

**ARC MINERALS LIMITED  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
31 DECEMBER 2020**



# CONTENTS

---

|                                                       |           |
|-------------------------------------------------------|-----------|
| <b>CONTENTS</b>                                       |           |
| <b>CORPORATE INFORMATION</b>                          | <b>2</b>  |
| <b>CHAIRMAN’S STATEMENT</b>                           | <b>4</b>  |
| <b>STRATEGIC REPORT &amp; OVERVIEW OF OPERATIONS</b>  | <b>6</b>  |
| <b>DIRECTORS’ REPORT &amp; FINANCE REVIEW</b>         | <b>9</b>  |
| <b>CORPORATE GOVERNANCE STATEMENT</b>                 | <b>17</b> |
| <b>DIRECTORS' RESPONSIBILITY STATEMENT</b>            | <b>24</b> |
| <b>INDEPENDENT AUDITOR’S REPORT</b>                   | <b>26</b> |
| <b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b> | <b>32</b> |
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>   | <b>33</b> |
| <b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>           | <b>34</b> |
| <b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>    | <b>35</b> |
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>              | <b>37</b> |

## Corporate Information

### Directors

|                         |                              |
|-------------------------|------------------------------|
| Nicholas von Schirnding | Director, Executive Chairman |
| Rémy Welschinger        | Finance Director             |
| Brian McMaster          | Non-Executive Director       |
| Caleb Mulenga           | Non-Executive Director       |
| Valentine Chitalu       | Non-Executive Director       |

### Chief Operations Officer

Vassilios Carellas

### Registered Address

Craigmuir Chambers  
Road Town, Tortola  
British Virgin Islands, VG 1110

### Registrars

Computershare Investor Services (Channel Islands) Ltd  
Ordnance House, 31 Pier Road  
St Helier, JE4 8PW  
Channel Islands

### Independent Auditor

PKF Littlejohn LLP  
15 Westferry Circus  
Canary Wharf  
London, E14 4HD

### Company Solicitors (UK)

Hill Dickinson LLP  
105 Jermyn St, St James's  
London, SW1Y 6EE

### Nominated Advisor and Joint Broker

SP Angel Corporate Finance LLP  
Prince Frederick House  
35-39 Maddox Street  
London, WC2R 1DJ

### Joint Broker

WH Ireland  
3rd Floor Royal House  
28 Sovereign Street  
Leeds, LS1 4BJ

### Financial Advisor

Rothschild & Co – Global Advisory  
New Court, St Swithin's Lane  
London, EC4N 8AL

---

## Overview

Arc Minerals Limited (“Arc Minerals” or “Arc”) is a dynamic junior exploration and development company focused on exploring for base metals, principally copper, in Africa. The Company has a controlling interest in several licences in sub-Saharan Africa.

In the North-Western province in Zambia, Arc’s licences are located in the Domes region of the Zambian Copperbelt near world-class mines such as First Quantum Minerals’ Sentinel and Kansanshi copper mines and Barrick’s Lumwana mine.

The Company, via its Zambian subsidiaries, has a controlling stake over a number of areas under licence located on the opposite flank of the Kabompo Dome to First Quantum’s Sentinel operations, approximately 900km from Lusaka.

To date, Arc Minerals have carried out c.20,000m of drilling, collected and analysed c.75,000 soil samples, and flown 5,700 line km’s of airborne geophysical surveys over the areas under licence, which comprise:

- Large-Scale Exploration Licence (23004-HQ-LEL);
- Large-Scale Exploration Licence (23005-HQ-LEL);
- Small-Scale Exploration License (24958-HQ-SEL);
- Large-Scale Exploration Licence (19906-HQ-LEL).

Coupled with its exciting project portfolio, Arc Minerals has a strong technical and commercial team with extensive experience in Africa and a proven track record of bringing mining projects into production.

## Business Model and Strategy

The strategic vision of Arc Minerals is to build a leading African focused base metals exploration and development company leveraging off the three pillars that it has put in place for delivering on this vision:

- High quality project pipeline;
- Highly qualified and experienced team with a proven team track record of finding resources and building mines; and
- Supportive institutional and retail shareholder base.

---

## Chairman's Statement

The past year was characterised by significantly elevated metal prices, in particular copper, which has seen a near doubling in price to the \$10,000/t level. This has been driven by the strong post Covid recovery initially in China, followed by the US and other major economies.

The outlook for copper remains very positive driven by industrialisation and urbanisation in Asia and other parts of the developing world, with increasing evidence of constraints emerging with relatively few large new copper developments. The market size, supply constraints and increasing diversity of use in electrical vehicles and renewable energy. This latter sector of the market is expected to grow significantly as legislation is progressively introduced to reduce greenhouse gas emissions.

The period under review was significantly challenged by the ongoing Covid-19 pandemic. While there were some delays relating to assaying, fortunately, the impact of Covid-19 on our projects has been minimal.

In March, the Company signed a binding Sale and Purchase Agreement to sell Arc's entire 99.43% interest in Casa Mining Limited ("Casa") to Golden Square Equity Partners Limited ("Golden Square" or the "Purchaser") for a consideration payable of up to \$US50m. The transaction has since been restructured in 2021 for up to \$36m but with an increased quantum of funds paid upfront to Arc.

The closing of the Casa sale remains subject to customary conditions, including approval by the TSX Venture Exchange and completion by the purchaser of a financing. Shareholders should note that, until the conditions to closing are satisfied, there is no certainty that the transaction will be completed or that Arc will receive any consideration from the Casa sale.

In May at the peak of the Covid pandemic, the Company raised £2.37 million before expenses through a placing of, and subscription for, in aggregate, 139m ordinary shares at 1.7 pence per share to fund further drilling activities. In May the Company acquired a further 20% interest in the issued share capital of Zaco Investments Limited, increasing Arc's interest in Zaco from 52.5% to 72.5%.

In July, the Company announced that through its two subsidiaries, Zamsort and Zaco, it signed a confidentiality and 6 month exclusivity agreement with a subsidiary of Anglo American in respect of its copper exploration licenses in Zambia. During the exclusivity period, Anglo American conducted a technical review which was extended for a further 6 months to negotiate a commercial transaction. Since then, the exclusivity period expired in July 2021 following a proposal put to Arc. Given the level of increased interest in its assets by other mining majors it was agreed to conduct further discussions with Anglo American and other companies outside of an exclusivity period to ensure maximum competitive tension.

To date, Arc Minerals have carried out c.20,000m of drilling, collected and analysed c.75,000 soil samples, and flown 5,700 line km's of airborne geophysical surveys over the areas under licence.

In December, the Company announced the completion of a positive Proof of Concept Study for which conceptual mining, extraction and processing methods were examined for the Cheyeza East and Kalaba Deposits in Northwest Zambia. The study concluded that both Cheyeza East and Kalaba Deposits are technically feasible and economically viable, with a potential for an asset backed loan against the plant, thereby supporting the Company's decision to advance the formal technical studies to target completion of a Scoping Study during the first half of 2021.

---

In regard to the board of directors, Caleb Mulenga joined the board in November 2020. Caleb is a well-known and experienced businessman based in Zambia with extensive experience in the mining sector. In November 2020 Mumena Mushingi resigned from the board to pursue other interests.

Finally, I would like to thank our shareholders and employees for their continued support during this exciting time for the Company. I look forward to reporting on our progress in the months ahead.

**Nicholas von Schirnding**

**Executive Chairman**

30 September 2021

---

## Strategic Report

### Overview of Operations

Arc Minerals is incorporated in the British Virgin Island and is engaged in the business of acquiring, exploring and developing mineral properties. The Company's stock trades in British Pounds Sterling on the AIM Market in London under the symbol ARCM.

### Zambia Copper Projects

The Company, via its Zambian subsidiaries, has a controlling stake over a number of areas under licence located on the opposite flank of the Kabompo Dome to First Quantum's Sentinel operations, approximately 900km from Lusaka.

The Zambian license areas are located approximately 900 km from Lusaka, in Mwinilunga, Northwestern Province, and is well within the trending arm of the major geological structure known as the Lufilian Arc (Copperbelt), on the western flank of the Kabompo Dome. The Copperbelt is home to all the major copper mines in Zambia and these licenses represent one of the last dome-related areas in Zambia yet to be explored in any detail.

Over the last fifteen years, three new major copper mines have been developed and constructed to exploit the mineral resources in the new western part of the Zambian Copperbelt. This region now accounts for a substantial part of Zambian copper production and the areas under licence are in close proximity to large operations such as First Quantum Minerals' Sentinel and Kansanshi mines and Barrick Gold's Lumwana mine.

The areas under licence were previously explored by Equinox Minerals Limited ("Equinox") and Anglo American Prospecting Services ("AAPPS") by way of the Zambezi Joint Venture' ("JV") through AAPPS's affiliate Zamanglo Prospecting Ltd ("Anglo American") during the late 1990s as part of the Kabompo Project.

The current areas under licence encompass 9 of 30 exploration targets that were ranked in the late-90's by the JV over the Kabompo Project, which include the top seven ranked targets. First Quantum Minerals' Kalumbila property, better known as the Trident Project, developed to become the Sentinel copper mine which in 2020 achieved record copper production of over 251,000 tonnes. First Quantum's Enterprise Nickel project is also located on the flanks of the Kabompo Dome and approximately 40 km to the east of the areas under licence.

At the time of the JV, Kalumbila was originally ranked number 22 out of JV's top 30 Kabompo Project targets with an original exploration target size of six million tonnes of ore; eventually a copper Resource in excess of 1 billion tonnes of ore (one of the largest in Zambia) was demonstrated - during this same period the initial Anglo-American exploration target for Kalaba exploration target was 150 million tonnes of ore.

To date, Arc Minerals have carried out c.20,000m of drilling, collected and analysed c.75,000 soil samples, and flown 5,700 line km's of airborne geophysical surveys over the areas under licence, which comprise:

- Large-Scale Exploration Licence (23004-HQ-LEL);
- Large-Scale Exploration Licence (23005-HQ-LEL);
- Small-Scale Exploration License (24958-HQ-SEL);
- Large-Scale Exploration Licence (19906-HQ-LEL).

In June 2020, the Company commenced a 8,000-meter diamond drilling programme with hole depths of between 100-250m. The exploration programme is initially focussed on the Fwiji target where the Company has already defined the target area through previous exploratory works. Follow up work at a number of the other target areas, including Cheyeza and Muswema are also underway.

---

In July 2020, Arc's subsidiaries in Zambia entered into a six-month exclusivity agreement with a subsidiary of Anglo American in respect to the Zamsort and Zaco Copper Projects.

At the request of Anglo American, the company sent 2,500 soil samples covering both license areas that were collected during the 2015 - 2019 soil sampling programmes for assay to ALS in South Africa. Whilst the absolute values of the pXRF analyses are sufficient to define the anomalous target areas, the detection limits are not low enough to enable the mapping of the multiple components of a hydrothermal mineral system, which otherwise could be mapped using these assays from the ALS laboratory. The components defined include lithology, stratigraphy and redox boundaries as well as zones of metal depletion and metal enrichment.

---

## **Governance**

### **Board of Directors**

#### **Nicholas von Schirnding, Director and Executive Chairman**

Nick von Schirnding has over 25 years' experience in the mining sector across a number of geographies. Nick was CEO of Asia Resource Minerals plc, a FTSE listed mining company. Prior to this Nick was a senior executive with Anglo American plc and De Beers. Mr von Schirnding is also chairman of Fodere, a private minerals processing business with a plant at Highveld Steel and a non-executive director of Jangada Mines, Edenville Energy, and Orusur Mining, all of which are listed on AIM in London.

#### **Rémy Welschinger, Finance Director**

Remy Welschinger has over 15 years' experience in finance. He was Head of Commodities Sales at Deutsche Bank in Europe and, prior to that, an Executive Director in the Fixed Income and Commodities division of Morgan Stanley in London. Rémy is a non-executive director of ASX-listed Infinity Lithium and a director of Element-46 Ltd and Limehouse Capital Ltd, both private UK companies.

#### **Brian McMaster, Non-Executive Director**

Brian McMaster has over 20 years' experience in the area of corporate reconstruction and turnaround and performance improvement and 20 years in the mining and exploration industry. Brian's recent experience includes founding Harvest Minerals and Jangada Mines, AIM listed companies with Potash and PGM projects in Brazil respectively, as well as numerous reorganisations and the recapitalisation and listing of 12 Australian companies.

Brian's career to date includes significant working periods in the United States, South America, Asia, India and UK. Brian was a founding director in venture capital and advisory firm, Garrison Capital Pty Ltd, and is also currently a director of a number of ASX and AIM listed companies.

#### **Caleb Mulenga, Non-Executive Director**

Caleb Mulenga previously spent 8 years at the Development Bank of Zambia, subsequently moving into the private sector and establishing Superior Milling Limited, of which he is currently the Executive Chairman. He currently serves as the Chairman of Access Bank Zambia. Caleb also holds a bachelor's degree in Business and Economics from the University of Zambia and an MBA from Webster University.

#### **Valentine Chitalu, Non-Executive Director**

Valentine Chitalu is an entrepreneur in Zambia and southern Africa specialising in private equity and local private sector development. He is the co-founder and Chairman of Phatisa Group, a private equity fund manager in Sub-Saharan Africa, and has previously worked for the CDC Group in London and Lusaka, focusing on identifying investment opportunities and portfolio management, and was Chief Executive Officer of the Zambian Privatisation Agency where he was responsible for the divestiture of over 240 enterprises. Valentine is a Chartered Certified Accountant and holds a Masters in Economics from Cambridge University.

---

## Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and Auditor's Report for the period ended 31 December 2020.

### Principal activities

The Group is engaged in the business of acquiring, exploring and developing mineral properties in Africa. The review of the business and future strategy is covered in the Chairman's Statement on page 4 and Strategic Report on page 6.

### Change in Accounting Reference Date

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 9-month period 1 April 2020 to 31 December 2020. Comparative information has not been restated.

### Results and Dividends

During the period cash increased by £531k (31 March 2020: increase of £1.072m).

The loss on continuing operations of the Group after taxation amounted to £1.640m (31 March 2020: Loss of £2.936m). There were no dividends paid in the period to 31 Dec 2020 (31 March 2020: nil).

### Financial Summary

The following is a brief summary of notable events during the reporting period.

The Group results were adversely affected by a 21% depreciation of the Zambian Kwacha during the period resulting in a foreign exchange loss of USD 3.0M, which did not have a material impact on our cash resources. However, since yearend the Kwacha has fully recovered to early 2020 levels.

The Company continued to demonstrate its ability to successfully access capital markets. During the period the Company raised GBP 2.37M from the issue of shares and GBP 474k from the exercise of warrants. In 2021, the Company raised GBP 1.145M from option and warrant exercises and a total of GBP 3.8M was raised at 3.5p and 6.5p in January 2021 and March 2021, respectively.

### Events after the reporting period

Refer to Note 26

### Interest >3%

The following shareholders have a notifiable interest in the Company as at the date of this report:

- |                        |    |
|------------------------|----|
| • Karl-Erik von Bahr   | 7% |
| • Lärarnas Riksförbund | 6% |
| • Hargreave Hale Ltd   | 5% |

---

## Directors

The names of Directors who served of the date of this report are set out below:

| Directors                      | Date of Appointment | Date of Resignation |
|--------------------------------|---------------------|---------------------|
| <b>Executive Directors</b>     |                     |                     |
| Nick von Schirnding            | 24 January 2017     | -                   |
| Rémy Welschinger               | 31 June 2019        | -                   |
| <b>Non-Executive Directors</b> |                     |                     |
| Brian McMaster                 | 1 August 2017       | -                   |
| Caleb Mulenga                  | 29 October 2020     | -                   |
| Valentine Chitalu              | 27 August 2021      | -                   |
| Mumena Mushingi                | 5 February 2019     | 26 November 2020    |
| Don Bailey                     | 1 June 2018         | 1 September 2020    |
| Jonathan de Thierry            | 2 January 2018      | 31 March 2020       |

## Directors' Remuneration

The Group remunerates the Directors at levels commensurate with its size and experience of its directors. The Remuneration Committee determines and has reviewed the Directors' remuneration and believes the levels are appropriate and in line with industry sector median levels of remuneration.

Further details can be found on discussion about the Remuneration Committee on page 23 within the Corporate Governance Statement. Details of the Directors' emoluments and payments made for professional services rendered are set out in Note 7 to the financial statements.

## Directors' Interest

The beneficial interest of the Directors in the shares and options of the Company are set out as follows:

| Director                            | Annual Report Dec 2020 |            |            | Annual Report Mar 2020 |            |            |
|-------------------------------------|------------------------|------------|------------|------------------------|------------|------------|
|                                     | Shares                 | Options *  | Warrants   | Shares                 | Options    | Warrants   |
| Nicholas von Schirnding             | 17,080,532             | 29,620,195 | 4,555,557  | 17,080,532             | 29,620,195 | 4,555,557  |
| Rémy Welschinger <sup>(i)</sup>     | 14,528,844             | 15,580,000 | 7,444,446  | 14,528,844             | 15,580,000 | 7,444,446  |
| Brian McMaster                      | 2,555,557              | 4,375,000  | 555,557    | 2,555,557              | 4,375,000  | 555,557    |
| Caleb Mulenga <sup>(ii)</sup>       | -                      | 2,000,000  | -          | -                      | -          | -          |
| Valentine Chitalu <sup>(iii)</sup>  | <i>n/a</i>             | <i>n/a</i> | <i>n/a</i> | <i>n/a</i>             | <i>n/a</i> | <i>n/a</i> |
| Mumena Mushinge <sup>(iv)</sup>     | <i>n/a</i>             | <i>n/a</i> | <i>n/a</i> | 67,402,463             | 2,800,000  | 333,334    |
| Don Bailey <sup>(v)</sup>           | <i>n/a</i>             | <i>n/a</i> | <i>n/a</i> | 7,697,224              | 3,700,000  | 655,557    |
| Jonathan de Thierry <sup>(vi)</sup> | <i>n/a</i>             | <i>n/a</i> | <i>n/a</i> | 13,767,888             | 2,000,000  | 266,667    |

(i) Rémy Welschinger was appointed on 31 June 2019

(ii) Caleb Mulenga was appointed on 29 October 2020

(iii) Valentine Chitalu was appointed on 27 August 2021

(iv) Mumena Mushinge resigned effective 26 November 2020

(v) Don Bailey resigned effective 31 September 2020

(vi) Jonathan de Thierry resigned effective 31 March 2020

None of the Directors exercised any share options during the period.

\* Subsequent to the year end, share options issued to certain directors and other PDMRs of the company were surrendered in exchange for consideration. Please refer to Note 26 for more information.

## Corporate Governance

A statement on Corporate Governance is set out on pages 17 to 24.

## Key Performance Indicators

The Board monitors the activities and performance of the Group on a regular basis and uses both financial and non-financial indicators to assess the Group's performance.

### Non-Financial KPIs

The Board established the following goals for management in 2021:

1. Drilling a discovery hole at Arc's Zambian portfolio of licences
2. Completing a strategic JV or disposal of our Zambian assets with a major mining group
3. Completing the acquisition of Alvis in Botswana

---

#### 4. Drilling a discovery hole at Alvis in Botswana

##### *Financial KPIs*

The current financial KPIs are:

| <b>Financial KPIs</b>         | <b>Measure</b> | <b>Dec 2020</b> | <b>Mar 2020</b> |
|-------------------------------|----------------|-----------------|-----------------|
| Total funds raised            | £ 000's        | 2,844           | 1,795           |
| Exploration costs capitalised | £ 000's        | 290*            | 1,924           |

\* Exploration was affected by COVID-19

These KPIs will continue to be the priorities for the Group.

##### **Health and Safety – number of reported incidents**

There were no reportable incidents in the current year or prior year.

##### **Risk Management Report**

A Risk Management Report is set out on page 14.

##### **Environmental Policy**

The Group is aware of the potential impact that its subsidiaries and associated company may have on the environment. The Group uses its best efforts to ensure that with regard to the environment its subsidiaries and associated company comply with local regulatory requirements and the revised Equator Principles.

##### **Employment Policy**

The Group is committed to promoting policies to ensure that high calibre employees are attracted, motivated and retained for the ongoing success of the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

##### **Insurance**

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company and the Group. The Group maintains insurance in respect of its exploration and development and operational programmes in Zambia.

---

## **Statement of Disclosure to the Auditor**

As at the date of this report the serving Directors confirm:

- So far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and;
- The Directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of such information.

## **Auditor**

PKF Littlejohn LLP has signalled its willingness to continue in office as auditor

## **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. During the c.4 years ended 31 December 2020 Arc raised in excess of £12 million from the sale of equity and exercise of warrants and in 2021 announced a further raise of £3.5 million from the sale of shares. These ongoing equity sales are indicative of consistent strong investor support. The Directors therefore consider it appropriate, despite the loss incurred during the year, for the Company to continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on the Directors assumptions and their conclusion are included in the statement on going concern included in Note 1(f) to the Financial Statements.

---

## **Risk Management Report**

The Company's risk exposures and the impact on the Company's financial instruments are summarised as follows:

### **Credit Risk**

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs. The Company does not invest in money market funds. The Company has no risk exposure to asset-backed commercial paper or auction rate securities except for the Loan Note – Casa sale of £ 3.663m which is due in December 2021 and is backed by Casa shares representing 99.43% of Casa equity (Note 15).

### **Financing Risk**

The development of the Group's properties will depend on the Group's ability to obtain financing through the raising of equity capital, joint venture of projects, debt financing, farm outs or other means. There is no assurance that the Group will be successful in obtaining the required financing. If the Group is unable to obtain additional financing as needed, some interests may be relinquished, and/or the scope of the operations reduced.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's current financial liabilities are anticipated to mature within the next ninety days.

### **Exploration and Development Risk**

There is no assurance that the Group's exploration and development activities will be successful, and statistically few properties that are explored are ultimately developed into profitable producing mines.

The risk is mitigated by conservatively managing exploration funds such that subsequent exploration expenditures are not committed until results from previous stages have been evaluated. There is regular lab testing during the year's exploration program to minimise unwarranted expenditure.

We have also assembled a talented team of professionals complemented by independent consultants we engage regularly.

### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

---

**Interest Rate Risk:** The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and short-term investments and on the Company's, obligations are not considered significant.

### **Foreign Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates against the Company's reporting currency, pound sterling. The Company expects to continue to raise funds in London and Europe in sterling. The Company conducts its primary business in Zambia ("Kwacha") with a significant portion of expenditures in that country, for example drilling expenditure, denominated in USD. As the Company reports in Great British Pounds ("GBP"), it is subject to risk due to fluctuations in the exchange rates between the GBP and each of the USD and Kwacha. During the fiscal year the Kwacha has depreciated approximately 30% against sterling and 35% against USD. Assets in Zambia and most liabilities are denominated in Kwacha but the shareholder loan is denominated in USD. These changes in the currency exchange rates between the Kwacha relative to foreign currencies have had a significant impact on the group accounts. The Company has not hedged its exposure to currency fluctuations.

### **Commodity Price Risk**

While the value of the Company's core mineral resource properties, the Zamsort and Zaco copper projects are related to the price of copper and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect of its operational activities.

Historically copper prices have fluctuated and are affected by numerous factors outside of the Company's control, including but not limited to: industrial demand; forward sales by producers and speculators; levels of worldwide production; short-term changes in supply and demand because of speculative hedging activities;

### **Licensing Risk**

The Group's exploration and development activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations or performance criteria. Such licences and permits are as a practical matter subject to the discretion of the applicable Government or Government office. The Group must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted. The interpretations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Group's results of operations and financial condition. Whilst the Group continually seeks to do everything within its control to ensure that the terms of each licence are met and adhered to, third parties may seek to exploit any technical breaches in licence terms for their own benefit. There is a risk that negotiations with a Government in relation to the grant, renewal or extension of a licence may not result in the grant, renewal or extension taking effect prior to the expiry of the previous licence period, and there can be no assurance of the terms of any extension, renewal or grant.

### **Political Risk**

In conducting operations in Zambia, the Company is subject to considerations and risks related to the political, economic and legal environment in which the Company operates. Among other things, the Company's results may be impacted by changes in the political and social conditions in Zambia and by

---

changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

### **COVID-19 outbreak**

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The Group is constantly reviewing the potential impact to their operations and implementing measures to mitigate any possible impact where possible. The health, safety and well-being of its employees and contractors is prioritised over other aspects of the business.

To date, the Group has not seen a significant impact on its business. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the Group. The scale and duration of these developments remain uncertain as at the date of this report however they are not significantly impacting the Company's operations.

This Risk Management Report has been approved by the Board and signed on its behalf by:

**Nicholas von Schirnding**  
**Director & Executive Chairman**  
30 September 2021

---

## **Corporate Governance Statement**

The Company is committed to maintaining the highest standards in corporate governance throughout its operations and to ensure that all of its practices are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve shareholder value. Therefore, and in accordance with the AIM Rules for Companies (as updated from time to time), the Company continues to formalise its governance policies by complying with the UK's Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The key challenges facing the company have been set out above in the Chairman's Statement, the Strategic Report and the Directors' Report.

The Board currently consists of five Directors: an Executive Chairman, a Finance Director and three Non-Executive Directors (NEDs). The Board considers that appropriate oversight of the Company is provided by the currently constituted Board.

### **QCA Code**

The 10 principles set out in the QCA Code are listed below, with an explanation of how the Company applies each of the principles and the reason for any aspect of non-compliance. There were no key governance related matters that occurred during the year.

### **Business Model and Strategy**

The QCA Code states that 'the board must be able to express a shared view of the Company's purpose, business model and strategy.'

Arc's strategy is to invest in highly prospective copper-cobalt exploration assets primarily in Africa and to realise their potential either through sale or development. Our aim is to create value for our shareholders by improving on and expanding existing exploration assets and identifying new exploration targets around existing licence areas. Arc is currently focused primarily on its copper-cobalt projects in sub-Saharan Africa.

Arc delivers on its strategic aims by (i) defining additional reserves and resources at its projects and surrounding licence areas; (ii) securing appropriate funding; (iii) developing mineral resources in situ; (iv) maintaining good community relationships; and (v) employing compliant environmental governance practices.

### **Understanding Shareholder Needs and Expectations**

The QCA Code states 'the directors must develop a good understanding of the needs and expectations of the Company's shareholder base.'

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Significant developments are disseminated through the Regulatory News Service ("RNS") and timely updates to the Company's website. Additionally, the Company holds Investor update calls when appropriate during which Investors have access to the Chairman and other Officers. Arc has an active and effective investor relations programme, which is the responsibility of the Chairman, that includes institutional road-shows and presentations, effective Annual General Meetings with presentations to shareholders and a high level of disclosure of activity to its shareholders.

### **Considering Wider Stakeholder and Social Responsibilities**

The QCA Code states that long-term success relies upon good relations with a range of different stakeholder groups both internal and external. The board needs to identify the Company's stakeholders and understand their needs, interests and expectations.

---

The method used by the Company to obtain feedback from stakeholders is discussed below under the heading Shareholder Communication.

The board has identified the Company's stakeholders to include staff, suppliers, customers, partners, local government and wider communities. A key part of Arc's business model is identifying the impact that activities will have on the surrounding communities at Arc's projects. The Company is always looking for opportunity to develop the wider communities in which it operates and Arc behaves ethically in its recruitment, training and engagements. The environmental impact of Arc's activities is also carefully considered and the maintenance of high environmental standards applied. Arc has established relationships with local and national governments in the territories of its projects.

## **Risk management**

The QCA Code states that 'the board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver the Company's strategy'.

Whilst the Board is ultimately responsible for identifying and managing areas of significant business risk, it has established an Audit and Risk Committee that ensures effective Risk Management systems are in place that identify and manage key Company risks, establish and maintain effective controls, and ensure compliance with risk management policies and the reporting of any non-compliance occurrences.

The Company's risk management systems have identified the following key risks as applicable to the Company and appropriate mitigation controls are in place:

- Exploration and Development Risk
- Political Risk in sub-Saharan Africa
- Licence and Permitting Risk
- Market Risk
- Foreign Currency Risk
- Commodity Price Risk
- Retention of Key Personnel
- Financing Risk
- Liquidity Risk
- Credit Risk
- Global Health Risk (Covid-19)

## **Well-functioning Board of Directors**

The QCA Code states that 'the board must be maintained as a well-functioning, balanced team led by the Chair. The board should have an appropriate balance between executive and non- executive directors and have at least two independent non-executive directors'.

Profiles of the Arc directors are available on the Company website at [www.arcminerals.com](http://www.arcminerals.com).

The Board is currently comprised of two executive directors (Nick von Schirnding, Executive Chairman and Rémy Welschinger, Finance Director) and three non-executive directors ("NEDs") (Brian McMaster, Caleb Mulenga and Valentine Chitalu).

As at the date of this statement, Arc's board composition complies with the QCA Code and each independent director has been assessed and is considered to be independent by the board. All Directors are expected to devote the necessary time commitments required by their position.

## **Appropriate Skills and Experience of the Directors**

The QCA Code states that 'the board must have an appropriate balance of skills and experience and not be dominated by one person or group of people'.

---

Arc complies with the QCA Code and full biographical details of the directors and their skills and experience can be found at [www.arcminerals.com/about-us/board-and-management](http://www.arcminerals.com/about-us/board-and-management). The Directors who have been appointed to the Company have been chosen because of the range of their skills and experience and which are appropriate for the strategy and objectives of the Company. The Board recognises that it currently is limited in diversity and this continues to form part of recruitment consideration.

The Board considers the current balance of sector, financial and public market skills and experience which it embodies as appropriate for the size and stage of development of the Company and that the Board has the skills and requisite experience necessary to execute the Company's strategy and business plan whilst enabling each Director to discharge his fiduciary duties effectively.

The Board reviews annually, and when required, the appropriateness of its mix of skills and experience to ensure that it meets the changing business needs.

The Executive Chairman is assisted by the company secretariat in preparing for and running effective board meetings, including the timely dissemination of appropriate information. The company secretariat provides advice and guidance to the extent required by the board on the legal and regulatory environment.

### **Evaluating Board Performance**

The QCA Code states that 'the board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and individual directors'.

Arc reviews Board, Committee and individual director performance on an ongoing basis in the context of its contribution to the Company's financial performance.

The Remuneration Committee compares the performance of the Board with the requirements of its Terms of Reference, the Company Vision and KPI's and critically reviews the composition of the Board. The evaluation of the Board is carried out annually and the Committee may enlist an independent evaluator as and when it deems it appropriate.

The Review Process, includes the following key considerations:

- Board's mission and goals
- Board composition and effectiveness
- Performance against Strategic Plan
- Board's protocols and processes
- Relationships with Stakeholders
- Continuous professional learning of Board Members

Succession planning is considered by the Board as a whole and reviewed annually.

### **Corporate Culture**

The QCA Code states that 'the board should promote a corporate culture that is based on ethical values and behaviours'.

The corporate culture of the Company is promoted throughout its employees and contractors and is underpinned by compliance with local regulations and the implementation and regular review and enforcement of various policies as set out below so that all aspects of the Company are run responsibly.

It is the Board's view that Arc's corporate culture is consistent with its objectives, strategy and business model. A significant part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound

ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The board adheres to its group-wide corporate governance policies which include:

- anti-corruption and bribery;
- whistleblowing;
- health and safety;
- environment and community;
- IT, communications and systems; and
- social media.

### Maintenance of Governance Structures and Processes

The QCA Code states that 'the Company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity'.

#### *Board of Directors*

Arc's key strategic, financial and operational decisions are reserved exclusively for the Board. The Board aims to meet every six to eight weeks or more frequently if activities require and is supplied with appropriate and timely information. The Directors are free to seek any further information that they consider necessary. All Directors have access to advice from the company secretariat and Finance Director as well as independent professionals at the Group's expense. Training is available for new Directors and other Directors as necessary. The Directors' biographies can be found on the Company's website at [www.arcminerals.com/about-us/board-and-management](http://www.arcminerals.com/about-us/board-and-management).

It is important that the Board itself contains the right mix of skills and experience in order to deliver the strategy of the Company. As such, the Board is comprised of:

- an executive chairman, whose responsibility is the delivery of the Company's strategy and governance model and communication with shareholders;
- an executive finance director, whose responsibility is to support the executive chairman in the delivery of the Company's strategy. In particular, the finance director is responsible for the formulation and submission to the Board of the Group's financial strategy and for the financial performance of the Group in line with the Company's strategy;
- an independent, non-executive director; and
- two non-executive directors;

| Director                | Position                    | Independent (Y/N) | Remuneration Committee Membership | Nomination Committee Membership | Audit & Risk Committee Membership |
|-------------------------|-----------------------------|-------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Nicholas von Schirnding | Executive Chairman          | N                 | Member                            | Member                          | Member                            |
| Rémy Welschinger        | Finance Director            | N                 | -                                 | -                               | -                                 |
| Brian McMaster          | Senior Independent Director | Y                 | Chairman                          | -                               | -                                 |

|                   |                        |   |   |          |          |
|-------------------|------------------------|---|---|----------|----------|
| Caleb Mulenga     | Non-Executive Director | N | - | Chairman | -        |
| Valentine Chitalu | Non-Executive Director | N | - | -        | Chairman |

A Director is considered independent if he is not a Person Discharging Managerial Responsibility ("PDMR") within the Group. Director experience and qualifications are set out in their profiles on page 8.

The board has appointed Mr Brian McMaster as Senior Independent Director. Additionally, the Executive Chairman is assisted by the company secretariat in preparing for and running effective board meetings, including the timely dissemination of appropriate information. The company secretariat provides advice and guidance to the extent required by the Board on the legal and regulatory environment. The Company does not specify any minimum time commitment from Directors and instead reviews their time commitment as part of their individual evaluations.

The following matters are reserved for the Board:

#### *Management Structure and Appointments*

- Executive Director responsibilities.
- Board appointments or removals.
- Board and senior management succession, training, development and appraisal.
- Appointment or removal of Company Secretary.
- Appointment or removal of internal auditor.
- Remuneration, contracts, grants of options and incentive arrangements for Executive Directors and senior management, including any plans to be put to shareholders for approval.
- Delegation of the Board's powers.
- Agreeing membership and terms of reference of board committees and task forces.
- Approval of delegated levels of authority.
- Matters referred to the Board by the board committees.

#### *Strategic/Policy Considerations*

- Business strategy.
- Diversification/retrenchment policy.
- Ensuring maintenance of a sound system of internal control and risk management, including:
- Group's risk appetite statements.
- Procedures for detection of fraud and the prevention of bribery.
- Approval of the overall levels of insurance for the group, including directors' and officers' liability insurance.
- Agreement of codes of ethics and business practices.
- An on-going assessment of significant risks and effectiveness of internal controls.
- Calling of shareholders' meetings and approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting, plus any circulars, prospectuses and listing particulars.
- Avoidance of wrongful or fraudulent trading.
- Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- Considering the balance of interests between shareholders, employees, customers and the community.
- Reviewing the group's overall corporate governance arrangements.
- Undertaking an annual review of its own performance, that of its committees and individual directors and the division of responsibilities.

---

### *Transactions*

- Transactions which are notifiable under the AIM Rules.
- Approval of major capital projects.
- Contracts which are material strategically or by reason of size entered into by the Company in the ordinary course of business e.g. bank borrowings over £1 million and acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) above £1 million.
- Major investments (including the acquisition or disposal of interests of more than 3 per cent. in the voting shares of any company or the making of any takeover offer.
- Contracts not in the ordinary course of business.
- Actions or transactions where there may be doubt over propriety.
- Approval of certain announcements, prospectuses, circulars and similar documents.
- Disclosure of directors' interests.
- Transactions with directors or other related parties.

### *Finance*

- Raising new capital and confirmation of major financing facilities.
- Changes relating to the group's capital structure, including the reduction of capital and/or share issues.
- Treasury policies requested to be put in place by the Board.
- Discussion of any proposed emphasis of matter on the accounts.
- Final approval of annual and interim reports and accounts and material changes to accounting policies.
- Appointment/reappointment or removal of the external auditor, to be put to shareholders for approval in general meeting, following the recommendation of the Board or its Committee.
- Charitable and political donations.
- Approval and recommendation of dividends.
- Approval before each year starts of operating and capital expenditure budgets for the year and any material changes to them.

### *General*

- Major changes to the Group's corporate structure.
- Any changes to the Company's listing status and status as a plc.
- Approval of key policy documents including the share dealing code and MAR policy, anti-bribery policy and whistleblowing policy.
- This schedule of matters reserved for board decisions.

### **Audit and Risk Committee**

Arc's Audit and Risk Committee is responsible for ensuring that the financial performance of the Company is properly monitored and reported and, in this capacity, interacts as needed with the Company's External Auditors. The Committee also considers risk management and internal financial controls.

Some of the Audit Committee's duties include:

- reviewing the Company's accounting policies and reports produced by internal and external audit functions.
- considering whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- reporting its views to the board of directors if it is not satisfied with any aspect of the proposed financial reporting by the Company.

- 
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems.
  - reviewing the adequacy and effectiveness of the Company's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance.
  - overseeing the appointment of and the relationship with the external auditor.

The Audit and Risk Committee has two members and at least one member has recent and relevant financial experience. The current members of the committee are Valentine Chitalu and Nicholas von Schirnding. The committee chairman is Valentine Chitalu. The full Terms of Reference of the Audit Committee can be found [here](#).

### **Remuneration Committee**

The purpose of the Remuneration Committee is to determine and agree with the board the framework or broad policy for the remuneration of the Company's chairperson and executive directors. The main duties of the Remuneration Committee include:

- reviewing the pay and employment conditions across the Company, including the board of directors.
- approving targets and performance related pay schemes operated by the Company and all share incentive plans and pension arrangements.

The Remuneration Committee has two members. The current members of the committee are Brian McMaster and Nicholas von Schirnding. The committee chairman is Brian McMaster. The full Terms of Reference of the Remuneration Committee can be found [here](#).

### **Nomination Committee**

The purpose of the Nomination Committee is to evaluate and determine the composition of the Board itself. The main duties of the Nomination Committee therefore include:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience, independence and diversity) of the Board and make recommendations to the Board with regard to any changes, succession planning and vacancies.
- identifying suitable candidates from a wide range of backgrounds to be considered for positions on the Board.

The Nomination Committee has two members. The current members of the committee are Caleb Mulenga and Nicholas von Schirnding. The committee chairman is Caleb Mulenga. The full Terms of Reference of the Nomination Committee can be found [here](#).

### **Share Dealing Code**

The Company has adopted a share dealing code to ensure directors and certain employees do not abuse, and do not place themselves under suspicion of abusing inside information of which they are in possession and to comply with its obligations under the Market Abuse Regulation ("MAR") which applies to the Company by virtue of its shares being traded on AIM. Furthermore, the Company's share dealing code is compliant with the AIM Rules for companies published by the London Stock Exchange (as amended from time to time).

Under the share dealing code, the Company must:

- disclose all inside information to the public as soon as possible by way of market announcement unless certain circumstances exist in which the disclosure of the inside information may be delayed;
- keep a list of each person who is in possession of inside information relating to the Company;

- 
- procure that all persons discharging managerial responsibilities and certain employees are given clearance by the Company before they are allowed to trade in Company securities; and
  - procure that all persons discharging managerial responsibilities and persons closely associated to them notify both the Company and the Financial Conduct Authority of all trades in Company securities that they make.

## **Key Relationships**

There are a number of key relationships and resources that are fundamental to the Company's success, such as maintaining good relationships with local communities and governments where the Company operates as well as with engineering and financing groups to ensure that the company has adequate resources to deliver its strategy.

## **Shareholder Communication**

The QCA Code states that 'a healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company'.

The Company recognises that maintaining strong communications with its shareholders promotes transparency and will drive value in the medium to long-term. Accordingly, the Company will provide regular updates on the progress of the Company, detailing recent business and strategy developments, in news releases which will be posted on the Company's website. In order to continually improve transparency, the board would be delighted to receive feedback from shareholders. Communications should be directed to [info@arcminerals.com](mailto:info@arcminerals.com). Nicholas von Schirnding has been appointed to manage the relationship between the Company and its shareholders and will review and report to the board on any communications received.

Arc is committed to providing full and transparent disclosure of its activities, via the RNS system of the London Stock Exchange. Historical annual reports and interim accounts are available on the Company's website.

## **Directors' Responsibility Statement**

The Directors are responsible for preparing the Directors' Report, the Risk Management Report, and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") and have elected under company law to prepare the Company Financial Statements in accordance with IFRS.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period.

In preparing the Group and Company Financial Statements, the Directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and accounting estimates that are reasonable and prudent;
3. state whether they have been prepared in accordance with IFRS; and
4. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

---

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Arc Minerals website.

# Independent Auditor's Report

---

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARC MINERALS LIMITED**

### **Opinion**

We have audited the group financial statements of Arc Minerals Limited (the 'group') for the period ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of its loss for the period then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included obtaining management's assessment of going concern and associated cash flow forecasts which covered a period of at least 12 months from the date of approval of the financial statements. We have reviewed the inputs to the cash flow forecast for reasonableness, compared to historic financial information, and stress-tested where appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

## Independent Auditor's Report (continued)

---

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Our application of materiality**

The materiality applied to the group financial statements was £95,000 (March 2020: £83,400), based on a percentage of gross assets, as it is from these assets that the group seeks to deliver returns for shareholders. Performance materiality has been set at 75% (March 2020: 75%) of headline materiality, and the threshold for which we communicate errors to management has been set at £4,750 (March 2020: £4,170). We apply the concept of materiality in both planning and performing the audit and evaluating the effect of misstatements. At the planning stage, materiality is used to determine the financial statements areas that are included within the scope of the audit and the extent of the sample sized during the audit. Materiality has been reassessed at the closing stages of the audit, taking into consideration new information which arose. No alterations were made to materiality either during or at the conclusion of the audit.

### **Our approach to the audit**

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the Directors such as the carrying value of the exploration and evaluation assets and recoverability of receivables, and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Of the 4 components of the group, a full scope audit was performed on the complete financial information of 3 components, and for the component not considered significant, we performed a limited scope review which analytical review together with substantive testing as appropriate on group audit risk areas applicable to those components based on their relative size, risks in the business and our knowledge of the entity appropriate to respond to the risk of material misstatement.

Component auditors were used for the significant component in Zambia, operating under our instruction. The Partner interacted regularly with the component audit team during all stages of the audit and was responsible for the scope and direction of the audit process. This, in conjunction with the additional procedures performed such as obtaining documentation for the carrying value of the assets held, gave us sufficient appropriate evidence for our opinion on the group.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most

## Independent Auditor's Report (continued)

significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How our scope addressed this matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Carrying value of exploration assets (Note 10)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>The carrying value of intangible assets as at 31 December 2020 was £2,440k which comprises of exploration and evaluation expenditure on the Zambian licence area. There is the risk that the carrying value of this project is impaired and that exploration and development costs capitalised during the period have not been capitalised in accordance with IFRS 6.</p>                                                                                                                                                                                                                     | <p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Reviewing and considering the impairment indicators in IFRS 6 in relation to the asset held;</li> <li>• Obtaining support for ownership;</li> <li>• Reviewing with management the basis for impairment or non-impairment and challenging any assumptions made; and</li> <li>• Performing substantive testing on capitalised expenditure during the period to ensure it met the capitalisation criteria of IFRS 6.</li> </ul> <p>Based on the procedures performed, we consider management's judgements and estimates to be reasonable and the related disclosures appropriate.</p> |
| <b>Loan notes receivable (Note 15)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>At 31 December 2020, Arc Minerals have loan notes of \$5,000k due from the sale of Casa in the prior period that was payable in March 2021 and subsequently postponed until 16th July 2021. On 5<sup>th</sup> May 2021, Golden Square announced a restructuring whereby Arc Minerals will receive funds of \$1,500k and a note from Golden Square in the amount of \$3,500k payable on or before 31 December 2021. This is secured by 3,500,000 shares of Black Rock Petroleum Co listed on the OTC Market in the United States (refer to Note 14 for more details of the restructuring).</p> | <p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Reviewing RNS and signed agreements signed to ensure consistency.</li> <li>• Reviewing management's assessment of the likelihood of recoverability.</li> <li>• Recalculation of the expected value given the movements in the foreign currency.</li> <li>• Ensuring adequate disclosure throughout the financial statements.</li> </ul> <p>We draw your attention to note 14 of the financial statements which discloses details of the loans. The recoverability of this amount</p>                                                                                               |

## Independent Auditor's Report (continued)

---

Owing to this there is an inherent risk that this loan may not be recoverable in full.

is dependent on the transaction completing and the ability of the acquirer to settle the amounts due, the last of which is due on or before 31 December 2021. In the event that there are any issues to closing the restructuring transaction may impact its recoverability which could result in a material impact on the financial statements. Our Opinion is not modified.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance

## Independent Auditor's Report (continued)

---

but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from AIM rules and local mining and exploration regulations applicable to the subsidiaries. There was regular interaction with the component auditors during all stages of the audit, including procedures designed to identify non-compliance with laws and regulations, including fraud.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and RNS announcements and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the impairment assessment of intangible assets. We addressed this by challenging the assumptions and judgements made by management when evaluating any indicators of impairment.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

## Independent Auditor's Report (continued)

---

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 15 April 2021. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Zahir Khaki (Engagement Partner)**

**For and on behalf of PKF Littlejohn LLP**

**Statutory Auditor**

30 September 2021

15 Westferry Circus

Canary Wharf

London E14 4HD

# Consolidated Statement of Comprehensive Income

## Consolidated Statement of Comprehensive Income for the period ended 31 December 2020

|                                                                                |       | Period to<br>31 December<br>2020<br>£ 000s | Year to<br>31 March<br>2020<br>£ 000s |
|--------------------------------------------------------------------------------|-------|--------------------------------------------|---------------------------------------|
|                                                                                | Notes |                                            |                                       |
| Administrative expenses                                                        | 3     | (1,529)                                    | (2,234)                               |
| Interest and finance costs                                                     |       | (163)                                      | (303)                                 |
| Loss on change of ownership status                                             | 14    | -                                          | (399)                                 |
| <b>Operating loss</b>                                                          |       | <b>(1,692)</b>                             | <b>(2,936)</b>                        |
| Loss on disposal of assets held for sale, net of tax                           | 4     | -                                          | (20,671)                              |
| Gain on disposal of held for sale investments                                  | 3     | 52                                         | -                                     |
| <b>Loss for the year before tax</b>                                            |       | <b>(1,640)</b>                             | <b>(2,936)</b>                        |
| Income tax expense                                                             | 5     | -                                          | -                                     |
| <b>Loss for the year</b>                                                       |       | <b>(1,640)</b>                             | <b>(23,607)</b>                       |
| <b>Other comprehensive income:</b>                                             |       |                                            |                                       |
| <b>Item that may be subsequently reclassified to profit or loss</b>            |       |                                            |                                       |
| Currency translation differences                                               |       | (3,020)                                    | (2,248)                               |
| <b>Total comprehensive loss for the year, net of tax</b>                       |       | <b>(4,660)</b>                             | <b>(25,855)</b>                       |
| <b>Loss attributable to:</b>                                                   |       |                                            |                                       |
| Equity holders of the parent                                                   |       | (1,525)                                    | (23,158)                              |
| Non-controlling interest                                                       | 20    | (115)                                      | (449)                                 |
|                                                                                |       | <b>(1,640)</b>                             | <b>(23,607)</b>                       |
| <b>Total comprehensive loss attributable to:</b>                               |       |                                            |                                       |
| Equity holders of the parent                                                   |       | (4,545)                                    | (24,642)                              |
| Non-controlling interest                                                       | 20    | (115)                                      | (1,213)                               |
|                                                                                |       | <b>(4,660)</b>                             | <b>(25,855)</b>                       |
| <b>Earnings per share attributable to owners of the parent during the year</b> |       |                                            |                                       |
| - Basic (pence per share)                                                      | 8     | (0.49)                                     | (3.57)                                |
| - Diluted (pence per share)                                                    | 8     | (0.40)                                     | (2.81)                                |
| - From continuing operations – Basic                                           | 8     | (0.49)                                     | (0.72)                                |
| - From continuing operations – Diluted                                         | 8     | (0.40)                                     | (0.56)                                |
| - From discontinued operations – Basic                                         | 8     | -                                          | (2.85)                                |
| - From discontinued operations – Diluted                                       | 8     | -                                          | (2.25)                                |

*The notes on pages 37 to 64 are an integral part of these consolidated financial statements.*

# Consolidated Statement of Financial Position

## Consolidated Statement of Financial Position as at 31 December 2020

|                                                            |       | 31 December 2020 | 31 March 2020  |
|------------------------------------------------------------|-------|------------------|----------------|
|                                                            | Notes | £ 000s           | £ 000s         |
| <b>ASSETS</b>                                              |       |                  |                |
| <b>Non-current assets</b>                                  |       |                  |                |
| Intangible assets                                          | 10    | 2,440            | 4,029          |
| Fixed assets                                               | 11    | 2,118            | 3,328          |
| <b>Total non-current assets</b>                            |       | <b>4,558</b>     | <b>7,357</b>   |
| <b>Current assets</b>                                      |       |                  |                |
| Inventory                                                  |       | 15               | 44             |
| Trade and other receivables                                | 15    | 3,932            | 4,383          |
| Cash and cash equivalents                                  |       | 700              | 169            |
| <b>Total current assets</b>                                |       | <b>4,647</b>     | <b>4,596</b>   |
| <b>TOTAL ASSETS</b>                                        |       | <b>9,205</b>     | <b>11,953</b>  |
| <b>LIABILITIES</b>                                         |       |                  |                |
| <b>Current liabilities</b>                                 |       |                  |                |
| Trade and other payables                                   | 16    | (351)            | (3,073)        |
| <b>Total current liabilities</b>                           |       | <b>(351)</b>     | <b>(3,073)</b> |
| <b>Non-current liabilities</b>                             |       |                  |                |
| Long term loan payable                                     | 9     | (3,308)          | (3,198)        |
| <b>TOTAL LIABILITIES</b>                                   |       | <b>(3,659)</b>   | <b>(6,271)</b> |
| <b>NET ASSETS</b>                                          |       | <b>5,546</b>     | <b>5,682</b>   |
| <b>EQUITY</b>                                              |       |                  |                |
| Share Capital                                              | 17    | -                | -              |
| Share premium                                              | 19    | 55,755           | 51,231         |
| Share based payment reserve                                | 18    | 1,368            | 998            |
| Warrant reserve                                            | 18    | 84               | 84             |
| Foreign exchange reserve                                   |       | (3,111)          | (91)           |
| Retained earnings                                          |       | (49,056)         | (47,436)       |
| <b>Equity attributable to equity holders of the parent</b> |       | <b>5,040</b>     | <b>4,786</b>   |
| Non-controlling interest                                   | 20    | 506              | 896            |
| <b>TOTAL EQUITY</b>                                        |       | <b>5,546</b>     | <b>5,682</b>   |

These financial statements were approved by the Board of Directors on 30 September 2021 and signed on its behalf by:

**Nicholas von Schirnding**  
Executive Chairman

*The notes on pages 37 to 64 are an integral part of these consolidated financial statements.*

# Consolidated Statement of Cash Flows

## Consolidated Statement of Cash Flows for the period ended 31 December 2020

|                                                                                |       | Period to<br>31 December<br>2020<br>£ 000s | Year to<br>31 March<br>2020<br>£ 000s |
|--------------------------------------------------------------------------------|-------|--------------------------------------------|---------------------------------------|
|                                                                                | Notes |                                            |                                       |
| <b>Cash flows from operating activities</b>                                    |       |                                            |                                       |
| Loss before income tax and including discontinued operations                   |       | (1,529)                                    | (23,607)                              |
| Loss on disposal of Assets held for sale                                       |       | -                                          | 20,561                                |
| Interest Expense                                                               |       | (163)                                      | 303                                   |
| Share based payment and warrants issued                                        | 18    | 390                                        | 287                                   |
| Gain on disposal of held for sale investments                                  |       | 52                                         | -                                     |
| Write-down of inventory                                                        |       | -                                          | 228                                   |
| Fair value loss on change of ownership status                                  | 14    | -                                          | 399                                   |
| Foreign exchange                                                               |       | 122                                        | (17)                                  |
| Depreciation and amortisation                                                  |       | 53                                         | (57)                                  |
| <b>Net cash used in operating activities before changes in working capital</b> |       | <b>(1,075)</b>                             | <b>(1,903)</b>                        |
| Decrease in inventories                                                        |       | -                                          | 208                                   |
| Decrease in trade and other receivables                                        | 15    | 83                                         | 1,482                                 |
| Decrease in trade and other payables                                           | 16    | (1,466)                                    | (130)                                 |
| <b>Net cash used in operating activities</b>                                   |       | <b>(2,458)</b>                             | <b>343</b>                            |
| <b>Cash flows from investing activities</b>                                    |       |                                            |                                       |
| Purchase of intangible assets                                                  |       | (290)                                      | (1,954)                               |
| Purchase of fixed assets                                                       |       | (33)                                       | (362)                                 |
| Proceeds from disposal of assets held for sale                                 |       | -                                          | 206                                   |
| Proceeds on disposal of held for sale investments                              |       | 178                                        | -                                     |
| Investment in Zaco Limited                                                     |       | -                                          | (78)                                  |
| <b>Net cash used in investing activities</b>                                   |       | <b>(145)</b>                               | <b>(2,188)</b>                        |
| <b>Cash flows from financing activities</b>                                    |       |                                            |                                       |
| Proceeds from issue of ordinary shares – net of share issue costs              |       | 2,258                                      | -                                     |
| Proceeds from exercise of warrants                                             |       | 474                                        | 152                                   |
| Shareholder loan – Zamsort                                                     |       | 402                                        | 1,307                                 |
| <b>Net cash from financing activities</b>                                      |       | <b>3,134</b>                               | <b>1,459</b>                          |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                    |       | <b>531</b>                                 | <b>(1,072)</b>                        |
| Cash and cash equivalents at beginning of year                                 |       | 169                                        | 1,241                                 |
| <b>Cash and cash equivalents at end of the year</b>                            |       | <b>700</b>                                 | <b>169</b>                            |

The major non-cash transactions were shares issued in lieu of payment under the drill for equity programme (Note 17)

*The notes on pages 37 to 64 are an integral part of these consolidated financial statements.*

## Consolidated Statement of Changes in Equity

### Consolidated Statement of Changes in Equity as at 31 December 2020

|                                                                                  | Share capital | Attributable to equity holders of the Company |                          |                             |                 | Retained earnings | Total    | Non-controlling interest | Total equity |
|----------------------------------------------------------------------------------|---------------|-----------------------------------------------|--------------------------|-----------------------------|-----------------|-------------------|----------|--------------------------|--------------|
|                                                                                  | Share capital | Share premium                                 | Foreign exchange reserve | Share based payment reserve | Warrant reserve | Retained earnings | Total    | Non-controlling interest | Total equity |
|                                                                                  | £ 000s        | £ 000s                                        | £ 000s                   | £ 000s                      | £ 000s          | £ 000s            | £ 000s   | £ 000s                   | £ 000s       |
| <b>Balance as at 1 April 2019</b>                                                | -             | 50,222                                        | 2,157                    | 1,320                       | -               | (24,438)          | 29,261   | 696                      | 29,957       |
| Loss for the year                                                                | -             | -                                             | -                        | -                           | -               | (23,607)          | (23,607) | -                        | (23,607)     |
| Other comprehensive income(loss) for the year - currency translation differences | -             | -                                             | (2,248)                  | -                           | -               | -                 | (2,248)  | -                        | (2,248)      |
| <b>Total comprehensive income (loss) for the year</b>                            | -             | -                                             | (2,248)                  | -                           | -               | (23,607)          | (25,855) | -                        | (25,855)     |
| Share capital issued                                                             | -             | 1,009                                         | -                        | -                           | -               | -                 | 1,009    | -                        | 1,009        |
| Granted during the year                                                          | -             | -                                             | -                        | 287                         | 84              | -                 | 371      | -                        | 371          |
| Share options expired during the year                                            | -             | -                                             | -                        | (609)                       | -               | 609               | -        | -                        | -            |
| Disposal of 99.43% of Casa Mining Ltd (Note 20)                                  | -             | -                                             | -                        | -                           | -               | -                 | -        | (114)                    | (114)        |
| Acquisition of 52.5% of Zaco Investments Ltd (Note 20)                           | -             | -                                             | -                        | -                           | -               | -                 | -        | 5                        | 5            |
| Investment by NCI in the year (Note 20)                                          | -             | -                                             | -                        | -                           | -               | -                 | -        | 309                      | 309          |
| <b>Total transactions with owners, recognised directly in equity</b>             | -             | 1,009                                         | -                        | (322)                       | 84              | 609               | 1,380    | 200                      | 1,580        |
| <b>Balance as at 31 March 2020</b>                                               | -             | 51,231                                        | (91)                     | 998                         | 84              | (47,436)          | 4,786    | 896                      | 5,682        |

## Consolidated Statement of Changes in Equity

|                                                                            | Attributable to equity holders of the Company |               |                          |                             |                 | Retained earnings | Total   | Non-controlling interest | Total equity |
|----------------------------------------------------------------------------|-----------------------------------------------|---------------|--------------------------|-----------------------------|-----------------|-------------------|---------|--------------------------|--------------|
|                                                                            | Share capital                                 | Share premium | Foreign exchange reserve | Share based payment reserve | Warrant reserve |                   |         |                          |              |
|                                                                            | £ 000s                                        | £ 000s        | £ 000s                   | £ 000s                      | £ 000s          | £ 000s            | £ 000s  | £ 000s                   | £ 000s       |
| <b>Balance as at 1 April 2020</b>                                          | -                                             | 51,231        | (91)                     | 998                         | 84              | (47,436)          | 4,786   | 896                      | 5,682        |
| Loss for the period                                                        | -                                             | -             | -                        | -                           | -               | (1,640)           | (1,640) | -                        | (1,640)      |
| Other comprehensive (loss) for the year - currency translation differences | -                                             | -             | (3,020)                  | -                           | -               | -                 | (3,020) | -                        | (3,020)      |
| <b>Total comprehensive income (loss) for the year</b>                      | -                                             | -             | (3,020)                  | -                           | -               | (1,640)           | (4,660) | -                        | (4,660)      |
| Share capital issued                                                       | -                                             | 4,524         | -                        | -                           | -               | -                 | 4,524   | -                        | 4,524        |
| Granted during the period                                                  | -                                             | -             | -                        | 390                         | -               | -                 | 390     | -                        | 390          |
| Expired during the period                                                  | -                                             | -             | -                        | (20)                        | -               | 20                | -       | -                        | -            |
| Share options expired during the period                                    | -                                             | -             | -                        | -                           | -               | -                 | -       | -                        | -            |
| Effect of foreign exchange on opening balance (Note 20)                    | -                                             | -             | -                        | -                           | -               | -                 | -       | (168)                    | (168)        |
| Investment by NCI in the period (Note 20)                                  | -                                             | -             | -                        | -                           | -               | -                 | -       | (222)                    | (222)        |
| <b>Total transactions with owners, recognised directly in equity</b>       | -                                             | 4,524         | -                        | 370                         | -               | 20                | 4,914   | (390)                    | 4,524        |
| <b>Balance as at 31 December 2020</b>                                      | -                                             | 55,755        | (3,111)                  | 1,368                       | 84              | (49,056)          | 5,040   | 506                      | 5,546        |

**Share capital:** This represents the nominal value of equity shares in issue and is nil as the shares have a nil par value.

**Share premium:** This represents the premium paid above the nominal value of shares in issue.

**Foreign exchange reserve:** This reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries and the retranslation of monetary items forming part of the net investment in those subsidiaries.

**Share-based payments reserve:** This represents the value of share-based payments provided to employees and Directors as part of their remuneration and provided to consultants and advisors hired from time to time as part of the consideration paid. The reserve represents the fair value of options and performance share rights recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital and share premium.

**Retained earnings:** This represents the accumulated profits and losses since inception of the business and adjustments relating to options and warrants.

**Non-Controlling Interest:** This represents the Non-Controlling Interest element of Zamsort Limited and Zaco Investments Limited.

*The notes on pages 37 to 64 are an integral part of these consolidated financial statements.*

# Notes to the financial statements

---

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### a. General Information and Authorisation of Financial Statements

The Company is registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1396532 and is located at Craigmuir Chambers, Road Town, Tortola. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange.

The principal activity of the Company during the year was that of a holding company for a group engaged in the identification, evaluation, acquisition and development of natural resource projects.

The Financial Statements of Arc Minerals Limited for the period ended 31 December 2020 were authorised for issue by the Board on 30 September 2021.

#### b. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical convention, as modified by the measurement to fair value of financial assets through profit and loss and held for sale assets and liabilities as described in the accounting policies below.

The financial information is presented in Pounds Sterling (£) and all values are rounded to the nearest thousand Pounds Sterling (£000's) unless otherwise stated.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### c. New and amended standards adopted by the Group

**(i) The Group has applied the following standard and amendments for the first time for its annual reporting period commencing 1 April 2020:**

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of a Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting;
- Annual improvements to IFRS Standards 2018-2020 Cycle; and
- COVID-19 related rent concessions – Amendments to IFRS.

**(ii) New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

#### *IFRS 17*

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## Notes to the financial statements

---

### **d. Basis of Consolidation**

The consolidated financial statements consolidate the financial statements of Arc Minerals Limited and the audited financial statements of its subsidiary undertakings made up to 31 December 2020.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### **e. 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.

Where the ownership interest in an existing investment is increased whereby significant influence is obtained, the Group re-measures the existing investment immediately prior to obtaining significant influence with resulting gains/losses recognised immediately in profit or loss. The fair value of the existing investment added to the fair value of the consideration of the additional investment is treated as the deemed cost and is continued to be accounted for under the equity method.

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 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 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.

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 associate' in the group statement of comprehensive income.

When the Group loses significant influence over an associate, it derecognises that associate and recognises a profit or loss being the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

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

## Notes to the financial statements

---

necessary to ensure consistency with the policies adopted by the Group.

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

When the Group gains control of an associate the fair value of the associate undertaking is then assessed with any gain or loss arising being recognised within the income statement.

### **f. Going Concern**

The financial statements have been prepared on a going concern basis. 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. During the c.4 years ended 31 December 2020 Arc raised in excess of £12 million from the sale of equity and exercise of warrants and in 2021 announced a further raise of £3.5 million from the sale of shares. These ongoing equity sales are indicative of consistent strong investor support. The Directors therefore consider it appropriate, despite the loss incurred during the year, for the Company to continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

### **g. Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of the subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis; either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net asset.

Acquisition related costs are expensed as incurred.

If a business combination is achieved in stages, the acquisition date carrying value of the acquiree's previously held interest in the acquire is re-measured to fair value at the acquisition date; any gain or loss arising from such a re-measurement are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss in the Income Statement.

Any interest of non-controlling interests in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. There are no non-controlling shareholders of subsidiaries.

### **h. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board, being the Group's chief operating decision-maker ("CODM").

### **i. Foreign currencies**

The Group presentational currency is pound sterling (GBP). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. At present the functional currency for the Zambian subsidiaries is the Zambian Kwacha ("ZMW"). The functional currency for all non-Zambian entities is GBP.

The presentational currency (GBP) is used primarily because the Parent Company Arc Minerals Limited

## Notes to the financial statements

---

is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and raises its funding in GBP.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates during the accounting year; and
- all resulting exchange differences are recognised in other comprehensive income where material.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such cumulative exchange differences are subsequently reclassified in the income statement as part of the gain or loss on sale.

### **j. Taxation**

Tax is recognised in the consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets and liabilities are not discounted.

There has been no tax credit or expense for the year relating to current or deferred tax.

### **k. Intangible assets**

#### *Exploration and evaluation assets*

Exploration and development costs are carried forward in respect of areas of interest where the consolidated entity's rights to tenure are current and where these costs are expected to be recouped through successful development and exploration, or by sale. Alternatively, these costs are carried forward while active and significant operations are continuing in relation to the areas of interest and

## Notes to the financial statements

---

it is too early to make reasonable assessment of the existence or otherwise of economically recoverable reserves. When the area of interest is abandoned, exploration and evaluation costs previously capitalised are impaired.

Costs incurred by the Company on behalf of its subsidiaries and associated with mining development and investment are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures will be written-off over the estimated life (useful economic life) of the commercial ore reserves on a unit of production basis. Impairment reviews are carried out regularly by the Directors of the Company. Where a project is abandoned or is considered to be of no further commercial value, the related costs will be written off to the Statement of Comprehensive Income.

The recoverability of these costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposal of recoverable reserves.

### **I. Significant accounting judgements, estimates and assumptions**

#### *Critical Accounting Estimates and Judgements*

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

#### **(i) Valuation of exploration, evaluation and development expenditure**

The value of the Group's exploration, evaluation and development expenditure is dependent upon the success of the Group in discovering economic and recoverable mineral resources, especially in countries of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

The future revenue flows relating to these assets are uncertain and will also be affected by competition, relative exchange rates and potential new legislation and related environmental requirements.

The Group's ability to continue its exploration programmes and develop its projects is dependent on future fundraising, the outcome of which is uncertain. The ability of the Group to continue operating within its jurisdiction is dependent on a stable political environment which is uncertain. This may also impact the Group's legal title to assets held which would affect the valuation of their assets.

The Group therefore makes estimates in relation to the valuation of these assets with consideration of these factors.

There have been no changes to any past valuations.

#### **(ii) Valuation of Casa Royalty**

There are a number of key factors which affect the valuation of the Casa Royalty which has a face value of US\$ 45m (GBP 40m). These include (a) development and construction timeframe; (b) appropriate discount factor; (c) availability of construction financing; (d) political stability (e) gold price and (f) ability to control timing of receipt.

## Notes to the financial statements

---

Given these uncertainties the Company has elected to assign nil value to the Royalty. The Company will reassess this carrying value in future as the Misisi Project progresses along the development curve.

Further information can be found in Note 4 (d)(ii)

(iii) Sturec Resource Royalty

As disclosed in Note 4(d)(ii) Sturec was sold in February 2020. As part of the transaction if before November 2024, the Sturec JORC Indicated and Measured Resource exceeds 1.5 million ounces gold at a grade greater than 2.5g/t (inclusive of recoverable Ag equivalent), MetalsTech will pay Arc a further A\$2 royalty per additional ounce of gold. This royalty is capped at 7 million ounces of gold or Australian dollars 11M. Because of the general uncertainty about the size of the Sturec resource and the difficulties of operating in Slovakia the Company has not recorded the royalty in the accounts.

(iv) Recoverability of the US\$ 5 million receivable in respect of the Casa Sale, first reported at 31 March 2020

The Casa asset was sold during the year ended 31 March 2020 with the consideration being a mixture of cash and royalty as above. The cash element was due for payment on 19 March 2021. As reported in Note 15, the terms of the original loan note were amended. Management have made a judgement about the recoverability of the amount of US\$ 5 million and their estimation is that the amount will be realised in full in accordance with the terms stated in Note 15.

### **m. Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all of costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Mining inventory includes run of mine stockpiles, minerals in circuit and consumables. Stockpiles and minerals in circuit are valued at the cost of production to their point in process using a weighted average cost of production, or net realisable value, whichever is lower. Low grade stockpiles are only recognised as an asset when there is evidence to support the fact that some economic benefit will flow to the Group on the sale of such inventory. Consumables are valued at their cost of acquisition, or net realisable value, whichever is lower.

### **n. Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

### **o. Trade and other receivables**

Receivables are recognised initially at cost, being their initial fair value. These are classified as loans and receivables, and so are subsequently carried at cost using the effective interest method. The Directors are of the view that such items are collectible and that no provisions are required.

### **p. Financial instruments**

The Group's financial instruments are classified as loans and receivables. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and comprise trade and other receivables and cash and cash equivalents (see separate accounting policies for these items).

## Notes to the financial statements

---

Trade and other payables are classified as financial liabilities, and are initially recognised at cost, being their fair value, and subsequently measured at amortised cost using the effective interest method. Any interest is recognised as a finance cost within the statement of comprehensive income.

There is no material difference between the carrying values and fair value of the Group's financial instruments.

### **q. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset at 25% on a straight-line basis.

All assets are subject to annual impairment reviews.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The asset's residual value and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

### **r. Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in

## Notes to the financial statements

---

prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### **s. Trade and other payables**

Trade and other payables are carried at amortised cost under the effective interest method and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### **t. Assets held for sale**

Assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

The Group classifies an asset (or disposal groups) as held for sale if their carrying amount is to be recovered through a sale transaction rather than through continued use. The Group considers this to be the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is considered to be highly probable.

A sale is considered to be highly probable if the Board of Directors is committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated and is expected to complete within one year of classification.

Assets held for sale are no longer depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continue to be recognised.

Assets classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities classified as held for sale are presented separately from other liabilities in the statement of financial position.

### **u. Share-based payments**

The Group provides benefits to senior personnel, consultants and advisors of the Group in the form of share-based payments, whereby such parties render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with such parties is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Arc Minerals Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired, and;
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date. The charge to the

## Notes to the financial statements

---

Income Statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings/ (loss) per share.

### **v. Earnings per share**

Basic EPS is calculated as profit attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. Fully-diluted EPS adjusts Basic EPS to reflect the impact if all share purchase warrants and options were exercised.

### **w. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **x. Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **y. COVID-19**

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Company at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2020 and considering those events occurring after that date, which provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred in the last quarter of the financial year and its impact mostly happened subsequent to the financial year, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 March 2020 for the impacts of COVID-19.

## Notes to the financial statements

### 2. Segmental analysis

Segment information has been determined based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. No revenue is currently being generated.

Head office activities are administrative in nature whilst the activities in Zambia relate to exploration and development work.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

| 31 December 2020                                   | BVI<br>£ 000's | Zambia<br>£ 000's | Total<br>£ 000's |
|----------------------------------------------------|----------------|-------------------|------------------|
| <b>Result</b>                                      |                |                   |                  |
| Loss from continuing operations                    | 1,302          | 338               | 1,640            |
| <b>Loss before Income Tax</b>                      | <b>1,302</b>   | <b>338</b>        | <b>1,640</b>     |
| <b>Other information</b>                           |                |                   |                  |
| Non-controlling interest                           | -              | 506               | 506              |
|                                                    | -              | <b>506</b>        | <b>506</b>       |
| <b>Assets</b>                                      |                |                   |                  |
| Non-current Assets                                 | -              | 4,558             | 4,558            |
| Inventory                                          | -              | 15                | 15               |
| Current assets excluding cash and cash equivalents | 3,808          | 124               | 3,932            |
| Cash and equivalents                               | 693            | 7                 | 700              |
| <b>Consolidated total assets</b>                   | <b>4,501</b>   | <b>4,704</b>      | <b>9,205</b>     |
| <b>Liabilities</b>                                 |                |                   |                  |
| Non-current liabilities                            | -              | 3,308             | 3,308            |
| Current liabilities                                | 272            | 79                | 351              |
| <b>Consolidated total liabilities</b>              | <b>272</b>     | <b>3,387</b>      | <b>3,659</b>     |

## Notes to the financial statements

| 31 March 2020                                      | BVI<br>£ 000's  | Zambia<br>£ 000's | Total<br>£ 000's |
|----------------------------------------------------|-----------------|-------------------|------------------|
| <b>Result</b>                                      |                 |                   |                  |
| Loss from continuing operations                    | (1,471)         | (763)             | <b>(2,234)</b>   |
| Interest and finance costs                         | (303)           | -                 | <b>(303)</b>     |
| Loss on change of ownership status (Zaco)          | (399)           | -                 | <b>(399)</b>     |
| Loss from discontinued operations                  | (20,671)        | -                 | <b>(20,671)</b>  |
| <b>(Loss) before Income Tax</b>                    | <b>(22,844)</b> | <b>(763)</b>      | <b>(23,607)</b>  |
| <b>Other information</b>                           |                 |                   |                  |
| Capital additions                                  | -               | 2,353             | <b>2,353</b>     |
| Non-controlling interest                           | -               | 896               | <b>896</b>       |
|                                                    |                 | 3,249             | <b>3,249</b>     |
| <b>Assets</b>                                      |                 |                   |                  |
| Non-current Assets                                 | 0               | 7,357             | <b>7,357</b>     |
| Inventory                                          | -               | 44                | <b>44</b>        |
| Current assets excluding cash and cash equivalents | 4,263           | 120               | <b>4,383</b>     |
| Cash and equivalents                               | 169             | -                 | <b>169</b>       |
| <b>Consolidated total assets</b>                   | <b>4,432</b>    | <b>7,521</b>      | <b>11,953</b>    |
| <b>Liabilities</b>                                 |                 |                   |                  |
| Non-current liabilities                            | -               | 3,198             | <b>3,198</b>     |
| Current liabilities                                | 2,247           | 826               | <b>3,073</b>     |
| <b>Consolidated total liabilities</b>              | <b>2,247</b>    | <b>4,024</b>      | <b>6,271</b>     |

## Notes to the financial statements

### 3. Expenses by nature

|                                                    |      | 31 Dec<br>2020 | 31 Mar<br>2020 |
|----------------------------------------------------|------|----------------|----------------|
|                                                    | Note | £ 000's        | £ 000's        |
| Directors' fees                                    | 7    | 384            | 439            |
| Wages and salaries                                 |      | -              | 88             |
| Office expenses                                    |      | 49             | 70             |
| Travel and subsistence expenses                    |      | -              | 103            |
| Professional fees – legal, consulting, exploration |      | 282            | 182            |
| AIM related costs including Public Relations       |      | 65             | 207            |
| Auditor's remuneration – audit                     |      | 28             | 35             |
| Stock option expense                               |      | 390            | 287            |
| Other expenses                                     |      | (6)            | 77             |
| Impairment of inventory                            |      | -              | 228            |
| Zaco administration costs                          |      | 77             | -              |
| Zamsort administration costs                       |      | 382            | 535            |
| Foreign exchange (gain)/loss                       |      | (122)          | (17)           |
| Total operating expenses                           |      | 1,529          | 2,234          |

During the period, held for sale investments were sold at a realised gain of £52k (March 2020 - nil)

#### Auditors Remuneration

During the period, the Group obtained the following services from the Company's auditor:

|                                                                                    | 31 Dec<br>2020 | 31 Mar<br>2020 |
|------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                    | £ 000's        | £ 000's        |
| Fees payable to the auditor for the audit of the consolidated financial statements | 28             | 35             |
|                                                                                    | -              | -              |
| Total                                                                              | 28             | 35             |

#### Employee information

|                                     | 31 Dec<br>2020 | 31 Mar<br>2020 |
|-------------------------------------|----------------|----------------|
|                                     | £ 000's        | £ 000's        |
| <b>Group Staff Costs comprised:</b> |                |                |
| Wages, salaries and benefits        | -              | 88             |
| Zambia wages and salaries           | 116            | 208            |
| Charge to the profit or loss        | 116            | 296            |

The average number of persons employed in the Group, including Executive Directors, was:

|                                            | 31 Dec<br>2020 | 31 Mar<br>2020 |
|--------------------------------------------|----------------|----------------|
|                                            | Number         | Number         |
| <b>Average number of persons employed:</b> |                |                |
| Head office administration                 | 3              | 7              |
| Zambia administration                      | 5              | 11             |
| Zambia operations                          | 27             | 46             |

## Notes to the financial statements

35

64

### 4. Disposals of Held for sale assets

During 2018 the Group confirmed its intention to dispose of Sturec and announced a similar plan for Casa in 2019. During 2020 both assets were sold as summarised in (d)

The related financial information is set out below:

#### a) Results of disposal group prior to sale

|                                                         | Mar<br>2020 | Mar<br>2020 | Mar<br>2020 | Mar<br>2019 | Mar<br>2019 | Mar<br>2019 |
|---------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                                         | Casa        | Slovakia    | Total       | Casa        | Slovakia    | Total       |
|                                                         | £ 000's     | £ 000's     | £ 000's     | £ 000's     | £ 000's     | £ 000's     |
| Expenses                                                | (41)        | (80)        | (121)       | (163)       | (25)        | (188)       |
| Loss before income tax                                  | (41)        | (80)        | (121)       | (163)       | (25)        | (188)       |
| Income tax                                              | -           | -           | -           | -           | -           | -           |
| Loss after tax                                          | (41)        | (80)        | (121)       | (163)       | (25)        | (188)       |
| Loss from discontinued operations                       | (41)        | (80)        | (121)       | (163)       | (25)        | (188)       |
| Other comprehensive income from discontinued operations | (29)        | (81)        | (110)       | -           | -           | -           |

#### b) Cash flows of disposal Group prior to sale

|                      | Mar<br>2020 | Mar<br>2020 | Mar<br>2020 | Mar<br>2019 | Mar<br>2019 | Mar<br>2019 |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                      | Casa        | Slovakia    | Total       | Casa        | Slovakia    | Total       |
|                      | £000's      | £000's      | £000's      | £000's      | £000's      | £000's      |
| Operating activities | (29)        | (81)        | (110)       | 162         | (27)        | 135         |
| Investing activities | (303)       | -           | (303)       | (1,419)     | -           | (1,419)     |
| Financing activities | 332         | 81          | 413         | 1,265       | 27          | 1,292       |
|                      | -           | -           | -           | 8           | -           | 8           |

#### c) Assets and liabilities of disposal Group <sup>(i)</sup>

##### Assets classified as held for sale

|                               | Mar<br>2020 | Mar<br>2020 | Mar<br>2020 | Mar<br>2019 | Mar<br>2019 | Mar<br>2019 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                               | Casa        | Slovakia    | Total       | Casa        | Slovakia    | Total       |
|                               | £ 000's     | £ 000's     | £ 000's     | £ 000's     | £ 000's     | £ 000's     |
| Intangible assets             | -           | -           | -           | 20,881      | 5,801       | 26,682      |
| Property, plant and equipment | -           | -           | -           | -           | 159         | 159         |
| Cash and cash equivalents     | -           | -           | -           | 8           | 7           | 15          |
| Trade and other receivables   | -           | -           | -           | 146         | 2           | 148         |
| Inventory                     | -           | -           | -           | -           | 31          | 31          |
|                               | -           | -           | -           | 21,035      | 6,000       | 27,035      |

(i) In 2020 Held for sale assets and liabilities were sold as summarised below in (d).

## Notes to the financial statements

Liabilities directly associated with assets classified as held for sale (i)

|                           | Mar<br>2020 | Mar<br>2020 | Mar<br>2020 | Mar<br>2019 | Mar<br>2019 | Mar<br>2019 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | Casa        | Slovakia    | Total       | Casa        | Slovakia    | Total       |
|                           | £ 000's     | £ 000's     | £ 000's     | £ 000's     | £ 000's     | £ 000's     |
| Deferred consideration    | -           | -           | -           | 1,535       | -           | 1,535       |
| Trade and other creditors | -           | -           | -           | 375         | 39          | 414         |
|                           | -           | -           | -           | 1,910       | 39          | 1,949       |

### d) Disposal of assets Held for sale

- (i) On 7 February 2020 the Company announced the sale of its Sturec assets in return for Australian\$ 750,000 which has been received and a royalty capped at AUD 11,000,000 calculated as AUD 2 per excess ounce if at any time during the 3 year period commencing November 2021 the Sturec resource exceeds 1.5M ounces grading 2.5 g/t up to 7.0M ounces.

Proceeds of £ 381,000 have been recorded in the accounts which generated a loss of £5.584M.

- (ii) On 18 March 2020 the Company announced the sale of its shareholding in Casa Mining Limited in return for a US\$ 5,000,000 interest-free note payable on 19 March 2021 and a 3% Royalty calculated on net smelter production capped at US\$45,000,000. The US\$5M note is secured by a charge over the shares of Casa Mining Limited.

There are a number of key factors which affect the valuation of the Casa Royalty which has a face value of US\$ 45,000,000. These include (a) development and construction timeframe; (b) appropriate discount factor; (c) availability of construction financing; (d) political stability and (e) gold price.

Given these uncertainties the Company has elected to assign nil value to the Royalty. The Company will reassess this carrying value in future as the Misisi Project progresses along the development curve.

Proceeds of £ 4.032m have been recorded in the accounts which generated a loss of £(15.087m) from the sale of the Misisi project.

The total loss on disposal of assets held for sale is £20.671m.

# Notes to the financial statements

## 5. Taxation

|                                        | 31 Dec<br>2020<br>£'000 | 31 Mar<br>2020<br>£'000 |
|----------------------------------------|-------------------------|-------------------------|
| Current income tax charge              | -                       | -                       |
| Deferred tax charge/ (credit)          | -                       | -                       |
| <b>Total taxation charge/ (credit)</b> | <b>-</b>                | <b>-</b>                |

## Taxation reconciliation

The charge for the period can be reconciled to the loss per the consolidated statement of comprehensive income:

|                                                                                  | 31 Dec<br>2020<br>£'000 | 31 Mar<br>2020<br>£'000 |
|----------------------------------------------------------------------------------|-------------------------|-------------------------|
| Gain (Loss) before income tax                                                    | <b>1,640</b>            | <b>(23,607)</b>         |
| Tax on loss at the weighted average Corporate tax rate of 6.2% (Mar 2020: 1.13%) | 102                     | 268                     |
| Effects of:                                                                      |                         |                         |
| Permanent differences                                                            | -                       | -                       |
| Tax losses carried forward                                                       | -                       | -                       |
| Non-taxable income/Non-deductible expenses for tax purposes                      | (102)                   | (268)                   |
| <b>Total income tax expense</b>                                                  | <b>-</b>                | <b>-</b>                |

The deferred tax asset has not been provided for in accordance with IAS 12 due to uncertainty as to when profits will be generated against which to relieve any such asset. The Group does not have a material deferred tax liability at the year end.

The tax rate used in 2020 is the weighted average rate of the Republic of Zambia and British Virgin Islands. Unused tax losses available in Zambia approximate Zambian Kwacha 166m at 31 December 2020 approximately GBP 5.7m.

## 6. Dividends

No dividends were paid (31 March 2020: nil).

## 7. Key management remuneration

|                             | 31 Dec<br>2020<br>£ 000's | 31 Mar<br>2020<br>£ 000's |
|-----------------------------|---------------------------|---------------------------|
| Key management remuneration | <b>870</b>                | 848                       |

  

| 31 December 2020               | Short term<br>employee benefits<br>£ 000's | Share based<br>payments <sup>(i)</sup><br>£ 000's | Total<br>£ 000's |
|--------------------------------|--------------------------------------------|---------------------------------------------------|------------------|
| <b>Executive Directors</b>     |                                            |                                                   |                  |
| Nicholas von Schirnding        | 182                                        | 127                                               | <b>309</b>       |
| Rémy Welschinger               | 130                                        | 100                                               | <b>230</b>       |
| <b>Non-Executive Directors</b> |                                            |                                                   |                  |
| Brian McMaster                 | 27                                         | 18                                                | <b>45</b>        |
| Caleb Mulenga *                | 6                                          | 18                                                | <b>24</b>        |
| Mumena Mushinge <sup>§†</sup>  | 24                                         | 18                                                | <b>42</b>        |
| Don Bailey <sup>§</sup>        | 15                                         | -                                                 | <b>15</b>        |

# Notes to the financial statements

## Key Management Personnel

|                          |            |            |            |
|--------------------------|------------|------------|------------|
| Vassilios Carellas (COO) | 123        | 82         | 205        |
|                          | <b>507</b> | <b>363</b> | <b>870</b> |

\* Appointed as a Director during the period

§ Resigned as a Director during the period

† Mr Mushing received USD 34k in fees from Zamsort Ltd as a Director of the Company in the financial period to 31 December 2020.

(i) Certain options were surrendered in January 2021 (see Note 26) for more information).

## 31 March 2020

|                                          | Short term<br>employee benefits<br>£ 000's | Share based<br>payments<br>£ 000's | Total<br>£ 000's |
|------------------------------------------|--------------------------------------------|------------------------------------|------------------|
| <b>Executive Directors</b>               |                                            |                                    |                  |
| Nicholas von Schirnding                  | 208                                        | 69                                 | 277              |
| Rémy Welschinger *                       | 97                                         | 53                                 | 150              |
| <b>Non-Executive Directors</b>           |                                            |                                    |                  |
| Brian McMaster                           | 36                                         | 14                                 | 50               |
| Mumena Mushing†                          | 36                                         | 14                                 | 50               |
| Don Bailey                               | 36                                         | -                                  | 36               |
| Jonathan de Thierry                      | 36                                         | 14                                 | 50               |
| <b>Key Management Personnel</b>          |                                            |                                    |                  |
| Vassilios Carellas (COO)                 | 88                                         | 54                                 | 142              |
| John Forrest (CFO until 31 October 2019) | 56                                         | 37                                 | 93               |
|                                          | <b>593</b>                                 | <b>255</b>                         | <b>848</b>       |

\* Appointed as a Director during the year

† Mr Mushing received USD 70k in fees from Zamsort Ltd as a Director of the Company in the financial year to 31 March 2020.

## 8. Earnings per share

The calculation of Earnings per share is based on the loss attributable to equity holders divided by the weighted average number of shares in issue during the period.

|                                                             | 31 Dec<br>2020<br>£ 000's | 31 Mar<br>2020<br>£ 000's |
|-------------------------------------------------------------|---------------------------|---------------------------|
| (Loss) Gain                                                 | (1,640)                   | (25,855)                  |
| Weighted average number of ordinary shares (000s)           | 942,667                   | 724,168                   |
| Potential diluted weighted average number of shares (000s)  | 1,171,034                 | 919,043                   |
| Basic earnings per share (expressed in pence)               | (0.17)                    | (3.57)                    |
| Fully Diluted earnings per share (expressed in pence)       | (0.14)                    | (2.81)                    |
| Net Profit (loss) per share continuing operations – Basic   | (0.17)                    | (0.72)                    |
| Net Profit (loss) per share continuing operations – Diluted | (0.14)                    | (0.56)                    |
| Net (loss) per share discontinuing operations – Basic       | -                         | (2.85)                    |
| Net (loss) per share discontinuing operations – Diluted     | -                         | (2.25)                    |

## Notes to the financial statements

### 9. Loan payable

|              | 31 Dec<br>2020 | 31 Mar<br>2020 |
|--------------|----------------|----------------|
|              | £ 000's        | £ 000's        |
| Loan payable | 3,308          | 3,198          |

- (i) The loans are payable to the minority shareholder in Zamsort Limited and Zaco Limited in the amount of USD 4.33M and USD 179k, respectively, as at 31 December 2020. The loans are unsecured and loan holders have agreed to roll forward the loans until a liquidity event occurs.
- (ii) The loans rank equally with Arc's working capital loans to Zamsort (USD 8.1M) and Zaco (USD 492k) which are eliminated on consolidation of Zamsort and Zaco in the group accounts. The loans are unsecured and loan holders have agreed to roll forward the loans until a liquidity event occurs.

In summary, the Company had loans to Zamsort and Zaco at 31 December 2020 of USD 8.1M and USD 492k, respectively (31 March 2020: USD 7.1M and nil, respectively).

### 10. Intangible assets

|                                         | Deferred<br>Exploration<br>Zaco<br>£ 000's | Deferred<br>Exploration<br>Zamsort<br>£ 000's | Total<br>£ 000's |
|-----------------------------------------|--------------------------------------------|-----------------------------------------------|------------------|
| <b>Cost</b>                             |                                            |                                               |                  |
| At 1 Apr 2019                           | -                                          | 2,418                                         | 2,418            |
| Additions                               | 10                                         | 1,924                                         | 1,934            |
| Currency loss                           | -                                          | (323)                                         | (323)            |
| <b>Net book value as at 31 Mar 2020</b> | <b>10</b>                                  | <b>4,019</b>                                  | <b>4,029</b>     |
| <b>At 1 Apr 2020</b>                    | 10                                         | 4,019                                         | 4,029            |
| Additions                               | 152                                        | 138                                           | 290              |
| Currency loss                           | (10)                                       | (1,869)                                       | (1,879)          |
| <b>Net book value as at 31 Dec 2020</b> | <b>152</b>                                 | <b>2,288</b>                                  | <b>2,440</b>     |

The Group's Intangible assets are comprised of evaluation and exploration expenditures in respect of the licences in Zambia.

Exploration projects in Zambia are at an early stage of development and there are no JORC (Joint Ore Reserves Committee) or non-JORC compliant resource estimates available to enable value in use calculations to be prepared.

The Directors have undertaken a review to assess whether circumstances exist which could indicate the existence of impairment as follows:

- The Group no longer has title to mineral leases.
- A decision has been taken by the Board to discontinue exploration due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the costs incurred will not be fully recovered from future development and participation.

Following their assessment, the Directors concluded that no impairment charge is necessary.

# Notes to the financial statements

## 11. Fixed Assets

|                                     | Processing<br>Plant<br>£ 000's | Mining<br>Equipment<br>£ 000's | Motor<br>Vehicles<br>£ 000's | Furniture &<br>Fittings<br>£ 000's | Total<br>£ 000's |
|-------------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------------|------------------|
| <b>Cost</b>                         |                                |                                |                              |                                    |                  |
| <b>At 1 Apr 2019</b>                | <b>3,249</b>                   | <b>215</b>                     | <b>91</b>                    | <b>43</b>                          | <b>3,598</b>     |
| Disposals                           | -                              | -                              | -                            | -                                  | -                |
| Additions                           | 449                            | (17)                           | -                            | (3)                                | 429              |
| Foreign exchange                    | (515)                          | (34)                           | (15)                         | (7)                                | (571)            |
| <b>At 31 Mar 2020</b>               | <b>3,183</b>                   | <b>164</b>                     | <b>76</b>                    | <b>33</b>                          | <b>3,456</b>     |
| <b>At 1 Apr 2020</b>                | <b>3,183</b>                   | <b>164</b>                     | <b>76</b>                    | <b>33</b>                          | <b>3,456</b>     |
| Disposals                           | -                              | -                              | (12)                         | (1)                                | (13)             |
| Additions                           | 13                             | -                              | 18                           | 2                                  | 33               |
| Foreign exchange                    | (1,133)                        | (32)                           | (26)                         | (8)                                | (1,199)          |
| <b>At 31 Dec 2020</b>               | <b>2,063</b>                   | <b>132</b>                     | <b>56</b>                    | <b>26</b>                          | <b>2,277</b>     |
| <b>Depreciation</b>                 |                                |                                |                              |                                    |                  |
| <b>At 1 Apr 2019</b>                | <b>-</b>                       | <b>(172)</b>                   | <b>(42)</b>                  | <b>(25)</b>                        | <b>(239)</b>     |
| Disposals                           | -                              | -                              | -                            | -                                  | -                |
| Depreciation                        | -                              | 100                            | (19)                         | (8)                                | 73               |
| Foreign exchange                    | -                              | 27                             | 7                            | 4                                  | 38               |
| <b>At 31 Mar 2020</b>               | <b>-</b>                       | <b>(45)</b>                    | <b>(54)</b>                  | <b>(29)</b>                        | <b>(128)</b>     |
| <b>At 1 April 2020</b>              | <b>-</b>                       | <b>(45)</b>                    | <b>(54)</b>                  | <b>(29)</b>                        | <b>(128)</b>     |
| Disposals                           | -                              | -                              | 11                           | -                                  | 11               |
| Depreciation                        | -                              | (35)                           | (13)                         | (5)                                | (53)             |
| Foreign exchange                    | -                              | (18)                           | 18                           | 11                                 | 11               |
| <b>At 31 Dec 2020</b>               | <b>-</b>                       | <b>(98)</b>                    | <b>(38)</b>                  | <b>(23)</b>                        | <b>(159)</b>     |
| <b>Net book value – 31 Mar 2020</b> | <b>3,183</b>                   | <b>119</b>                     | <b>22</b>                    | <b>10</b>                          | <b>3,328</b>     |
| <b>Net book value – 31 Dec 2020</b> | <b>2,063</b>                   | <b>34</b>                      | <b>18</b>                    | <b>3</b>                           | <b>2,118</b>     |

## 12. Investment in subsidiaries

At 31 December 2020, the Company held interests in the share capital of the following subsidiary companies.

| Company                    | Place of Business      | % Ownership held | Nature of business  |
|----------------------------|------------------------|------------------|---------------------|
| Zamsort Limited            | Republic of Zambia     | 66%              | Mineral Exploration |
| Unico Minerals Limited ‡   | British Virgin Islands | 100%             | Holding Company     |
| Zaco Investments Limited ‡ | Republic of Zambia     | 72.5%            | Mineral Exploration |
| Handa Resources Limited    | Republic of Zambia     | 66%              | Mineral Exploration |

‡ Zaco Investments Limited is a subsidiary of Unico Minerals Limited which was incorporated as a subsidiary of the Company in 2019 in British Virgin Islands with registered office at Craigmuir Chambers, Road Town, Tortola, BVI; Interest in Zaco has increased to 72.5% since 31 March 2020.

Zamsort Limited registered office at 69B/6 Wite Wood Road Lusaka Zambia

Handa Resources Limited registered office at Plot No. 1266, Haile Selassie Avenue, Longacres, Lusaka, Zambia

The non-controlling interest shown within the primary statement arises as a result of the Group owning less than 100% of a subsidiary company.

## Notes to the financial statements

### 13. Investment in associates

Set out below are the associates of the Group during the period ended 31 December 2020.

|                  | Zaco<br>£ 000's | Total<br>£ 000's |
|------------------|-----------------|------------------|
| 1 April 2019     | 339             | 339              |
| Additions        | 60              | 74               |
| Acquired > 50%   | (399)           | (413)            |
| 31 March 2020    | -               | -                |
| 1 April 2020     | -               | -                |
| 31 December 2020 | -               | -                |

Zaco Investments Limited is a Zambian-registered company, now owned 72.5% by Arc (52.5% at 31 March 2020). In 2020 the Company increased its interest in Zaco from 42.5% to 52.5% and Zaco's results were consolidated. The acquisition cost of this 52.5% interest was £398,766. (Refer to Note 14).

The Chairman of Arc has been appointed Chairman of Zaco. The Zaco year end is being changed to 31 December.

### 14 Acquisition of Zaco Investments Limited ("Zaco")

Zaco is involved in the exploration for minerals in the Republic of Zambia. The Company acquired equity control on 3 December 2019.

On 1 April 2020 the Company held a 52.5% interest in Zaco at a cost of £398,766. The Company currently holds 72.5% of Zaco with an aggregate cost of £573,766 having acquired in May 2020 a further 20% from a former director of the Company, for a consideration of 10 million shares in Arc at a cost of £175,000 (Note 23).

### Non-controlling interest

The non-controlling interest of Zaco Investments Limited at the date of acquisition were measured at the fair value of these interests. This fair value was estimated by the consideration offered by the Company to acquire the controlling interest.

### 15. Trade and other receivables

|                                            | Group<br>31 Dec<br>2020<br>£ 000's | Group<br>31 Mar<br>2020<br>£ 000's |
|--------------------------------------------|------------------------------------|------------------------------------|
| <b>Current trade and other receivables</b> |                                    |                                    |
| Other receivables                          | 269                                | 351                                |
| Loan Note – Casa sale (USD 5,000,000)      | 3,663                              | 4,032                              |
| Prepayments                                | -                                  | -                                  |
| <b>Total</b>                               | <b>3,932</b>                       | <b>4,383</b>                       |

On 18 March 2020 the Company announced the sale of its shareholding in Casa Mining Limited ("Casa Mining") to Golden Square Equity Partners Limited ("Golden Square") in return for a USD 5,000,000 interest-free Loan Note ("Loan Note") payable on 19 March 2021 and a 3% Royalty calculated on net smelter production capped at USD 45,000,000 ("Casa Royalty"). The USD 5M Loan Note was secured

## Notes to the financial statements

---

by a charge over the shares of Casa Mining.

There were a number of uncertainties which affected the valuation of the Casa Royalty which had a face value of USD 45,000,000. Given these uncertainties the Company elected to assign nil value to the Casa Royalty.

Proceeds of GBP 4.032m were recorded in the accounts and a further foreign exchange loss of GBP 369,000 was recorded during the current period.

In March 2021 the maturity of the Loan Note was extended to 16 July 2021 and on 5 May 2021 the Company announced a restructuring whereby:

- (i) Golden Square had conditionally sold its interests in Casa Mining to Golden Mining Limited ("Golden Mining") (the "Transaction") which, concurrent to closing of the Transaction, will be a subsidiary of Rackla Metals Limited ("Rackla"), listed on TSX-V in Canada, conditional upon:
  - (a) Arc consent;
  - (b) TSX approval of the transaction; and
  - (c) Completion by Rackla of a CAD 5m financing.
- (ii) Arc to be paid USD 750,000 by Golden Mining on closing;
- (iii) Arc to be paid a further USD 750,000 by Golden Mining within 90 days of closing, guaranteed by Rackla;
- (iv) Arc to receive a note from Golden Square in the amount of USD 3,500,000 payable on or before 31 December 2021 secured by 3,500,000 shares of Black Rock Petroleum Co listed on the OTC Market in the United States;
- (v) Golden Mining to complete a NI43-101 compliant resource assessment of the Akyanga Gold Project (a key asset of Casa Mining in the Democratic Republic of the Congo) within 24 months and pay to Arc a one-off payment of USD 1.00 per ounce > 1,000,000 ounces capped at USD 4,000,000;
- (vi) Golden Mining to pay Arc USD 1,000,000 if more than 30,000 ounces of gold are produced within 5 years of closing;
- (vii) When any portion of Casa Mining comes into commercial production a net smelter royalty shall be calculated on a quarterly basis at 1% payable to Arc up to a maximum aggregate amount of USD 25,000,000;

The Company believes that the carrying value of GBP 3,663,000 (USD 5,000,000) is reasonable.

The carrying amounts of the Group's current and non-current trade and other receivables are denominated in the following currencies:

|                                            | Group<br>31 Dec<br>2020<br>£ 000's | Group<br>31 Mar<br>2020<br>£ 000's |
|--------------------------------------------|------------------------------------|------------------------------------|
| <b>Current trade and other receivables</b> |                                    |                                    |
| UK Pounds                                  | 269                                | 160                                |
| US Dollars                                 | 3,663                              | 4,032                              |
| Zambian Kwacha                             | -                                  | 191                                |
| <b>Total</b>                               | <b>3,932</b>                       | <b>4,383</b>                       |

## Notes to the financial statements

### 16. Trade and other payables

|                                             | Group<br>31 Dec<br>2020<br>£ 000's | Group<br>31 Mar<br>2020<br>£ 000's |
|---------------------------------------------|------------------------------------|------------------------------------|
| <b>Current trade and other payables</b>     |                                    |                                    |
| Trade payables, other payables and accruals | 351                                | 3,028                              |
|                                             | <b>351</b>                         | <b>3,028</b>                       |

Included in trade and other payables at 31 December 2020 was £220k of unsecured loan notes which were repayable within 12 months, and which comprised of EUR 200k of 10% unsecured loan notes.

The entire outstanding balance of unsecured loan notes were converted to equity in January 2021 (£220k including accrued interest).

The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

### 17. Share capital

| Authorised                                                               | £ 000's            |               |                                 |                                   |
|--------------------------------------------------------------------------|--------------------|---------------|---------------------------------|-----------------------------------|
| Unlimited ordinary shares of no par value                                |                    |               |                                 | -                                 |
|                                                                          | Number of shares   | Nominal value | Average price per share (pence) | Gross Consideration value GBP'000 |
| <b>Called up, allotted, issued and fully paid</b>                        |                    |               |                                 |                                   |
| <b>As at 1 April 2019</b>                                                | <b>705,937,551</b> |               |                                 | <b>12,114</b>                     |
| Issued in relation to the acquisition of 5% of Zaco Investments Limited  | 1,414,000          | -             | 2.80                            | 40                                |
| Issued under the Drill-for-Equity Programme                              | 14,746,970         | -             | 2.80-4.78                       | 535                               |
| Issued to creditors in lieu of payment                                   | 9,116,165          | -             | 3.10-3.82                       | 291                               |
| Issued pursuant to warrant exercises                                     | 6,712,811          | -             | 2.00-2.80                       | 152                               |
| <b>As at 31 March 2020</b>                                               | <b>737,927,497</b> |               |                                 | <b>1,018</b>                      |
| Financings for cash                                                      | 139,451,726        | -             | 1.70                            | 2,371                             |
| Issued in relation to the acquisition of 20% of Zaco Investments Limited | 10,000,000         | -             | 1.80                            | 180                               |
| Issued under the Drill-for-Equity Programme                              | 10,084,183         | -             | 2.58                            | 261                               |
| Issued on conversion of convertible debt                                 | 79,426,868         | -             | 1.70                            | 1,350                             |
| Issued pursuant to warrant exercises                                     | 15,799,557         | -             | 3.00                            | 474                               |
| <b>As at 31 December 2020</b>                                            | <b>992,689,831</b> |               |                                 | <b>4,636</b>                      |

Share issue costs in the amount of £112,955 (31 March 2020 – £215,618) were incurred in the period and set off against the share premium account.

# Notes to the financial statements

## 18. Share based payments and Warrants

### Share Options

During the period the following share options were issued and valued using the Black Scholes method:

|                          | Weighted<br>Avg Price<br>(pence) | Number            | Exercise<br>Price<br>(pence) | Share price<br>at grant<br>(pence) | Weighted Avg<br>Term<br>(years) | Value<br>(000s)<br>** |
|--------------------------|----------------------------------|-------------------|------------------------------|------------------------------------|---------------------------------|-----------------------|
| <b>1 April 2018</b>      | <b>11.31</b>                     | <b>18,018,210</b> |                              |                                    | <b>3.98</b>                     | <b>1,333</b>          |
| Expired                  | -                                | (1,812,097)       | -                            | -                                  | -                               | (350)                 |
| Granted 30 May 2018      | -                                | 12,900,000        | 4.50                         | 3.40                               | 5                               | 211                   |
| Granted 12 June 2018     | -                                | 1,200,000         | 4.50                         | 4.31                               | 5                               | 36                    |
| Granted 12 June 2018     | -                                | 2,500,000         | 7.00                         | 4.31                               | 5                               | 68                    |
| Granted 29 October 2018  | -                                | 1,200,000         | 4.50                         | 3.35                               | 3                               | 22                    |
| <b>31 March 2019</b>     | <b>7.93</b>                      | <b>34,006,113</b> |                              |                                    | <b>3.97</b>                     | <b>1,320</b>          |
| <b>1 April 2019</b>      | <b>7.93</b>                      | <b>34,006,113</b> |                              |                                    | <b>3.97</b>                     | <b>1,320</b>          |
| Expired                  | -                                | (200,000)*        | -                            | -                                  | -                               | (609)                 |
| Granted 8 July 2019      | -                                | 15,240,002        | 4.50                         | 2.35                               | 4.25                            | 263                   |
| Granted 22 November 2019 | -                                | 2,980,000         | 4.50                         | 2.60                               | 4.33                            | 24                    |
| <b>31 March 2020</b>     | <b>3.62</b>                      | <b>52,026,115</b> |                              |                                    | <b>3.44</b>                     | <b>998</b>            |
| <b>1 April 2020</b>      | <b>3.62</b>                      | <b>52,026,115</b> |                              |                                    | <b>3.44</b>                     | <b>998</b>            |
| Expired                  | -                                | -                 | -                            | -                                  | -                               | -                     |
| Granted 5 June 2020      | -                                | 41,000,000        | 3.00                         | 2.23                               | 2.42                            | 373                   |
| Granted 15 December 2020 | -                                | 2,000,000         | 4.50                         | 3.95                               | 2.96                            | 18                    |
| <b>31 December 2020</b>  | <b>3.71</b>                      | <b>95,026,115</b> |                              |                                    | <b>2.89</b>                     | <b>1,389</b>          |

\* As disclosed in the statement of changes in equity, the value of these options (£20k) have been reversed in the current financial period through retained earnings as the amounts were not material.

Of the options granted in May 2018, 10.5M were subject to vesting conditions linked to milestones. In September 2020, the Remuneration committee determined that all of the vesting conditions had been met or were otherwise no longer appropriate pursuant to the disposals of the non-core assets (Akyanga/Misisi). No other options are/were subject to vesting conditions.

Options can be settled in cash and are typically granted for a term between three and five years at the discretion of the Board of Directors upon recommendation by the Remuneration Committee.

The weighted average exercise price of the options outstanding at 31 December 2020 is 3.71 pence.

In the Black-Scholes model the key inputs for the options granted in 2020 were Volatility as 75%, the Risk Free Interest Rate as 0% and the dividend yield as 0%.

\*\* Under IFRS 2 "Share-based Payments", the Company determines the fair value of options issued to Directors, Employees and other parties as remuneration and recognises the amount as an expense in the Statement of Comprehensive Income with a corresponding increase in equity.

The charge incurred during the year in relation to share based payments was £391,000 (31 March 2020 – £287,000).

## Notes to the financial statements

### Warrants

| Grant date                 | Number             | Exercise Price (pence) | Term (years)              | Share Price at grant pence |
|----------------------------|--------------------|------------------------|---------------------------|----------------------------|
| <b>1 April 2018</b>        | <b>10,975,000</b>  | <b>2.00-5.50</b>       | <b>0.1-2.61</b>           |                            |
| 1 April 2018               | 1,000,000          | 2.25                   | 3.59                      | 2.23                       |
| 15 May 2018                | 4,666,667          | 2.40                   | 1.13                      | 3.01                       |
| 15 May 2018                | 505,953            | 3.36                   | 1.13                      | 3.01                       |
| 15 May 2018                | 2,000,000          | 6.00                   | 1.13                      | 3.01                       |
| 16 May 2018                | 980,584            | 2.90                   | 4.13                      | 2.70                       |
| 18 June 2018               | 4,620,000          | 6.00                   | 1.22                      | 4.245                      |
| 1 October 2018             | 1,789,000          | 4.50                   | 2.01                      | 4.01                       |
| 10 October 2018            | 44,400,014         | 6.50                   | 2.53                      | 3.65                       |
| 31 October 2018            | 1,000,000          | 4.50                   | 1.76                      | 3.40                       |
| 17 December 2018           | 2,041,094          | 3.20                   | 2.22                      | 2.95                       |
| 19 February 2019           | 63,600,009         | 4.50                   | 2.89                      | 2.90                       |
| Exercised during the year  | (487,500)          |                        |                           |                            |
| Expired during the year    | (3,750,000)        |                        |                           |                            |
| <b>TOTAL 31 March 2019</b> | <b>133,340,821</b> | <b>2.00-6.50</b>       | <b>0.1-4.13</b>           |                            |
| <b>Weighted Average</b>    |                    | <b>5.01</b>            | <b>2.49<sup>(i)</sup></b> |                            |

(i) Remaining term as at 31 March 2019

The charge incurred during the year in relation to warrants was nil (2018: nil).

| Grant date                 | Number             | Exercise Price (pence) | Term (years)              | Share Price at grant pence |
|----------------------------|--------------------|------------------------|---------------------------|----------------------------|
| <b>1 April 2019</b>        | <b>133,340,821</b> | <b>2.00-6.50</b>       | <b>0.1-4.13</b>           |                            |
| 1 April 2019               | 550,176            | 2.55                   | 4.00                      | 2.525                      |
| 3 May 2019                 | 1,671,144          | 2.80                   | -                         | 2.575                      |
| 1 July 2019                | 10,000,000         | 4.50                   | 2.25                      | 3.100                      |
| 4 December 2019            | 5,500,000          | 4.50                   | 4.33                      | 2.900                      |
| Exercised during the year  | (6,712,811)        |                        |                           |                            |
| Expired during the year    | (1,500,000)        |                        |                           |                            |
| <b>TOTAL 31 March 2020</b> | <b>142,849,330</b> | <b>2.25-6.50</b>       | <b>0.1-4.68</b>           |                            |
| <b>Weighted Average</b>    |                    | <b>5.52</b>            | <b>1.60<sup>(i)</sup></b> |                            |

(i) Remaining term as at 31 March 2020

The charge incurred during the year in relation to warrants was £84,000 (2019: nil).

| Grant date                       | Number             | Exercise Price (pence) | Term (years)              | Share Price at grant pence |
|----------------------------------|--------------------|------------------------|---------------------------|----------------------------|
| <b>1 April 2020</b>              | <b>142,849,330</b> | <b>2.25-6.50</b>       | <b>0.1-4.68</b>           |                            |
| 17 June 2020 Placing Warrants    | 69,725,864         | 3.00                   | 1.46                      |                            |
| 17 June 2020 Conversion Warrants | 39,713,434         | 3.00                   | 1.46                      |                            |
| 17 June 2020 CLN Warrants        | 5,764,887          | 4.50                   | 3.46                      |                            |
| 17 June 2020 Broker Warrants     | 873,906            | 3.00                   | 1.46                      |                            |
| Exercised during the period      | (15,799,557)       |                        |                           |                            |
| Expired during the period        | (12,650,953)       |                        |                           |                            |
| <b>TOTAL 31 December 2020</b>    | <b>230,476,911</b> |                        |                           |                            |
| <b>Weighted Average</b>          |                    | <b>4.99</b>            | <b>1.35<sup>(i)</sup></b> |                            |

(i) Remaining term as at 31 December 2020

## Notes to the financial statements

The charge incurred during the period in relation to warrants was £4,000 which was not considered material (31 March 2020: £84,000).

### 19. Share premium

|                          | 31 Dec<br>2020 | 31 Mar<br>2020 |
|--------------------------|----------------|----------------|
|                          | £ 000s         | £ 000s         |
| <b>Opening Balance</b>   | <b>51,231</b>  | 50,222         |
| Total Additions          | <b>4,636</b>   | 1,018          |
| Share issue costs        | <b>(112)</b>   | (9)            |
| <b>As at 31 December</b> | <b>55,755</b>  | <b>51,231</b>  |

See Note 17 for a breakdown of share issues during the period.

### 20. Non-Controlling Interest (NCI)

|                                               | Casa<br>£ 000s | Zamsort<br>£ 000s | Zaco<br>£ 000s | Total<br>£ 000s |
|-----------------------------------------------|----------------|-------------------|----------------|-----------------|
| Balance at 1 Apr 2019                         | 114            | 582               | -              | 696             |
| Disposal of 99.43% of Casa Mining Ltd         | (114)          | -                 | -              | (114)           |
| Acquisition of 52.5% of Zaco Investments Ltd  | -              | -                 | 5              | 5               |
| Investment by NCI in the year                 | -              | 309               | -              | 309             |
| <b>As at 31 Mar 2020</b>                      | <b>-</b>       | <b>891</b>        | <b>5</b>       | <b>896</b>      |
| Effect of foreign exchange on opening balance | -              | (167)             | (1)            | (168)           |
| Investment by NCI in the period               | -              | (294)             | 72             | (222)           |
| <b>As at 31 Dec 2020</b>                      | <b>-</b>       | <b>430</b>        | <b>76</b>      | <b>506</b>      |

### 21. Financial instruments and capital risk management

#### Financial Risk Management

##### Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved at Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

#### a) Market Risk

##### i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the pound sterling, US Dollar ("USD") and Zambian Kwacha ("ZMW"). Foreign exchange risk arises from recognised monetary assets and liabilities, where they may be denominated in a currency that is not the Group's functional currency. While the Zambian Kwacha has depreciated approximately 21% since 31 March 2020 the Kwacha risk is mitigated by the fact that Zamsort would only have one month's cash requirement on hand at any one time. Another significant risk in Zambia is a US Dollar risk as the Shareholder Loan of our minority partner is denominated in US Dollars. The Directors consider that, for the time being, no hedging or other arrangements are necessary to mitigate this risk.

## Notes to the financial statements

The potential impact of a 20% increase/(decrease) in the GBP:USD foreign exchange rate on the carrying value of the Casa Note is £732k/(£732k).

On the assumption that all other variables were held constant, and in respect of the Group and the Company's expenses the potential impact of a 20% increase/decrease in the GBP:ZMW foreign exchange rate on the Group's loss for the period and on equity is as follows:

### Potential impact on Zambian kwacha expenses: 2020

| Increase/(decrease) in GBP:ZMK rate | Group<br>£ 000's |
|-------------------------------------|------------------|
| 20%                                 | (307)            |
| -20%                                | 307              |

### b) Credit Risk

Credit risk arises from cash and cash equivalents.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash and cash equivalents with institutions which have a minimum credit rating of 'A'.

The Group considers that it is not exposed to major concentrations of credit risk.

The Group holds cash as a liquid resource to fund its obligations. The Group's cash balances are held primarily in Sterling. The Group's strategy for managing cash is to assess opportunity for interest income whilst ensuring cash is available to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts. Short term interest rates on deposits have for the fiscal year been very unattractive.

The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

The currency profile of the Group's cash and cash equivalent is as follows:

|                                  | Dec<br>2020<br>£ 000's | Mar<br>2020<br>£ 000's |
|----------------------------------|------------------------|------------------------|
| <b>Cash and cash equivalents</b> |                        |                        |
| Sterling                         | 282                    | 66                     |
| US Dollars                       | 418                    | 103                    |
| <b>At end of period</b>          | <b>700</b>             | <b>169</b>             |

On the assumption that all other variables were held constant, and in respect of the Group's cash position, the potential impact of a 20% increase in the GBP:USD foreign exchange rate would not have a material impact on the Group's cash position and as such is not disclosed.

### c) Liquidity Risk

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

The Group ensures that its liquidity is maintained by a management process which includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring Balance Sheet liquidity and maintaining funding sources and back-up facilities.

#### *Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets.

## Notes to the financial statements

---

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market such as industry knowledge and experience of the Directors.

The movement in the levels during the year to 31 March 2018 are attributable to the changes in ownership status during the period and any additional equity purchases or fair value adjustments required as a result.

### Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to position as a going concern and to continue its exploration and evaluation activities. The Group has capital, defined as the total equity and reserves of the Group, of £5,546,000 (March 2020: £5,682,000).

The Group monitors its level of cash resources available against future planned exploration and evaluation activities and issues new shares in order to raise further funds from time to time.

## 22. Commitments

### Operating leases

There are no operating leases.

### Exploration commitments

Ongoing exploration expenditure is required to maintain title to the Group's mineral exploration permits. No provision has been made in the Group financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.

## 23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no other transactions with related parties, except as disclosed below:

### *Zaco Acquisition*

After its acquisition of 37.5% of Zaco Limited, the Company was offered a further 5% at the same proforma cost, US\$ 50,000. At the time the Company was preserving cash for operations and Nicholas von Schirnding offered to make the purchase on behalf of the Company. The Board accepted his offer and Mr von Schirnding purchased the 5% block with the expectation that the Company would purchase it from him when financial conditions permitted. The 5% Zaco interest was subsequently purchased at a cost of US\$55,000 including a financing charge.

In July 2019, Arc further consolidated its interest in the Zaco license from 42.5% to 47.5%. The additional 5% was acquired from Limehouse Capital Ltd, a company that is wholly owned by Rémy Welschinger, a director of the Company, for a consideration of USD 50,000 payable as 1.414m shares in Arc (£39,592).

In November 2019, Arc further consolidated its interest in the Zaco license from 47.5% to 52.5%. The additional 5% was acquired from Mr Mumena Mushinge, a director of the Company, for a consideration of USD 37,500 (£29,173) payable in cash.

In May 2020, Arc further consolidated its interest in the Zaco license from 52.5% to 72.5%. The additional 20% was acquired from Mr Mumena Mushinge, a director of the Company, for a consideration of 10 million shares in Arc (£175,000).

### *Remuneration of Key Management Personnel*

The remuneration of the Directors and PDMRs is set out in Note 7.

## Notes to the financial statements

---

Of the amounts set out in Note 7:

£123,000 (2020 – £88,000) was paid to VC Resources Ltd, a PSC owned by Vassilios Carellas.

£15,000 (2020 – £36,000) was paid to a PSC owned by Don Bailey

A relative of Rémy Welschinger made a loan of €250k (£213k) to the Company which is unsecured and repayable with 10% interest on due for repayment 30 December 2020. Of this amount, €62.5k including interest of €6.25k (total £61k) was converted to equity as part of the Company's placing in May 2020, as announced. The remaining balance of £220k (including accrued interest) was converted to equity in January 2021.

Subsequent to the period end, share options issued to certain directors and other PDMRs of the company were surrendered in exchange for consideration. Please refer to Note 26 for more information.

During the period, a lease agreement over the Zamsort plant was entered into with an ex-director of the Company. Due to non-performance and inactivity, the lease agreement was cancelled before the end of the financial period. No income or expenses were incurred in relation to the lease agreement.

### **24. Contingent liability**

Zamsort Limited is named in a lawsuit before the High Court in Zambia for USD 265,000 of damages pertaining to a discussion involving the former owners of Zamsort and a third party held in 2014. Legal advisors to Zamsort have advised that the claim is without merit. A bond has been deposited with the court and is included in current assets. The amount of the bond is 2.8M Zambian Kwacha (GBP 125k), approximately 50% of the damages claimed.

### **25. Ultimate controlling party**

There is no ultimate controlling party in the opinion of the Board.

### **26. Events after the reporting period**

#### *Acquisition of Alvis Crest*

On 24 March 2021, the Company signed a binding term sheet for the acquisition of 75% of Alvis Crest (Proprietary) Limited ("Alvis") which holds two prospecting licenses in the Botswana Kalahari Copperbelt, adjacent to the world-class high-grade copper-silver project Zone 5, owned by Khoemacau Copper Mining ("Licenses").

Arc will acquire 75% of the issued ordinary shares of Alvis, a company incorporated in Botswana for a consideration of £1.2m to be satisfied by the issuance of new ordinary shares of Arc, based on the 10-day VWAP prior to completion of a binding Sales and Purchase Agreement. Arc will have an option to acquire the remaining 25% of Alvis for US\$5m.

The transaction is expected to complete shortly subject to final completion deliverables.

#### *Casa Loan Note*

In March 2021 the maturity of the Loan Note was extended to 16 July 2021 and on 5 May 2021 the Company announced a restructuring whereby:

- (i) Golden Square had conditionally sold its interests in Casa Mining to Golden Mining Limited ("Golden Mining") (the "Transaction") which, concurrent to closing of the Transaction, will be a subsidiary of Rackla Metals Limited ("Rackla"), listed on TSX-V in Canada, conditional upon:
  - (a) Arc consent;
  - (b) TSX approval of the transaction; and

## Notes to the financial statements

---

- (c) Completion by Rackla of a CAD 5m financing.
- (ii) Arc to be paid USD 750,000 by Golden Mining on closing;
- (iii) Arc to be paid a further USD 750,000 by Golden Mining within 90 days of closing, guaranteed by Rackla;
- (iv) Arc to receive a note from Golden Square in the amount of USD 3,500,000 payable on or before 31 December 2021 secured by 3,500,000 shares of Black Rock Petroleum Co listed on the OTC Market in the United States;
- (v) Golden Mining to complete a NI43-101 compliant resource assessment of the Akyanga Gold Project (a key asset of Casa Mining in the Democratic Republic of the Congo) within 24 months and pay to Arc a one-off payment of USD 1.00 per ounce > 1,000,000 ounces capped at USD 4,000,000;
- (vi) Golden Mining to pay Arc USD 1,000,000 if more than 30,000 ounces of gold are produced within 5 years of closing;
- (vii) When any portion of Casa Mining comes into commercial production a net smelter royalty shall be calculated on a quarterly basis at 1% payable to Arc up to a maximum aggregate amount of USD 25,000,000;

### *Surrender of Share Options*

As announced on 16 March 2021, a number of persons discharging managerial responsibility ("PDMR") surrendered 75,837,378 share options which were exercisable at a profit. In lieu of this surrender, the share option holders were compensated in line with the Black-Scholes fair value model, using a 10-day VWAP of 6.94p through cash and / or shares to be issued at the Company's discretion to a total value of £3,474,179 ("Consideration") according to a compensation schedule which will be phased over the next 3 years at the Company's discretion ("Payment Period").

Subsequent to the surrender of share options as herein described, there remained 16,333,334 share options outstanding.