

ARC MINERALS LIMITED
Interim Financial Statements
30 June 2021

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2021

	Notes	Six Months to 30 Jun 2021 (Unaudited) £ 000's	Six Months to 30 Sep 2020 (Unaudited) £ 000's
Administrative expenses		(1,233)	(1,062)
Share based payments expense	7	(2,356)	(373)
Operating Income / (Loss)		(3,589)	(1,435)
Income / (Loss) before tax		(3,589)	(1,435)
Income tax expense		-	-
Income / (Loss) for the period	3	(3,589)	(1,435)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(69)	(376)
Other comprehensive income / (loss) for the period, net of tax		(69)	(376)
Total comprehensive income / (loss) for the period		(3,658)	(1,811)
Income / (Loss) attributable to:			
Equity holders of the parent		(3,557)	(1,344)
Non-controlling interest		(32)	(91)
		(3,589)	(1,435)
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		(3,603)	(1,592)
Non-controlling interest		(55)	(219)
		(3,658)	(1,811)
Loss per share from continuing and discontinued operations attributable to the owners of the parent during the period (expressed in pence per share)			
- Basic	3	(0.33)	(0.16)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	As at 30 Jun 2021 (Unaudited) £ 000's	As at 31 Dec 2020 (Audited) £ 000's
ASSETS			
Non-current assets			
Intangible assets	4	2,423	2,440
Fixed assets	5	1,942	2,118
Total non-current assets		4,365	4,558
Current assets			
Inventories – Zamsort Limited		14	15
Other current assets		4,422	3,932
Cash and cash equivalents		3,084	700
Total current assets		7,520	4,647
TOTAL ASSETS		11,885	9,205
LIABILITIES			
Non-current liabilities			
Long term payables	6	(5,575)	(3,308)
Total non-current liabilities		(5,575)	(3,308)
Current liabilities			
Trade and other payables	7	(509)	(351)
Total current liabilities		(509)	(351)
TOTAL LIABILITIES		(6,084)	(3,659)
NET ASSETS		5,801	5,546
EQUITY			
Share capital	8	-	-
Share premium		60,812	55,755
Share based payments reserve		250	1,368
Warrant reserve		84	84
Foreign exchange reserve		(3,180)	(3,111)
Retained earnings		(52,645)	(49,056)
Non-controlling interest		480	506
TOTAL EQUITY		5,801	5,546

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2021

	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 April 2020	-	51,231	(91)	998	84	(47,436)	4,786	896	5,682
Profit/(loss) for the period	-	-	-	-	-	(1,435)	(1,435)	-	(1,435)
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Currency translation differences	-	-	(376)	-	-	-	(376)	-	(376)
Other comprehensive income for the period	-	-	(376)	-	-	-	(376)	-	(376)
Total comprehensive income for the period	-	-	(376)	-	-	(1,435)	(1,811)	-	(1,811)
Share capital issued net of share issue costs	-	4,053	-	-	-	-	4,053	-	4,053
Warrants exercised	-	112	-	-	-	-	112	-	112
Share based payments granted	-	-	-	373	-	-	373	-	373
Increase of NCI in Zamsort	-	-	-	-	-	-	-	90	90
Total transactions with owners, recognised directly in equity	-	4,165	-	373	-	-	4,538	90	4,628
As at 30 September 2020	-	55,396	(467)	1,371	84	(48,871)	7,513	986	8,499
As at 1 January 2021	-	55,755	(3,111)	1,368	84	(49,056)	5,040	506	5,546
Profit/(loss) for the period	-	-	-	-	-	(3,589)	(3,589)	-	(3,589)
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Currency translation differences	-	-	(69)	-	-	-	(69)	-	(69)
Other comprehensive income for the period	-	-	(69)	-	-	-	(69)	-	(69)
Total comprehensive income for the period	-	-	(69)	-	-	(3,589)	(3,658)	-	(3,658)
Share capital issued net of share issue costs	-	3,785	-	-	-	-	3,785	-	3,785
Warrants and options exercised	-	1,272	-	-	-	-	1,272	-	1,272
Share based payments expense (Note 7)	-	-	-	2,356	-	-	2,356	-	2,356
Share based payments cancelled (Note 7)	-	-	-	(3,474)	-	-	(3,474)	-	(3,474)
Increase/(Decrease) of NCI in Zamsort and Zaco	-	-	-	-	-	-	-	(26)	(26)
Total transactions with owners, recognised directly in equity	-	5,057	-	(1,118)	-	-	3,939	(26)	3,913
As at 30 June 2021	-	60,812	(3,180)	250	84	(52,645)	5,321	480	5,801

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT

for the period ended 30 June 2021

	Notes	As at 30 Jun 2021 (Unaudited) £ 000's	As at 30 Sep 2020 (Unaudited) £ 000's
Cash flows from operating activities			
Loss before tax		(3,589)	(1,435)
Depreciation		-	1
Foreign exchange		9	-
Share based payments expense	7	2,356	373
Operating loss before changes in working capital		(1,224)	(1,061)
(Increase)/Decrease in trade and other receivables		(431)	156
Decrease in trade and other payables		(830)	(457)
Net cash used in operating activities		(2,485)	(1,362)
Cash flows used in investing activities			
Additions to intangible assets		(20)	(283)
Additions to property, plant and equipment		-	(62)
Net cash used in investing activities		(20)	(345)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of share issue cost		4,837	2,482
Long term payables		52	212
Net cash inflow from financing activities		4,889	2,694
Net increase/(decrease) in cash and cash equivalents		2,384	987
Cash and cash equivalents at beginning of period		700	169
Cash and cash equivalents at end of period		3,084	1,156

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2021

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 22 October 2021.

Change in Accounting Reference Date

In February 2021, the Company elected to change its accounting reference date from 31 March to 31 December to align it with the accounting reference dates of its principal operating subsidiaries in Zambia. As a result, these accounts are prepared for the 6-month period 1 January 2021 to 30 June 2021. Comparative information has not been restated.

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 2020, 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 September 2020 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 2020.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes any goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in the other comprehensive income section of the statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE INTERIM FINANCIAL STATEMENTS for the period ended 30 June 2021

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the statement of comprehensive income.

Gains and losses resulting from upstream and downstream transactions between the group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

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 Dec 2020 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, including currency risk, and liquidity.

3. Loss per share

Notes	Six Months to 30 Jun 2021 (Unaudited) £ 000's	Six Months to 30 Sep 2020 (Unaudited) £ 000's
Loss for the period	(3,589)	(1,435)
Weighted average number of ordinary shares used in calculating basic loss per share (000's)	1,079,320	920,057
Basic loss per share (expressed in pence)	(0.33)	(0.16)

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.

4. Intangible Assets

	Zaco Deferred Exploration Costs £ 000's	Zamsort Deferred Exploration Costs £ 000's	Total £ 000's
As at 1 January 2021	152	2,288	2,440
Additions	20	-	20

NOTES TO THE INTERIM FINANCIAL STATEMENTS for the period ended 30 June 2021

Foreign exchange	156	(193)	(37)
As at 30 June 2021	328	2,095	2,423
As at 31 December 2020	152	2,288	2,440

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 2021	2,063	132	56	26	2,277
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
Foreign exchange	(160)	(11)	(4)	(1)	(176)
At 30 June 2021	1,903	121	52	25	2,101
Depreciation					
At 1 January 2021	-	(98)	(38)	(23)	(159)
Disposals	-	-	-	-	-
Depreciation	-	-	-	-	-
At 30 June 2021	-	(98)	(38)	(23)	(159)
Cost					
At 1 April 2020	3,183	164	76	33	3,456
Disposals	-	-	(12)	(1)	(13)
Additions	13	-	18	2	33
Foreign exchange	(1,133)	(32)	(26)	(8)	(1,199)
At 31 December 2020	2,063	132	56	26	2,277
Depreciation					
At 1 April 2020	-	(45)	(54)	(29)	(128)
Disposals	-	-	11	-	11
Depreciation	-	(35)	(13)	(5)	(53)
Foreign exchange	-	(18)	18	11	11
At 31 December 2020	-	(98)	(38)	(23)	(159)
NBV – 30 June 2021	1,903	23	14	2	1,942
NBV – 31 December 2020	2,063	34	18	3	2,118

6. Long Term Payables

	Group 30 Jun 2021 £ 000's	Group 31 Dec 2020 £ 000's
Long term payables		
Shareholder loan	3,317	3,308
Other payables	2,258	-
	5,575	3,308

The shareholder loan represents the aggregate of (i) a loan from the 34% minority shareholder to Zamsort 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 £6,428,000.

NOTES TO THE INTERIM FINANCIAL STATEMENTS for the period ended 30 June 2021

Other payables is the non-current component of the consideration payable in relation to the surrendered options as announced on 16 March 2021 (see note 7).

7. Trade and Other Payables

	Group 30 Jun 2021 £ 000's	Group 31 Dec 2020 £ 000's
Trade and Other Payables		
Trade and other payables	509	351
	<u>509</u>	<u>351</u>

Included in trade and other payables at 30 June 2021 is £490,963 (31 December 2020 - nil) being the current component of consideration payable in relation to the surrendered share options as announced on 16 March 2021. The total share based payments expense in the period was £2,355,729 recognised in profit and loss (30 September 2020 - nil).

8. Share Capital

The authorised share capital of the Company and the called up and fully paid amounts at 30 June 2021 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 2021	992,689,831	-
Additions:		
12 January 2021, at 3.5p ⁽ⁱ⁾	57,142,857	-
20 January 2021, at 3.5p ⁽ⁱⁱ⁾	6,293,572	-
11 February 2021, at 4.5p ⁽ⁱⁱⁱ⁾	1,000,000	-
23 February 2021, at 4.5p ^(iv)	2,400,000	-
2 March 2021, at 4.5p ^(v)	1,000,000	-
12 March 2021, at 3p ^(vi)	700,000	-
19 March 2021, at 3p ^(vii)	12,682,105	-
19 March 2021, at 3.2p ^(viii)	2,041,094	-
24 March 2021, at 6.5p ^(viii)	27,692,303	-
7 May 2021, at 5p ^(ix)	500,000	-
As at 30 June 2021	1,104,141,762	-

- (i) As announced on 12 January 2021, the Company issued 57,142,857 shares at 3.5p per share pursuant to a placing to raise GBP 2 million.
- (ii) As announced on 20 January 2021, the Company issued 6,293,572 shares at 3.5p per share to certain convertible loan note lenders who converted GBP 220,275 of convertible loan note debt.
- (iii) As announced on 11 February 2021, the Company issued 1,000,000 shares at 4.5p per share pursuant to an exercise of options for cash consideration of GBP 45,000.
- (iv) As announced on 23 February 2021, the Company issued 1,200,000 shares at 4.5p per share pursuant to an exercise of options for cash consideration of GBP 54,000. A further 1,200,000

NOTES TO THE INTERIM FINANCIAL STATEMENTS for the period ended 30 June 2021

shares were issued at 6.7p to certain creditors in lieu of payment in full settlement of GBP 80,400.

- (v) As announced on 2 March 2021, the Company issued 1,000,000 shares at 4.5p per share pursuant to an exercise of options for cash consideration of GBP 45,000.
- (vi) As announced on 12 March 2021, the Company issued 700,000 shares at 3p per share pursuant to an exercise of options for cash consideration of GBP 21,000.
- (vii) As announced on 19 March 2021, in the period 21 September 2020 to 18 March 2021, the Company issued 24,743,429 shares at 3p per share and 2,041,094 shares at 3.2p per share under the block listing as originally announced on 21 September 2020 ("Block List A") for a total cash consideration of GBP 807,617.88. Of the shares issued under this announcement, a total of 12,061,324 shares at 3p were issued in the period 21 September 2020 and 31 December 2020 and has therefore been included the number of shares in issue at 1 January 2021.
- (viii) As announced on 24 March 2021, the Company issued 27,692,303 shares at 6.5p per share pursuant to a placing to raise GBP 1.8 million.
- (ix) As announced on 7 May 2021, the Company issued 500,000 shares at 5p per share pursuant to an exercise of options for cash consideration of GBP 25,000.

9. Post Balance Sheet Events

There were no post balance sheet events in addition to those disclosed in the 31 December 2020 Annual Report.

10. 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 2021 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