

ARC MINERALS LIMITED
Interim Financial Statements
30 June 2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2022

	Notes	Six Months to 30 June 2022 (Unaudited) £ 000's	Six Months to 30 June 2021 (Unaudited) £ 000's
Administrative expenses		(808)	(1,233)
Share based payments expense		-	(2,356)
Operating Income / (Loss)		(808)	(3,589)
Zamsort/Handa Restructuring	9	(6,815)	-
Gains and losses on the disposal of Casa	7	(840)	-
Non-operating Income / (Loss)		(7,655)	(3,589)
Income / (Loss) before tax		(8,463)	(3,589)
Income tax expense		-	-
Income / (Loss) for the period	3	(8,463)	(3,589)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gains		32	-
Effect of currency translation		(487)	(69)
Other comprehensive income / (loss) for the period, net of tax		(455)	(69)
Total comprehensive income / (loss) for the period		(8,918)	(3,658)
Income / (Loss) attributable to:			
Equity holders of the parent		(6,573)	(3,557)
Non-controlling interest		(1,890)	(32)
		(8,463)	(3,589)
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		(6,830)	(3,603)
Non-controlling interest		(2,088)	(55)
		(8,918)	(3,658)
Loss per share attributable to the owners of the parent during the period (expressed in pence per share)			
- Basic (pence per share)	3	(0.69)	(0.33)

The notes on pages 5 to 10 are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) £ 000's	As at 31 December 2021 (Audited) £ 000's
ASSETS			
Non-current assets			
Intangible assets	4	4,938	4,490
Fixed assets	5	19	22
Total non-current assets		4,957	4,512
Current assets			
Trade and other receivables	6	1,175	4,410
Assets held for sale		-	3,592
Short term investments	8	2,071	-
Cash and cash equivalents		2,348	1,735
Total current assets		5,594	9,737
TOTAL ASSETS		10,551	14,249
LIABILITIES			
Current liabilities			
Trade and other payables	10	(1,007)	(1,338)
Total current liabilities		(1,007)	(1,338)
Non-current liabilities			
Long term payables	11	(4,531)	(4,735)
Total non-current liabilities		(4,531)	(4,735)
TOTAL LIABILITIES		(5,538)	(6,067)
NET ASSETS		5,013	8,182
EQUITY			
Share capital	12	-	-
Share premium		64,210	62,019
Share based payments reserve		273	273
Warrant reserve		84	84
Foreign exchange reserve		2,428	(1,885)
Retained earnings		(61,848)	(53,385)
Non-controlling interest		(134)	1,076
TOTAL EQUITY		5,013	8,182

The notes on pages 5 to 10 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 2022

	Notes	As at 30 June 2022 (Unaudited) £ 000's	As at 30 June 2021 (Unaudited) £ 000's
Cash flows from operating activities			
Loss before tax		(8,463)	(3,589)
Depreciation		3	-
Currency gains		(285)	-
Zamsort/Handa Restructuring	9	6,815	-
Non cash revaluation loss	8	2,044	-
Share based payments expense		-	2,356
Operating gain/(loss) before changes in working capital		114	(1,224)
Increase in trade and other receivables		(1,018)	(431)
Decrease in trade and other payables		(331)	(830)
Net cash used in operating activities		(1,349)	(2,485)
Cash flows used in investing activities			
Additions to intangible assets	4	(139)	(20)
Additions to property, plant and equipment	5	-	-
Net cash used in investing activities		(139)	(20)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of share issue cost	12	2,191	4,837
(Decrease)/Increase in long term payables		(204)	52
Net cash used in financing activities		1,987	4,889
Net increase/(decrease) in cash and cash equivalents		613	2,384
Cash and cash equivalents at beginning of period		1,735	700
Cash and cash equivalents at end of period		2,348	3,084

The notes on pages 5 to 10 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 2022

	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 2021	-	55,755	(3,111)	1,368	84	(49,056)	5,040	506	5,546
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)
Total comprehensive loss 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 exercised	-	1,272	-	-	-	-	1,272	-	1,272
Share based payments expense	-	-	-	2,356	-	-	2,356	-	2,356
Share based payments cancelled	-	-	-	(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
As at 1 January 2022	-	62,019	(1,885)	273	84	(53,385)	7,106	1,076	8,182
Loss for the period	-	-	-	-	-	(8,463)	(8,463)	-	(8,463)
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Currency translation differences	-	-	(455)	-	-	-	(455)	-	(455)
Total comprehensive loss for the period	-	-	(455)	-	-	(8,463)	(8,918)	-	(8,918)
Share capital issued net of share issue costs	-	-	-	-	-	-	-	-	-
Warrants and options 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	-	64,210	2,428	273	84	(61,848)	5,417	(134)	5,013

The notes on pages 5 to 10 are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2022

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 2022.

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 2021, 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 2022 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 2021.

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 is 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2022

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 2021 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

Notes	Six Months to 30 June 2022 (Unaudited) £ 000's	Six Months to 30 June 2021 (Unaudited) £ 000's
Loss for the period	(8,463)	(3,589)
Weighted average number of ordinary shares used in calculating basic loss per share (000's)	1,223,545	1,079,320
Basic loss per share (expressed in pence)	(0.69)	(0.33)

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	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 2022	955	2,035	1,312	-	188	4,490
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	64	(64)	-
Additions	68	-	-	4	67	139
Transfer from Zamsort to Handa ⁽ⁱ⁾	-	(1,960)	-	1,960	-	-
Foreign exchange	114	(75)	-	234	36	309
As at 30 June 2022	1,137	-	1,312	2,262	227	4,938
As at 31 December 2021	955	2,035	1,312	-	188	4,490

(i) See note 8 for details

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2022

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 2022	-	-	86	33	119
Disposal of Zamsort subsidiary	-	-	(50)	(32)	(68)
Additions	-	-	-	-	-
Foreign exchange	-	-	3	1	(10)
At 30 June 2022	-	-	39	2	41
Depreciation					
At 1 January 2022	-	-	(66)	(31)	(97)
Disposal of Zamsort subsidiary	-	-	47	31	78
Depreciation	-	-	(2)	(1)	(3)
At 30 June 2022	-	-	(21)	(1)	(22)
Cost					
At 1 January 2021	2,063	132	56	26	2,277
Impairment	-	-	-	(1)	(1)
Alvis-Crest acquisition	-	-	14	-	14
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
Reclassification of fixed assets to held for sale assets	(2,652)	(169)	-	-	(2,821)
Foreign exchange	589	37	16	8	650
At 31 December 2021	-	-	86	33	119
Depreciation					
At 1 January 2021	-	(98)	(38)	(23)	(159)
Disposals	-	-	-	-	-
Alvis-Crest acquisition	-	-	(9)	-	(9)
Depreciation	-	(21)	(8)	(2)	(31)
Reclassification of fixed assets to held for sale assets	-	148	-	-	148
Foreign exchange	-	(29)	11	(6)	(46)
At 31 December 2021	-	-	(66)	(31)	(97)
NBV – 30 June 2022	-	-	18	1	19
NBV – 31 December 2021	-	-	20	2	22

6. Trade and Other Receivables

Included in trade and other receivables at 30 June 2022 is c.£1.1m (USD 1,375,000) in relation to the disposal of the Company's interest in Casa Mining Ltd and the Misisi Project (see note 12).

7. Gains and Losses on Disposal of Casa Mining Ltd

In the period to 30 June 2022, the gains and losses in respect of the disposal of Casa, totalling £840k, comprise the following:

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"), representing an additional gain on disposal of £1.204M (USD 1,500,000). 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, 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, the Company received the second cash payment of

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2022

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. Whilst the share price of the Security Shares had reached an all-time low in June 2022 resulting in a valuation at 30 June 2022 of USD 2,370,000 and a resultant loss of £2.044M (USD 2,630,000) in the period, it has significantly recovered since the reporting date to a current valuation of USD 6,000,000 based on a closing share price of USD 2.015 on 22 September 2022.

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

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

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 (Mumena Mushingi, Brian Chisala and Katambi Bulawayo), 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”).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2022

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 period to 30 June 2022.

10. Trade and Other Payables

	Group 30 June 2022 £ 000's	Group 31 December 2021 £ 000's
Trade and Other Payables		
Surrendered share options payable (current)	901	1,129
Trade and other payables	106	1,338
	1,007	1,338

11. Long Term Payables

	Group 30 June 2022 £ 000's	Group 31 December 2021 £ 000's
Long term payables		
Minority shareholder loans	3,941	3,606
Surrendered share options payable (non-current)	590	1,129
	4,531	4,735

The shareholder loan represents the aggregate of (i) a loan from the 34% minority shareholder to Handa Resources Limited; (ii) a loan from the 27.5% minority shareholder to Zaco Investments Limited and (iii) a loan from the 25% minority shareholder to Alvis-Crest (Pty) Ltd. The Company has also provided loans to these companies on similar terms which had a balance on the reporting date of £8.02 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2022

12. Share Capital

The authorised share capital of the Company and the called up and fully paid amounts at 30 June 2022 were as follows:

A) Authorised	£ 000's	
Unlimited ordinary shares of no par value		-
	Number of shares	Nominal value
B) Called up, allotted, issued and fully paid		
As at 1 January 2022	1,150,519,886	-
Additions:	-	
4 May 2022, at 3p ⁽ⁱ⁾	1,900,000	-
13 May 2022, at 3p ⁽ⁱ⁾	3,401,471	-
20 May 2022, at 3p ⁽ⁱ⁾	2,228,024	-
27 May 2022, at 3p ⁽ⁱ⁾	1,260,294	-
10 June 2022, at 3p ⁽ⁱ⁾	11,650,642	-
10 June 2022, at 3p ⁽ⁱ⁾	5,686,716	-
21 June 2022, at 3p ⁽ⁱ⁾	46,897,749	-
As at 30 June 2022	1,223,544,782	-

(i) Shares issued under the block listings as originally announced on 21 September 2020 ("Block List A") and 23 February 2021 ("Block List B")

13. Post Balance Sheet Events

On 12 September, the Company received the second cash payment of USD 125,000 in relation to the Casa consideration (note 7), 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.

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 2022 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