 has been amended to correctly present the allocation of losses (the loss for the period and other comprehensive loss) between equity holders of the parent and non-controlling interest.

The notes on pages 5 to 11 are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2023

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared under the historical cost convention and on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union (“IFRS”) and those parts of the BVI Business Companies Act applicable to companies reporting under IFRS.

The condensed consolidated interim financial statements contained in this document do not constitute statutory accounts. In the opinion of the directors, the condensed consolidated interim financial statements for this period fairly presents the financial position, result of operations and cash flows for this period.

The Board of Directors approved this Interim Financial Report on 28 September 2023.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing these interim condensed consolidated interim financial statements. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies

The condensed consolidated interim financial statements for the period ended 30 June 2023 have not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory annual financial statements for the year ended 31 December 2022.

Going concern

The Directors have reviewed a forecast prepared by the executive and have a reasonable expectation that the Group has sufficient funds to continue in operation and satisfy liabilities for the foreseeable future.

The Directors are also required to assess the Group’s ability to continue as a going concern (“Going Concern Assessment”) in the event that the joint venture with a subsidiary of Anglo American as announced on 20 April 2023 (the “Anglo JV”) is delayed or fails to close or if the Group cannot liquidate its receivables and/or investments. It must be made clear that consideration of these factors by the Directors for purposes of the Going Concern Assessment, does not in any way reflect the Directors’ views on the commercial viability, nor probability of closing, the Anglo JV. The Directors’ Going Concern Assessment similarly does not reflect the Directors’ views in respect of liquidating the Group’s receivables and/or investments nor in terms of the potential realisable values. When excluding the Anglo JV and non-cash receivables and investments from their Going Concern Assessment, the Directors note that that the Group’s ability to remain a going concern for at least 12 months from the approval of these interim financial statements is dependent on the Group’s ability to raise further equity and/or debt finance. Whilst the Directors acknowledge that this carries a high degree of uncertainty, in part due to current market volatility, they have a reasonable expectation that the Group will continue to be able to raise finance as required over this period.

During the c.6 years ended 31 December 2022, Arc raised in excess of £17.5 million from the sale of equity and exercise of warrants of which c.£2 million was raised in 2022 from the issuance of new ordinary shares in the Company. These ongoing equity sales are indicative of consistent strong investor support. The Directors therefore consider it appropriate, despite the loss incurred during the

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2023

period, for the Company to continue to adopt the going concern basis in preparing these interim financial statements.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Financial Risk Management

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's December 2022 Annual Report and Financial Statements, a copy of which is available from the Group's website: www.arcminerals.com. The key financial risks are market risk, currency risk, and liquidity.

3. Loss per share

	Six Months to 30 June 2023 (Unaudited) £ 000's	Six Months to 30 June 2022 (Unaudited) £ 000's
Loss for the period	(2,201)	(8,463)
Weighted average number of ordinary shares used in calculating basic loss per share (000's)	1,225,745	1,223,545
Basic loss per share (expressed in pence)	(0.18)	(0.69)

As the inclusion of the share options would result in a decrease in the earnings per share, they are considered to be anti-dilutive and, as such, a diluted loss per share is not included.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the period ended 30 June 2023

4. Intangible Assets

	Zaco Deferred Exploration Costs £ 000's	Alvis-Crest Prospecting & Exploration rights £ 000's	Handa Deferred Exploration Costs £ 000's	Other Intangible Assets £ 000's	Total £ 000's
As at 1 January 2023	1,103	1,312	2,162	656	5,233
Additions	33	-	9	46	88
Foreign exchange	(32)	-	(86)	(34)	(152)
As at 30 June 2023	1,104	1,312	2,085	668	5,169
As at 31 December 2022	1,103	1,312	2,162	656	5,233

5. Fixed Assets

	Processing Plant £ 000's	Mining Equipment £ 000's	Motor Vehicles £ 000's	Furniture & Fittings £ 000's	Total £ 000's
Cost					
At 1 January 2023	-	-	37	2	39
Additions	-	-	-	-	-
Effects of foreign exchange movements	-	-	-	-	-
At 30 June 2023	-	-	37	2	39
Accumulated Depreciation					
At 1 January 2023	-	-	(26)	(1)	(27)
Depreciation	-	-	(5)	-	(5)
At 30 June 2023	-	-	(31)	(1)	(32)
Cost					
At 1 January 2022	-	-	86	33	119
Disposal of Zamsort subsidiary	-	-	(40)	(31)	(71)
Effects of foreign exchange movements	-	-	(11)	-	(11)
At 31 December 2022	-	-	37	2	39
Accumulated Depreciation					
At 1 January 2022	-	-	(66)	(31)	(97)
Disposal of Zamsort subsidiary	-	-	40	30	70
Depreciation	-	-	(9)	-	(9)
Effects of foreign exchange movements	-	-	9	-	9
At 31 December 2022	-	-	(26)	(1)	(27)
NET BOOK VALUE – 30 June 2023	-	-	6	1	7
NET BOOK VALUE – 31 December 2022	-	-	11	1	12

6. Trade and Other Receivables

Included in trade and other receivables at 30 June 2023 is c.£986k (USD 1,250,000) in relation to the disposal of the Company's interest in Casa Mining Ltd and the Misisi Project (see note 7).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2023

7. Disposal of Casa Mining Ltd

Consideration

As announced on 29 April 2022, Regency Mining Ltd (“Regency”) acquired a 73.5% interest in the Misisi gold project (“Misisi Project”) from Golden Square Equity Partners Limited (“Golden Square”), replacing Rackla Metals Inc. as the acquiror of Misisi. The terms of the transaction were that Arc would be paid USD 250,000 in cash and the equivalent of USD 1,250,000 in shares in a publicly listed company in Canada (“Consideration Shares”). The agreement also provided Arc with a royalty agreement on the same terms as the previous royalty agreement announced on 5 May 2021.

On 30 June 2022, the Company received the first cash payment of USD 125,000 towards the USD 1,500,000 receivable from the disposal of its Casa interests. On 12 September 2022, the Company received the second cash payment of USD 125,000, bringing the aggregate cash payments received by the Company to date to USD 250,000. The balance of USD 1,250,000 is to be settled by the issuance of listed stock which has been delayed due to corresponding delays in the listing process of the underlying entity. Management continues to follow up on progress and the directors consider the balance recoverable.

USD 5m Loan Note

From 19 March 2020, Arc held a USD 5,000,000 loan note issued by Golden Square (Pty) Ltd (“Golden Square Loan Note”) secured by 3 million shares in OTC:TMNA (“Security Shares”). As announced on 29 April 2022 the Company accepted the Security Shares in full and final settlement of the Golden Square Loan Note resulting in a gain of c.£2m. At 30 June 2023, the closing share price of the Security Shares was US\$0.055 per share (2022 – USD\$0.79). The unrealised fair value loss recognised during the year is £1.47m (2022 – £2.28m).

8. Short-term Investments Held at Fair Value Through Profit and Loss

The Group’s investments held at fair value through profit and loss consist of investments publicly traded on the London Stock Exchange and the Over-The-Counter (OTC) market. These investments are valued at the mid-price as at period end.

	Level 1*	Level 2*	Level 3*	Total
	£ 000's	£ 000's	£ 000's	£ 000's
At 1 January 2023	1,738	-	-	1,738
Additions	-	-	-	-
Fair value changes	(1,469)	-	-	(1,469)
Gain/(Loss) on disposals	-	-	-	-
Disposals	-	-	-	-
Foreign exchange	(38)	-	-	(38)
At 30 June 2023	231	-	-	231

	Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾	Total
	£ 000's	£ 000's	£ 000's	£ 000's
Gains on short-term investments held at fair value through profit and loss				
Fair value loss on investments	(1,469)	-	-	(1,469)
Realised gain on disposal of investments	-	-	-	-
At 30 June 2023	(1,469)	-	-	(1,469)

⁽ⁱ⁾ See note 1 (accounting policy).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2023

	Level 1 ⁽ⁱ⁾ £ 000's	Level 2 ⁽ⁱ⁾ £ 000's	Level 3 ⁽ⁱ⁾ £ 000's	Total £ 000's
At 1 January 2022	-	-	-	-
Additions	4,433	-	-	4,433
Fair value changes	(2,281)	-	-	(2,281)
Loss on disposals	(25)	-	-	(25)
Disposals	(176)	-	-	(176)
Foreign exchange	120	-	-	120
At 30 June 2022	2,071	-	-	2,071

	Level 1 ⁽ⁱ⁾ £ 000's	Level 2 ⁽ⁱ⁾ £ 000's	Level 3 ⁽ⁱ⁾ £ 000's	Total £ 000's
Gains on short-term investments held at fair value through profit and loss				
Fair value loss on investments	(2,281)	-	-	(2,281)
Realised loss on disposal of investments	(25)	-	-	(25)
At 30 June 2022	(2,306)	-	-	(2,306)

⁽ⁱ⁾ See note 1 (accounting policy).

9. Zamsort/Handa Restructuring

Zamsort Settlement (background)

The Company announced in February 2022 that the parties to the legal cases in Zambia and in the UK have come to an agreement to settle various disputed matters and for all legal proceedings to be permanently dropped (the "Settlement Agreement"). The Settlement Agreement was submitted to Zambian courts to effect a Consent Judgement which has the force of law.

In return for the claimant parties, being Terra Metals Limited, Zambia Mineral Exchange Corporation Limited and their related parties (including Mumena Mushingwe and Brian Chisala), relinquishing all claims against Zamsort or any other company in the Arc Minerals Ltd Group, present or contingent, and in full and final settlement of all claims in formal conclusion of all matters, the Group agreed to transfer to the claimant parties, for nil consideration, 100% of the issued share capital of Zamsort Ltd (the "Zamsort Transfer"), which owns the pilot plant. The Group also agreed to consent to the claimant parties applying for the 8 square kilometre small mining and small exploration license areas that were previously in existence at Zamsort prior to Arc's involvement (the "Original Zamsort License Area").

As announced on 31 March 2022, the Company issued 3,000,000 options in relation to the Zamsort Settlement with an exercise price of 5 pence each and an expiry date of 31 March 2024. Following the grant of these options there were 20,133,334 share options outstanding.

All of the Group's representative directors who served on the board of directors of Zamsort resigned effective 1 April 2022 ("Resignation Date").

Transfer of assets and liabilities from Zamsort to Handa

The pilot plant, related equipment and intangible assets that relate to the Original Zamsort License Area which remained in Zamsort ("Zamsort Retained Assets") was treated as available for sale assets at 31 December 2021. All assets and liabilities, other than the Zamsort Retained Assets, immediately preceding the date of the Zamsort Transfer (the "Transferred Assets & Liabilities") were transferred to Handa Resources Ltd ("Zamsort/Handa Restructuring"). The Zamsort/Handa Restructuring has been recorded on 31 March 2022, being the date immediately preceding the Resignation Date and resulted in a c.£6.8m expense in the year to 31 December 2022.

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For the period ended 30 June 2023

10. Trade and Other Payables

	Group 30 June 2023 £ 000's	Group 31 December 2022 £ 000's
Trade and Other Payables		
Surrendered share options payable	1,263	1,181
Minority shareholder loans	1,247	1,271
Trade and other payables	423	281
	2,933	2,733

Surrendered Share Options Payable

The surrendered share options payable is in relation to the surrendered share options as announced on 16 March 2021.

Minority shareholder loans

The minority shareholder loans represent the aggregate of (i) a loan from the 34% minority shareholder to Handa Resources Limited and (ii) a loan from the 27.5% minority shareholder to Zaco Investments Limited. The Company has also provided loans to these companies on similar terms which had a balance on the reporting date of c£3.6 million.

11. Long Term Payables

	Group 30 June 2023 £ 000's	Group 31 December 2022 £ 000's
Long term payables		
Minority shareholder loans	106	117
	106	117

The minority shareholder loans consists of a loan from the 25% minority shareholder of Alvis-Crest (Pty) Ltd. The Company has also provided a loan to Alvis Crest on similar terms which had a balance on the reporting date of £648,000.

12. Share Capital

The authorised share capital of the Company and the called up and fully paid amounts at 30 June 2023 were as follows:

A) Authorised	£ 000's	
Unlimited ordinary shares of no par value		-
B) Called up, allotted, issued and fully paid	Number of shares	Nominal value
As at 1 January 2023	1,225,744,782	-
Additions:	-	
As at 30 June 2023	1,225,744,782	-

13. Events after the reporting date

On 12 May 2022 the Company announced that it, together with its partners, had entered into an agreement with Anglo American with the intention to form a joint venture in respect of its Zambian copper interests ("Joint Venture"). The key commercial terms of the Joint Venture were that, upon

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For the period ended 30 June 2023

signing of a binding Joint Venture agreement ("JV Agreement"), Anglo American would have an initial ownership interest of 70% with Arc and its partners holding the balance via Unico Minerals Ltd ("Unico") in which Arc will have a 69% interest with the balance held by its partners. On 20 April 2023, the binding JV Agreement was signed with the JV Agreement being subject to completing certain conditions precedent including a restructuring of the Group's assets, obtaining approvals from relevant government and regulatory authorities and other customary conditions.

At the date of this report the Company continues to work towards finalising the conditions precedent in the JV Agreement.

The key commercial terms of the Joint Venture are as follows:

- Upon signing of the Joint Venture Documents ("Effective Date"), a Joint Venture vehicle will be formed with initial ownership interests by Anglo American and Unico of 70% and 30%, respectively ("Initial Ownership Interests");
- Anglo American has the right to retain an Ownership Interest of 51%, by:
 - funding exploration expenditures equal to USD 24,000,000 on or before the date that is 180 days after the third anniversary of the Effective Date ("Phase I End Date"); and
 - making cash payments to Unico totalling up to USD 14,500,000, as follows:
 - USD 3,500,000 upon signing of the Joint Venture Agreement and satisfying the conditions precedent;
 - USD 1,000,000 on the first anniversary of the Effective Date;
 - USD 1,000,000 on the second anniversary of the Effective Date;
 - USD 1,000,000 on the third anniversary of the Effective Date; and
 - USD 8,000,000 by the Phase I End Date.
- Following the completion of Phase I, Anglo American will have the right to retain an additional ownership interest equal to 9% (for a total ownership interest of 60%) by funding USD 20,000,000 of additional exploration expenditures within 2 years of the Phase I End Date ("Phase II End Date")
- Following the completion of Phase II, Anglo American will have the right to retain an additional ownership interest equal to 10% (for a total ownership interest of 70%) by funding USD 30,000,000 within 2 years of the Phase II End Date.
- Anglo American, for as long as it holds the largest interest in the Joint Venture, shall have the right to nominate three directors and Unico shall have the right to nominate two directors. Joint Venture board decisions shall be adopted by simple majority vote.

14. Other Matters

The condensed consolidated interim financial statements set out above do not constitute the Group's statutory accounts for the period ended 30 June 2023 or for earlier periods but are derived from those accounts where applicable.

A copy of this interim statement is available on the Company's website: www.arcminerals.com