



Arc Minerals Limited - Half-year Report

12/31/2019

RNS Number : 3981Y

Arc Minerals Limited

31 December 2019

31 December 2019

**Arc Minerals Ltd
(‘Arc’ or the ‘Company’)**

Interim Results

The Company is pleased to announce its unaudited financial results for the six months ended 30 September 2019.

The Interim Results are set out in the following pages.

For more information visit www.arcminerals.com.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

****ENDS****

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**GROUP STATEMENT OF
COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 30
SEPTEMBER 2019**

| | Notes | Six Months to 30 Sep 2019 (Unaudited) £ 000's | Six Months to 30 Sep 2018 (Unaudited) £ 000's |
|---|----------|---|---|
| Other operating income | | | - |
| Administrative expenses | | (944) | (1,193) |
| Gain on purchase of shares Casa Mining Ltd | | - | 199 |
| Share based payments | | (138) | (180) |
| Operating loss | | (1,082) | (1,174) |
| Impairment - Casa Mining Ltd | | (15,000) | - |
| Loss before tax | | (16,082) | (1,174) |
| Income tax expense | | - | - |
| Loss for the period from continuing operations | 3 | (16,082) | (1,174) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences | | (872) | 305 |
| Other comprehensive income for the period, net of tax | | (872) | 305 |
| Total comprehensive income for the period | | (16,954) | (869) |
| Attributable to: | | | |
| Owners of the parent | | (14,954) | (869) |
| Loss per share from continuing and discontinued operations attributable to the owners of the parent during the period (expressed in pence per share) | | | |
| Basic | 3 | (2.26) | (0.23) |

**GROUP STATEMENT OF
FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2019

| | Notes | As at 30 Sep 2019 (Unaudited) £ 000's | As at 30 Sep 2018 (Unaudited) £ 000's |
|--|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 5 | 2,831 | 24,298 |
| Fixed assets | 6 | 3,475 | 2,674 |
| Investments | 4 | 370 | 192 |
| Available for sale financial investments | 7 | - | 6,936 |
| Total non-current assets | | 6,676 | 34,100 |
| Current assets | | | |
| Inventories - Zamsort Limited | | 261 | 847 |
| Trade and other receivables | | 175 | 306 |
| Available for sale financial investments | 7 | 12,719 | - |
| Cash and cash equivalents | | 105 | 484 |
| Total current assets | | 13,260 | 1,637 |
| TOTAL ASSETS | | 19,936 | 35,737 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long term payables | 8 | (2,357) | (2,792) |
| Total non-current liabilities | | (2,357) | (2,792) |
| Current liabilities | | | |
| Trade and other payables | | (1,597) | (2,246) |
| Available for sale financial liabilities | 10 | (1,946) | - |
| Total current liabilities | | (3,543) | (2,246) |
| TOTAL LIABILITIES | | (5,900) | (5,038) |

| NET ASSETS | 14,036 | 30,699 |
|------------------------------|---------------|---------------|
| EQUITY | | |
| Share capital | 9 | - |
| Share premium | 50,581 | 45,076 |
| Share based payments reserve | 1,458 | 1,333 |
| Foreign exchange reserve | 1,285 | 1,054 |
| Retained earnings | (40,520) | (17,431) |
| Non-controlling interest | 1,232 | 667 |
| TOTAL EQUITY | 14,036 | 30,699 |

**GROUP STATEMENT OF
CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 30
SEPTEMBER 2019**

| | Share capital £ 000's | Share premium £ 000's | Foreign exchange reserve £ 000's | Share based payment reserve £ 000's | Retained earnings £ 000's | Non-controlling interest £ 000's | Total equity £ 000's |
|---|--------------------------|--------------------------|-------------------------------------|--|------------------------------|-------------------------------------|-------------------------|
| As at 1 April 2018 | - | 38,324 | 749 | 1,333 | (16,257) | 1,318 | 25,467 |
| Profit/(loss) for the period | - | - | - | - | (1,174) | - | (1,174) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Currency translation differences | - | - | 305 | - | - | - | 305 |
| Other comprehensive income for the period | - | - | 305 | - | - | - | 305 |
| Total comprehensive income for the period | - | - | 305 | - | (1,174) | - | (869) |
| Share capital issued net of share issue costs | - | 6,572 | - | - | - | - | 6,572 |
| Share based payments | - | 180 | - | - | - | - | 180 |
| Non-controlling interest in Zamsort at acquisition | - | - | - | - | - | 845 | 845 |
| Share of loss for the period | - | - | - | - | - | (171) | (171) |
| Non-controlling interest of Casa purchased during the period | - | - | - | - | - | (1,325) | (1,325) |
| Total transactions with owners, recognised directly in equity | - | 6,752 | 305 | - | (1,174) | (651) | 5,232 |
| As at 30 September 2018 | - | 45,076 | 1,054 | 1,333 | (17,431) | 667 | 30,699 |
| As at 1 April 2019 | - | 50,222 | 2,157 | 1,320 | (24,438) | 696 | 29,957 |

| | | | | | | | |
|---|---|---------------|--------------|--------------|-----------------|--------------|-----------------|
| Profit/(loss) for the period | - | - | - | - | (16,082) | - | (16,082) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Currency translation differences | - | - | (872) | - | - | - | (872) |
| Other comprehensive income for the period | - | - | (872) | - | - | - | (872) |
| Total comprehensive income for the period | - | - | (872) | - | (16,082) | - | (16,954) |
| Share capital issued net of share issue costs | - | 287 | - | - | - | - | 287 |
| Warrants exercised | - | 72 | - | - | - | - | 72 |
| Share based payments granted | - | - | - | 138 | - | - | 138 |
| Increase of NCI in Zamsort | - | - | - | - | - | 536 | 536 |
| Total transactions with owners, recognised directly in equity | - | 359 | - | 138 | - | 536 | 1,033 |
| As at 30 September 2019 | - | 50,581 | 1,285 | 1,458 | (40,520) | 1,232 | 14,036 |

**GROUP CASH FLOW
STATEMENT**

**FOR THE PERIOD ENDED 30
SEPTEMBER 2019**

| | As at 30 Sep 2019 (Unaudited) £ 000's | As at 30 Sep 2018 (Unaudited) £ 000's |
|---|---|---|
| Cash flows from operating activities | | |
| Loss before tax | (16,082) | (1,174) |
| Depreciation | 36 | - |
| Impairment | 15,000 | - |
| Share based payments | 138 | 180 |
| Gain on acquisition of Casa Mining Ltd | - | (199) |
| Operating loss before changes in working capital | (908) | (1,193) |
| Decrease in trade and other receivables | 415 | 331 |
| Increase in trade and other payables and available for sale liabilities | 100 | 1,065 |
| Net cash used in operating activities | (393) | 203 |
| Cash flows used in investing activities | | |
| Additions to intangible assets | (1,002) | (2,268) |

| | | |
|--|----------------|----------------|
| Additions to property, plant and equipment | (360) | (410) |
| Investment in available-for-sale financial investments | (181) | (236) |
| Net cash used in investing activities | (1,543) | (2,914) |
| Cash flows from financing activities | | |
| Proceeds from issue of ordinary shares net of share issue cost | 72 | 2,389 |
| Long term payables | 743 | 630 |
| Net cash inflow from financing activities | 815 | 3,019 |
| Net increase/(decrease) in cash and cash equivalents | (1,121) | 308 |
| Cash and cash equivalents at beginning of period | 1,226 | 176 |
| Cash and cash equivalents at end of period | 105 | 484 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS for the period ended 30 September 2019

1. Basis of preparation

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

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

The Board of Directors approved this Interim Financial Report on 30 December 2019

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing these interim condensed consolidated interim financial statements. The condensed interim financial statements should be read in conjunction with the

annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies

The condensed consolidated interim financial statements for the period ended 30 September 2019 have not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory annual financial statements for the year ended 31 March 2019. In addition, consideration has been given to IFRS 15 and IFRS 9 which both are effective since 1 April 2019.

Associates

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

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

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

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

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

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

2. Financial Risk Management

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2019 Annual Report and Financial Statements, a copy of which is available from the Group's website: www.arcminerals.com. The key financial risks are market risk, including currency risk, and liquidity.

3. Loss per share

| | Notes | Six Months to 30 Sep 2019 (Unaudited) £ 000's | Six Months to 30 Sep 2018 (Unaudited) £ 000's |
|---|-------|---|---|
| Loss from Continuing Operations | | (16,082) | (1,174) |
| Weighted average number of ordinary shares used in calculating basic loss per share (000's) | | 709,921 | 510,002 |
| Basic & diluted loss per share (expressed in pence) | | (2.26) | (0.23) |

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

4. Investment in Associates

Set out below are the associates of the Group.

| | Zaco £ 000's | Total £ 000's |
|--------------------------|-----------------|------------------|
| 1 April 2018 | - | - |
| Additions | 192 | 192 |
| 30 September 2018 | 192 | 192 |
| 1 April 2019 | 331 | 331 |

| | | |
|--------------------------|------------|------------|
| Additions | 39 | 39 |
| 30 September 2019 | 370 | 370 |

Further information about the assets of Zaco Limited is included in the 2019 Annual Report.

Zaco is a Zambian-registered company, owned 47.5% by Unico Minerals Limited (42.5% at 31 March 2019). Unico is a wholly-owned subsidiary of Arc. The Chairman of Arc has been appointed Chairman of Zaco. There were no operations during the period.

Subsequent to 30 September 2019 the Company purchased an additional 5% of Zaco which increased its interest to 52.5%. Zaco results will be consolidated in future.

5. Intangible Assets

| | Zamsort Goodwill | Zamsort Deferred Exploration Costs | Casa Deferred Exploration Costs | Total |
|-------------------------|---------------------|---|--|---------|
| | £ 000's | £ 000's | £ 000's | £ 000's |
| As at 30 September 2018 | 2,557 (ii) | 974 | 20,767 | 24,298 |
| As at 30 September 2019 | - | 2,831 | -(i) | 2,831 |

(i) Reclassified as Available For Sale Financial Investments (Note 7)

(ii) As noted below allocated to Deferred Exploration

Zamsort Limited

Zamsort is involved in the exploration for minerals in the Republic of Zambia. On 1 April 2018 the Company held a 14% interest in Zamsort at a cost of £546,000. The Company acquired equity control on 5 June 2018.

Consideration - £5,332,000

In May 2017 in exchange for a 14% equity interest in Zamsort the Company agreed to convert £546,000 (US\$828,472) of US\$1,200,000 Secured Loan Notes issued to the Company in 2015 by Zamsort;

On 15 May 2018 the Company issued 102,083,333 shares with an imputed cost of £3,072,708 to acquire a further 35% interest in Zamsort, thereby increasing its

interest to 49%;

On 5 June 2018 the Company issued 17,500,000 shares with an imputed cost of £770,000 to acquire a 6% interest in Zamsort, thereby increasing its interest to 55%, a controlling interest;

On 18 June 2018 the Company issued 12,000,000 shares with an imputed cost of £509,400 to acquire a 6% interest in Zamsort, thereby increasing its interest to 61%;

On 11 July 2018 the Company issued 10,000,000 shares with an imputed cost of £420,000 to acquire a 5% interest in Zamsort, thereby increasing its interest to 66%;

The acquisition resulted in Goodwill of £671,000 as follows:

| | <u>£ 000s</u> |
|---|---------------|
| Net assets acquired: | |
| Cash and cash equivalents | 62 |
| Intangible assets | 218 |
| Fixed assets, net | 2,753 |
| Inventory | 507 |
| Trade and other receivables | 151 |
| Trade and other payables | (385) |
| Shareholder loans | (1,655) |
| Total net assets acquired | <u>1,651</u> |
| | |
| Total Consideration for 6% of Zamsort shares (49% - 55%) | 770 |
| Fair value of the associate at the Second Acquisition Date | 809 |
| Fair Value of Non-Controlling interest at the Second Acquisition Date | 743 |
| Less: Fair value of Zamsort | (1,651) |
| Goodwill | <u>671</u> |

Goodwill has been allocated to Deferred exploration

Non-controlling interest:

The non-controlling interests of Zamsort 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.

Impact of acquisitions on the results of the Group:

During the six months ended 30 September 2019 the net loss of the Group included the net loss of Zamsort of £342,000. Group revenue during the period includes £Nil from Zamsort.

The financial statements of Zamsort Limited for the six months ended 30 June 2019 have been consolidated in these results. Between 1 July 2019 and 30 September 2019 Zamsort incurred deferred exploration expenditures of £822,000 and fixed asset expenditures of £54,000 financed in part from funds advanced by Arc Minerals

Limited (£513,000) and the minority shareholder (£220,000). As these expenditures were material in value, the consolidated financial statements have been adjusted to incorporate these transactions in accordance with *IFRS 10 Consolidated Financial Statement*.

6. Fixed Assets

| | Processing Plant £ 000's | Mining Equipment £ 000's | Motor Vehicles £ 000's | Furniture & Fittings £ 000's | Total £ 000's |
|---------------------------------|-----------------------------|-----------------------------|---------------------------|---------------------------------|------------------|
| Cost | | | | | |
| At 1 April 2019 | 3,249 | 215 | 91 | 43 | 3,598 |
| Disposals | - | - | - | - | - |
| Additions | 350 | - | - | 10 | 360 |
| Foreign exchange | (217) | (6) | (3) | (3) | (229) |
| At 30 September 2019 | 3,382 | 209 | 88 | 50 | 3,729 |
| Depreciation | | | | | |
| At 1 April 2019 | - | (172) | (42) | (25) | (239) |
| Disposals | - | 21 | - | - | 21 |
| Depreciation | - | (13) | (11) | (12) | (36) |
| At 30 September 2019 | - | (164) | (53) | (37) | (254) |
| Cost | | | | | |
| At 1 April 2018 | - | - | - | - | - |
| Additions - Acquisition Zamsort | 2,407 | 378 | 188 | 38 | 3,091 |
| At 30 September 2018 | 2,407 | 378 | 188 | 38 | 3,011 |
| Depreciation | | | | | |
| At 1 April 2018 | - | - | - | - | - |
| Additions - Acquisition Zamsort | - | (271) | (43) | (23) | (337) |
| At 30 September 2018 | - | (271) | (43) | (23) | (337) |

NBV - 30 September 2019 3,382 45

35 13 3,475

NBV - 30 September 2018 2,407 107

145 15 2,674

7. Available for Sale Financial Investments

| | Casa £ 000's | Andiamo £ 000's | Šturec £ 000's | Total £ 000's |
|-------------------------|-----------------|--------------------|-------------------|------------------|
| As at 30 September 2018 | - | 392 | 6,544 | 6,936 |
| As at 30 September 2019 | 6,719 (i) | - | 6,000 | 12,719 |

(i) Reclassified from Intangible assets (Note 5); an Impairment charge for Casa Mining Ltd in the amount of £15,000,000 has been reported during the period. On 13 November 2019 the Company announced a

conditional sale of Casa; the impairment charge has been estimated based on the terms of that transaction. Further details are provided in Note 10.

During the year ended 31 March 2019 the Company sold its interest in Andiamo.

8. Long Term Payables

| Long term payables | Group 2019 £ 000's | Group 2018 £ 000's |
|------------------------|--------------------------|--------------------------|
| Shareholder loan | 2,357 | 1,257 |
| Deferred consideration | - | 1,535 |
| | 2,357 | 2,792 |

The shareholder loan represents a loan from the 34% minority shareholder in Zamsort Limited. The Company has also provided a loan to Zamsort on similar terms which had a balance on the reporting date of £4,196,000.

The deferred consideration (USD 2,000,000) was incurred by Casa Mining Ltd when that Company purchased for cancellation the shares held by the controlling shareholder. The liability is non-recourse to Arc; it is unsecured, non-interest bearing and due for payment in January 2020. It is included in Available for sale financial liabilities. (Refer to Note 10).

9. Share Capital

The authorised share capital of the Company and the called up and fully paid amounts at 30 September 2019 were as follows:

| A) Authorised | £ 000's | |
|--|---------------------|------------------|
| Unlimited ordinary shares of no par value | - | |
| B) Called up, allotted, issued and fully paid | | |
| | Number of shares | Nominal value |
| As at 1 April 2019 | 705,937,551 | - |
| Additions: | | |
| 4 July 2019, at 2.8p(i) | 1,414,000 | - |
| 8 July 2019, at 2.5p(ii) | 1,200,000 | - |
| 22 July 2019, at 2.8p(iii) | 1,671,144 | - |
| 29 July 2019, at 4.78p(iv) | 3,849,680 | - |

| | | |
|--------------------------------|--------------------|----------|
| 29 July 2019, at 2.4p(v) | 1,041,667 | - |
| 22 August 2019, at 4.5p(iv) | 1,563,728 | - |
| As at 30 September 2019 | 716,677,770 | - |

- (i) Issued as consideration for the acquisition of an additional 5% equity stake in Zaco Ltd, increasing Arc's interest in Zaco from 42.5% to 47.5%.
- (ii) Issued to a service provider as consideration for consulting services in the amount of GBP 30,000; subject to a lock-in period of 12 months.
- (iii) Issued pursuant to an exercise of warrants for cash consideration of GBP 46,792.
- (iv) Issued pursuant to the Drill for Equity programme as first announced on 29 July 2019 whereby the Company's drilling contractor in Zambia has agreed to receive payment for 50% of total drilling costs by way of shares in Arc. Shares issued under the Drill for Equity Programme are subject to certain share trading restrictions which are monitored by Arc.
- (v) Issued pursuant to an exercise of warrants for cash consideration of GBP 25,000.

10. Post Balance Sheet Events

On 13 November 2019, the Company announced that it had entered into a binding Sale and Purchase Agreement to sell Arc's entire 99.43% equity interest in Casa Mining Ltd for consideration of up to USD 9.8m (the "Consideration"), subject to final due diligence being completed. The transaction is expected to close no later than 24 January 2020.

At closing the Purchaser as controlling shareholder of Casa will assume responsibility for its liabilities which were £1,907,000 as of 30 September 2019 and which are classified as Available for sale financial liabilities. Effective from the closing date these liabilities will no longer be included in Arc accounts.

The Consideration is comprised of the following:

- (i) Cash of USD 1,800,000;
- (ii) Cash of USD 2,500,000 when the 3,000,000-ounce inferred resource of the Misisi Project (which is majority-owned by Casa) has been increased to 6,000,000 ounces;
- (iii) Cash of USD 2,500,000 when the inferred resource of the Misisi Project has been increased from 6,000,000 ounces to 9,000,000 ounces;
- (iv) Cash of USD 3,000,000 when the inferred resource of the Misisi Project has been increased from 9,000,000 ounces to 12,000,000 ounces;

The Company has recorded an impairment charge of £15,000,000 against its investment in Casa. This is an estimate and subject to adjustment as future developments at the Misisi Project become known.

11. Other Matters

The condensed consolidated interim financial statements set out above do not constitute the Group's statutory accounts for the period ended 30 September 2019 or for earlier periods but are derived from those accounts where applicable.

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

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