



## Arc Minerals Limited - 2019 Annual Report and Financial Statements

9/30/2019

RNS Number : 21340  
Arc Minerals Limited  
30 September 2019

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### Arc Minerals Ltd

(‘Arc’ or the ‘Company’)

#### 2019 Annual Report and Financial Statements

Arc Minerals Limited is pleased to present its audited financial statements for the 12 months ended 31 March 2019 (“Financial Statements”) as extracted from the Company’s 2019 Annual Report which is now available on the Company’s website at [www.arcminerals.com](http://www.arcminerals.com) and which will be provided to any shareholders who have requested a printed or electronic copy today. The Financial Statements should be read in conjunction with the 2019 Annual Report which contains the notes to the Financial Statements.

The Annual Report for the year ended 31 March 2019 is set out in full below. All amounts in this report are in GBP unless otherwise stated.

Financial Summary for the year ended 31 March 2019

- Arc increased its interest in Zamsort Limited from 14% to 66%. The additional 52% was acquired with shares. Arc’s aggregate cost of its 66% interest in Zamsort is GBP 4.5M;
- Arc advanced USD 3.4M to Zamsort to finance, along with our 34% equity partner, approximately USD 1.25M of drilling and assaying and approximately USD 5.15M of upgrades and refurbishment to the demonstration plant as well as road and camp infrastructure;
- Arc acquired a 42.5% interest in Zaco Limited which owns the 465km<sup>2</sup> license adjacent to Zamsort. The cost was USD 425,000; The interest was increased to 47.5% subsequent to yearend;
- Arc completed in May 2018 its offer to acquire Casa Mining Limited. It now owns 99.43% at an aggregate book cost of GBP 4.9M;
- Arc financed a USD 1.9M exploration program at Casa which resulted in a 100% increase in the resource to 3.0M ounces;
- Arc disposed of its 18.48% interest in Andiamo Exploration Limited for USD 250,000;
- Arc now owns 66% of Zamsort and 99.4% of Casa with an aggregate cost of GBP 9.4M. These acquisitions were financed primarily by shares. In addition, Arc placed shares for cash which generated GBP 6.7M before issue costs. Further details about share movements are provided in Note 19 in the accounts;
- Group total assets increased 28% from GBP 27.4M to GBP 35.2M and net assets increased 18% from GBP 25.5M to GBP 30.0M;
- The loss for the period from continuing operations was GBP 6.3M, representing 1.08 pence per share (2018 gain of GBP 2M, representing 1 pence per share). Because Arc’s controlling interest in Zamsort was acquired in stages, goodwill, which normally would be recognised if the acquisition had been completed in one stage, is expensed up to the point of control. Therefore, in the accounts the Group is reporting a loss of GBP 2.8M on acquisition of the first 49% of Zamsort and goodwill of GBP 671k on the acquisition of 6% on 5 June 2019 when Zamsort became a subsidiary.

#### Chairman’s Statement

This financial year was one of significant change for Arc Minerals, underpinned by the transformational transaction of the Zamsort large-scale copper exploration license, which we believe to be one of the most prospective grounds in the Domes region of the Copperbelt. The transaction completed in June 2018 and made Arc Minerals the largest shareholder. We subsequently increased our ownership to 66% (with an additional 5.35% convertible loan) and established a good working relationship with Kopara Limited, which has the minority interest in the Zamsort and Zaco license areas.

During the financial year, copper and base metal prices continued to stage a modest recovery as results of solid global growth increased industrial demand, and the macro trends towards the use of renewable energy and electric vehicles in particular continued, both of which consume significantly larger volumes of copper than conventional uses. Although the last quarter of our financial year was characterised by significant uncertainty in the equity markets, demand for copper remained steady and in early 2019 there was a noticeable increase in price as copper inventories fell to their lowest point in many years. Despite this lift in copper prices, the supply side response remains subdued with a drop in copper exploration budgets and very few projects coming online to meet the ever-increasing demand.

At Arc Minerals, we are well placed to benefit from this increase in the demand for copper. During the year we made significant progress, in particular our continued exploration success at our large Zambian copper licenses. At Zamsort we identified 13 large regional copper targets.

In addition to our work at the Kalaba Copper-Cobalt Project, we commenced a systematic exploration programme on the larger license areas. We commenced a comprehensive soil geochemistry and airborne geophysical programme with the aim of defining large copper targets. In total we collected approximately 28,000 samples for the 1km spaced soil sampling program and a further 24,000 soil samples for the 200m spaced infill soil sampling programme. The airborne geophysical programme was conducted by Xcalibur Airborne Geophysics (Pty) Ltd, a global provider of airborne geophysical surveys. The survey covered 5,218 line-kilometres and was conducted using a 200m linespacing covering the entire Zamsort and Zaco licenses representing around 872 km<sup>2</sup>. These exploration tools proved to be very useful as the analysis identified 12 large scale regional copper targets.

Our geological models and database were subsequently independently verified and analysed by two leading geological consultants including African Mineral Consultants who were part of the Kamoa discovery team, a large high-grade copper deposit 140km north east of Zamsort in the DRC Copperbelt. The consulting teams identified a further target called West Lunga, a 7.4km long large copper target, on the western part of our license. This new target has a significant footprint and we are currently clearing the area to commence an initial drilling programme later this year.

In June 2019, we commenced a diamond drilling programme focussing initially on the Cheyeza East area. Initial results demonstrated pervasive mineralisation with intersections of 28.5m at 1.32% Cu including 13m grading 2.31% and 18m at 2.35% Cu including 7.60m grading 4.15% Cu. Further drill results identified a mineralised area at Cheyeza East of 650m long and 300m wide. Even though we are still at the early phases of the exploration campaign on this target, as a result of these initial results we increased the scope from 2,400m to 5,000m.

At Casa, the Company reported a JORC (2012) compliant Resource update of 3 million ounces and as a result of a strengthening gold price we have seen a significant increase in interest from international third parties.

On a corporate level, we made changes to our Board, welcoming Mushing Mumena ("Mumena") and Rémy Welschinger as new directors. Mumena brings a wealth of experience with mining projects in Zambia and has been a large shareholder in the Zamort and Zaca projects. Rémy Welschinger is a resource professional with significant financial experience in the metals and mining sector.

Michael Foster resigned from the Board in December 2018 and I would like to thank him on behalf of the board for his contribution and wish him well with his future endeavours.

As part of our commitment to selling our non-core assets, in February, we divested our 18.44% interest in Andiamo Exploration Limited to a private equity group for \$250,000, realising a loss of £202,000. We are currently also engaged in discussions regarding the sale of our interest in the Sturec gold project where the company has applied for another underground mining permit, as well as our interest in the Casa gold project. We continue to work actively on the sale of these assets. The expressions of interest and subsequent discussions that we have had to date support our belief that the sale of these assets will generate significant value for Arc Minerals. Naturally there is no guarantee that the ongoing discussions will lead to a definitive outcome and the board will continue to monitor developments and ensure that shareholders are kept apprised of developments.

On a final note, I would like to take this opportunity to thank our shareholders and employees for their continued support during this transformative time for the Company. I look forward to reporting on our progress in the months ahead.

Nick von Schirmding  
Executive Chairman  
30 September 2019

For more information visit [www.arcminerals.com](http://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.*

#### Forward-looking Statements

*This news release contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.*

\*\*ENDS\*\*

#### Contacts

Arc Minerals Ltd +44 (0) 20 7917 2942  
Nick von Schirmding (Chairman)

SP Angel (Nominated Adviser & Broker) +44 (0) 20 3470 0470  
Ewan Leggat / Soltan Tagiev

#### Notes to Editors

Arc Minerals Ltd is an AIM listed exploration and mine development company focused on a diversified portfolio of mining projects with interests in Zambia, the Democratic Republic of the Congo and Slovakia.

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#### Corporate Information

Directors	
Nicholas von Schirmding	Director, Executive Chairman
Brian McMaster	Non-Executive Director
Jonathan de Thierry	Non-Executive Director
Don Bailey	Non-Executive Director

Mumena Mushingi Non-Executive Director  
Rémy Welschinger Non-Executive Director

**Chief Operations Officer**  
Vassilios Carellas

**Chief Financial Officer**  
John Forrest

**Registered Address**  
Craigmuir Chambers  
Road Town, Tortola  
British Virgin Islands, VG 1110

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

**Broker**  
Optiva Securities Limited  
49 Berkeley Square  
London, W1J 5AZ

**Registrars**  
Computershare Investor Services (Channel Islands) Ltd  
PO Box 83  
Ordnance House, 31 Pier Road  
St Helier, JE4 8PW  
Channel Islands

## Overview

Arc Minerals Limited ("Arc Minerals") is a dynamic junior company focused on the exploration and development of its prospective portfolio of copper-cobalt and gold projects located primarily in Africa. Key assets comprise:

- Zamsort Ltd (66% owned) Copper Large Scale Exploration and Mining Licenses located in the North West province of Zambia which comprises the following projects:
  - 4km<sup>2</sup> small scale mining license
  - 4km<sup>2</sup> small scale exploration license, all enclosed by a
  - 399.8km<sup>2</sup> large scale exploration license
  - Soil sampling and airborne geophysics identified 9 large scale copper targets
  - 10,000m drilling programme underway
- Zaco Ltd (47.5% owned) Copper Large Scale Exploration Licenses located in the North West province of Zambia which comprises the following projects:
  - 465km<sup>2</sup> large scale exploration licenses
  - Soil sampling and airborne geophysics identified 4 large scale copper targets
- Casa Mining (99.4% owned):
  - Three contiguous mining license areas - 133km<sup>2</sup> valid until 2045, enclosing a 55km long 'gold belt'
  - Deposit with 3-million-ounce JORC-code compliant inferred resource established
  - A further 8 additional targets confirmed within the 55km long gold

- belt
    - o Scoping study and additional drilling required to take project to the next stage of its development
- Šturec Gold project (100% owned)
  - o 8 km<sup>2</sup> mining license area
  - o 1.3-million-ounce gold pre-feasibility stage project
  - o Pre-feasibility study completed in 2014 - post tax NPV of \$145m (8% discount) and IRR 26% at \$1,343/oz Au price

Casa and Šturec have been designated for sale to allow the Company to focus on Zambia.

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.

#### 2019 Highlights

- Consolidating interests in the Zambian licenses
- Increased resource at Akyanga to 3 million ounces of gold
- Flew an airborne geophysical programme over both Zamsort and Zaco license areas
- Completed the soil sampling program (1km profile lines) over entire Zamsort and Zaco license areas
- Identified 13 large copper targets
- Raised E6.7m from share placements
- Appointment of Mumena Mushingi and Rémy Welschinger to the Board
- Completed construction of small scale demonstration plant and resource drilling programme at Kalaba
- Divestment of interest in Andiamo
- Commencement of a comprehensive infill soil sampling programme (200m spaced line profiles) of the key target areas followed by a 10,000m diamond drilling programme in the Zamsort and Zaco license areas

#### Business Model and Strategy

The strategic vision of Arc Minerals is to build a leading focused copper exploration and development company leveraging off the three core **fundamentals** 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 developing resources; and
- Supportive institutional and retail shareholder base.

#### Chairman's Statement

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On a final note, I would like to take this opportunity to thank our shareholders and employees for their continued support during this transformative time for the Company. I look forward to reporting on our progress in the months ahead.

**Nick von Schrinding**  
**Executive Chairman**  
**30 September 2019**

## Strategic Report

### Overview of Operations

Arc Minerals Limited ('Arc' or 'the Company') 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.

Arc Minerals has the following principal areas of interest:

1. The Zamsort large scale exploration license ('LEL') on the Zambian side of the Central African Copper belt ('CACB' or 'Copperbelt') covering c. 407km<sup>2</sup>, is considered to be one of the last unexplored parts of the Domes Region in north west Zambia, in close proximity to several world-class mines;
2. The Zaco large scale exploration license, consisting of two license areas, adjacent to the north and south of the Zamsort license area covers c. 465km<sup>2</sup>;
3. The Misisi Gold Project in the eastern part of the Democratic Republic of Congo ('DRC'). Misisi hosts a 3-million-ounce gold deposit at scoping study level and central to a 55km long gold belt, all encompassed in three contiguous mining license areas valid until 2045 and covering an area of 133km<sup>2</sup>;
4. The Šturec Gold Project in Slovakia. Šturec host a 1.3 million gold equivalent Resource. The project has a pre-feasibility study demonstrating robust economics of a discounted post-tax NPV of \$145m and IRR of 26% at a \$1,343/oz gold price.

### Zamsort and Zaco Large Scale Exploration License Areas ('LEL')

The Zamsort and Zaco LEL are located approximately 900 km from Lusaka, in the North Western Province, and are 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 Zamsort and Zaco licenses represents one of the last dome-related areas in Zambia yet to be explored in any detail.

Over the last thirteen years, three new major copper mines, First Quantum Minerals' Sentinel and Kansanshi mines and Barrick Gold's Lumwana mine, have been discovered and constructed to exploit the mineral resources in the 'new' western part of the Domes Region of the Zambian Copperbelt. These three 'new' mines today account for almost 70% of Zambian copper production and the Zamsort and Zaco are in the same trend and in close proximity to these large operations.

The Zamsort Copper Project consists of three licences - a 4km<sup>2</sup> small-scale mining license which host the Kalaba copper-cobalt project and an adjacent 4km<sup>2</sup> small scale exploration license, all enclosed by a large prospecting license area of 399.8km<sup>2</sup>. The Zaco license which lies adjacent to the north and south of the Zamsort licenses, consist of two large scale prospecting licences covering 465km<sup>2</sup>. The licenses 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 Kalaba Copper-Cobalt Project benefits from a newly constructed Commercial Scale Demonstration Plant ('SCD') and exploration work is currently underway at the other key target areas to complement the ore feed from Kalaba in order to improve the overall economics of the CSD plant.

During the year Arc commenced a 200m spaced infill soil sampling programme over the target areas identified by the previous year's 1km spaced soil sampling programme as well as the airborne geophysical programme.

In addition to the 28,000 soil samples analysed during the 1km spaced programme, a further 24,000 soil samples were collected and subsequently processed and analysed, over seven key target areas in both the Zamsort and Zaco license areas.

In February 2019, the Company commissioned Xcalibur Airborne Geophysical (Pty) Ltd out of Johannesburg to conduct a large-scale airborne geophysics programme. Xcalibur flew 5,218 line-kilometres using a 200m line spacing over the licenses (see figure 1). A detailed review and analysis of the soil sampling data and results of the airborne geophysical data identified 13 new large regional copper targets on the licenses (see figure 2).

The Company also commissioned African Mineral Consultants and Douglas Haynes Discovery to review and verify all technical data and the Company's internal analysis. Both consultancies have extensive experience in the Copperbelt and have been part of the Kamoa discovery team. Kamoa is a recently discovered high-grade copper deposit in the DRC. The consultants confirmed the Company's findings as well as identified a further target called West Lunga, a 7km long area in the western part of the license.

Figure 1. Regional copper in soils (1km spaced profiles) XRF results (left) and enlarged map on Cheyeza East following the 200m spaced infill profiles (right)

Please follow this link to view the image:

<http://www.arcminerals.com/files/images/2019/Gallery/09/Figure1-Regional-Copper-in-soil.png>

Figure 2. Key Target Areas Identified by the Soil Sampling and Airborne Geophysical Programmes

Please follow this link to view the image:

<http://www.arcminerals.com/files/images/2019/Gallery/09/Figure2-Key-Target-Areas.png>

Table 1. Regional targets ranked in order of priority

Rank	Target	Rank	Target
1	Cheyeza East	7	Southern Fold Zone
2	West Lunga (Zaco)	8	Nyambwezu
3	Muswema	9	Musewena-Katondo (Zaco)
4	Lumbeta	10	Fwiji (Zaco)
5	Cheyeza West	11&12	Kawunba 1&2
6	Jatuma	13	Chididi (Zaco)

In June 2019, the Company commenced a diamond drilling programme focusing initially on the Cheyeza East area. Initial results demonstrated pervasive mineralisation with intersections of 28.5m at 1.32% Cu including 13m grading 2.31% and 18m at 2.35% Cu including 7.60m grading 4.15% Cu. Further drill holes intercepted 1.27% over 32m including 2.05% Cu over 17.50m and 2.79% Cu over 10.50m. The Company identified a mineralised area at Cheyeza East of 650m long and 300m wide.

#### Misisi Gold Project (Held for sale)

The Misisi Gold Project ("Misisi") is a large and prospective exploration property located near the town of Misisi located 250km south of Bukavu, the provincial capital of the South Kivu Province in the Democratic Republic of the Congo. Misisi hosts the Akyanga deposit and during the year the Company updated the Resources on the Akyanga Project. Akyanga now has an Inferred Mineral Resource of 44.4 million tonnes at 2.16 grams per tonne containing 3 million ounces on a 100% basis and 2,215,000 ounces on a 73.84% attributable basis. The statement of Mineral Resources (Table 2) completed by Denny Jones Pty Ltd ("Denny Jones"), a leading Australian based Resource Consultancy is reported in accordance with the requirements of the 2012 JORC Code.

Table 2. Akyanga Mineral Resource estimate - cut-off grade of 0.5 g/t Au - June 2018 (100% Basis)

Category	Tonnes (millions)	Gold grade (g/t)	Contained Gold (million oz)
Inferred Resource	44.3	2.16	3.0

1. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. The Mineral Resources in this report were reported using the guidelines of JORC (2012).
2. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
3. Contained metal and tonnes figures in totals may differ due to rounding.

#### Figure 3 Geological cross-section

Please follow this link to view the image:

<http://www.arcminerals.com/files/images/2019/Gallery/09/Figure3-Geological-Cross-Section.png>

In addition to the Mineral Resource, an Exploration Target over the Akyanga East project has been defined as summarised below.

Table 3 Akyanga East Exploration Target - June 2018 (100% Basis)

Category	Tonnes (millions)	Gold Grade (g/t)	Contained Gold (million oz)
Upper Range	7.1	2.43	0.6
Lower Range	3.1	1.94	0.2

4. The quantity and grade of the reported Exploration Target are uncertain in nature and there has been insufficient exploration to define an Inferred Resource. It is uncertain if further exploration will result in the estimation of Mineral Resources.
5. A cut-off grade of 0.5 g/t has been used to define the Exploration Target.

#### Šturec Project (Held for sale)

The Šturec gold project is a large prospective gold exploration license. The project is located in central Slovakia approximately 1.5km north east of the town of Kremnica and, as the crow flies, 17km west of central Slovakia's largest city, Banská Bystrica. The project has a JORC (2004) compliant mineral Resource of 1.36 Million oz of gold equivalent. A Pre-Feasibility Study (PFS) of the mining aspects of the Šturec Project was completed by SRK Consultants ("SRK"), a leading international engineering firm in April 2013. The PFS was in turn built upon an earlier Scoping Study completed by SRK in January 2012; both studies confirmed the economic viability of the Šturec Project. SRK PFS confirms the economic viability of the Šturec project.

The Šturec Project is considered a non-core asset in line with the Company's focus on its African ventures.

#### Governance

##### Board of Directors

###### Nick 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 plc.

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

Brian McMaster has almost 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.

###### Jonathan De Thierry, Non-Executive Director

Jonathan de Thierry is an English graduate geologist with 25 years' experience in mining and investment banking in Africa & Europe. He is a founder of Casa Mining and has raised significant capital for exploration and development of major DRC mineral projects.

###### Don Bailey, Non-Executive Director

Don Bailey, a former head of mining operations for Rio Tinto in Africa, South America and Europe, spent 30 years with Rio Tinto where, as Joint Global Head of Mining

Operations, he was responsible for the development of numerous major international projects including the Escondida mine in Chile, the Moro d'Oro mine in Brazil and the Neves Corvo mine in Portugal. He was also a director of a number of Rio Tinto international companies including Palabora Mining and Rossing Uranium in Africa.

Subsequent to his time with Rio Tinto, Don was a founder member, CEO and Chairman of LionOre Mining International Ltd ("LionOre") which developed from a start-up into a mid-tier mining company and was ultimately acquired by Norilsk Nickel in June 2007 which generated a significant return to LionOre shareholders.

Mushinge Mumena, Non-Executive Director

Mushinge Mumena is a Zambian based entrepreneur with a long-standing history in the mining and minerals industry. Mr Mumena is a director of a number of privately-owned Zambian based mining and power generation businesses. Mr Mumena founded Zamsort Limited in 2005 and has been instrumental in developing the Kalaba prospect.

Rémy Welschinger, Non-Executive Director

Remy Welschinger is the founder and managing director of Limehouse Capital, an investment holding company specialising in natural resources projects. Up until 2018, he was head of commodities sales in Europe for Deutsche Bank. Prior to that, Mr Welschinger was an Executive Director in the Fixed Income and Commodities division of Morgan Stanley in London. Mr Welschinger graduated from Cass Business School, London, with a MSc in Investment management.

## 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 year ended 31 March 2019.

### 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 5 and Strategic Report on page 7.

### Results and Dividends

The loss on continuing operations of the Group after taxation amounted to £6.3 million (2018: Gain of £2 million). There were no dividends paid in 2019 (2018: nil).

### Financial Summary

The year ended 31 March 2019 saw several significant corporate developments.

- 1) Arc increased its interest in Zamsort Limited from 14% to 66%. The additional 52% was acquired with shares. Arc's aggregate cost of its 66% interest in Zamsort is GBP 4.5M;
- 2) Arc advanced USD 3.4M to Zamsort to finance, along with our 34% equity partner, approximately USD 1.25M of drilling and assaying and approximately USD 1.5M of upgrades and refurbishment to the demonstration plant and associated infrastructure including road and camp construction and maintenance;
- 3) Arc acquired a 47.5% interest in Zaco Limited which owns the 465km<sup>2</sup> license adjacent to Zamsort. The cost was USD 475,000;
- 4) Arc completed in May 2018 its offer to acquire Casa Mining Limited. It now owns 99.43% at an aggregate book cost of GBP 4.9M;
- 5) Arc financed the USD 1.9M exploration program at Casa which resulted in a 100% increase in the resource to 3.0M ounces;
- 6) Arc disposed of its 18.48% interest in Andiamo Exploration Limited for cash proceeds of USD 250,000, realising a loss of £202,000.

Other information:

- (i) Arc now owns 66% of Zamsort and 99.4% of Casa with an aggregate cost of GBP 9.4M. These acquisitions were financed primarily by shares. In addition, Arc placed shares for cash which generated GBP 6.7M before issue costs. Further details about share movements are provided in Note 19 to the accounts.
- (ii) Group total assets increased 28% from GBP 27.4M to GBP 35.2M and net assets increased 18% from GBP 25.5M to GBP 30.0M.
- (iii) GBP 1.9M owed by the Group to Zamsort's 34% shareholder ranks equally with Arc's loans to Zamsort which totalled approximately GBP 3.2M at 31 December 2018. The Arc loans to Zamsort are not reflected in these consolidated accounts.
- (iv) USD 2M of deferred consideration owed by Casa is non-recourse to Arc.
- (v) The loss for the period from continuing operations of GBP 6.3M represents 1.08 pence per share (2018 gain of GBP 2M, representing 1 penny per share). Because Arc's controlling interest in Zamsort was acquired in stages, goodwill, which normally would be recognised if the acquisition had been completed in one stage, is expensed up to the point of control. In the accounts the Group is reporting a loss of GBP 2.8M on acquisition of the first 49% of Zamsort and goodwill of GBP 700k on the acquisition of 6% on 5 June 2018 when Zamsort became a subsidiary. For the prior year, the Group reported a gain on business combination with Casa of GBP 10.5M.

### Events after the reporting period

There are no events to report subsequent to 31 March 2019.

Held for sale assets and Held for sale liabilities

The Group has assets held for sale with a net book value of £27.0M (2018 - £25.4M) comprising:

- (i) Shares in Casa Mining Ltd and other subsidiaries in the Democratic Republic of the Congo, which own the Misisi gold assets with a net book value of £ 21.0M;
- (ii) Shares in Ortac s.r.o and other subsidiaries in Slovakia, which own the Sturec assets with a net book value of £6.0M

During 2018, the Directors initiated a programme to dispose of its Slovakian operations and assets and in 2019 a similar programme was started for Casa. The valuations of these assets are estimates and represent management's best judgement in respect of their fair values. Management have based their valuations of these projects on the level of interest shown, the valuation of the assets arising from reports prepared by independent consultants and other factors. There can be no guarantee that the asset will be sold for the amount disclosed within the financial statements and as such any difference to the price will impact accordingly upon the financial statements. On reclassification to held for sale assets, management impaired the Slovakian Asset by €6.7m in 2018 and a further €422k in 2019.

#### Financial assets at fair value through profit or loss

In 2018 the Group classified shares in Andiamo Exploration Limited as financial assets at fair value through profit or loss in the amount of £392,000. During 2019 the group sold its interest in Andiamo to a private equity group for US\$250,000.

Interest >3%

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

- Mushingge Mumena 57,402,463 shares - 8.01%
- Karl-Erik von Bahr 43,065,000 shares - 6.01%

#### 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	-
<b>Non-Executive Directors</b>		
Brian Mc Master	1 August 2017	-
Michael Foster	1 December 2017	31 December 2018
Jonathan De Thierry	2 January 2018	-
Don Bailey	1 June 2018	-
Mushingge Mumena	05 February 2019	-
Rémy Welschinger	31 May 2019	-

#### Directors' Remuneration

The Group remunerates the Directors at levels commensurate with its size and experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes the levels uphold these objectives. 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 interests of the Directors as at the date of this report in the shares and options of the Company are set out below:

Director	Annual Report 2019			Annual Report 2018		
	Shares	Options	Warrants	Shares	Options	Warrants
Nick von Schirnding	17,080,532	15,620,195	4,555,557	11,693,482	1,800,000	-
Brian McMaster	2,555,557	2,375,000	555,557	2,000,000	375,000	-
Michael Foster*	-	-	-	8,693,492	-	-
Jonathan de Thierry	13,767,888	2,000,000	266,667	13,492,888	-	-
Don Bailey	7,697,224	3,700,000	665,557	7,041,667	3,700,000	-
Mumena Mushingge	57,402,463	800,000	333,334	-	-	-
Rémy Welschinger**	13,028,844	1,600,000	7,444,446	-	-	-

\*Michael Foster resigned effective 31 December 2018

\*\*Rémy Welschinger was appointed on 31 May 2019

(i) Financing warrants issued to Directors as part of the Company's financings in October 2018 and February 2019.

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

#### Corporate Governance

A statement on Corporate Governance is set out on page 22.

#### Key Performance Indicators

The Group increased in 2019 its stake in Zamsort Limited from 14% to 66% and then, together with our partner in Zamsort, advanced approximately GBP 3.7M to finance commissioning of the demonstration plant and 5,820 metres drilling at the Kalaba project. This changed the profile of the Group significantly from prior years.

The indicators set out below were used by the Board during the year ended 31 March 2019.  
Non-Financial KPIs

The Board established the following goals for management in June 2018:

- 1) Successful financing of the Company;
- 2) JORC resource at Misisi;
- 3) Commissioning of the demonstration plant;
- 4) Profitable operation at the demonstration plant;
- 5) Disposal of non-core assets.

Of these goals, (1), (2) and (3) were achieved, while (4) and (5) are works in progress.

#### Financial KPIs

The historical financial KPIs monitored by the Board concern levels and usage of cash. However new financial KPIs will be considered for the future when the Zamsort plant is commissioned. Three main financial KPIs for the Group allow it to monitor costs and plan future exploration and development activities.

Financial KPIs	Measure	2019	2018
Cash and cash equivalents	£ 000's	1,226	176
Administrative expenses as a % of total assets (Note 3)	%	7.9(i)	3.8
Exploration costs capitalised	£ 000's	3,181	482

**(i) 5.0% excluding Zamsort administrative expenses**

During the year cash increased by £1,050,000 (2018: increase of £111,000). The Company raised gross funds from share placements of £6,741,000 in 2019 versus £3,700,000 in 2018.

Exploration costs capitalised as intangible assets in the year were £3,181,000 (2018: £482,000). KPIs for 2020 will include:

- 1) A maiden resource on the Exploration License at Zamsort and on the Zaco license;
- 2) Sale of non-core assets

**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 19

**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 Slovakia.

**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**

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

**Going Concern**

Notwithstanding the loss incurred during the year under review, the Directors have a reasonable expectation that the Group will be able to raise funds to provide adequate resources to continue in operational existence for the foreseeable future. During 2019 Arc raised £6.7 million from the sale of shares indicating strong investor support for the Group's strategy. The Directors expect to deliver results which will lead to continuing market support. In addition, the Company is pursuing all opportunities to dispose of held for sale assets. The Directors therefore consider it appropriate 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 1(f) to the Financial Statements. The auditors have drawn attention to going concern within their audit report by way of a material uncertainty.

**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.

**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, asset sales, 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.

#### 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 functional currency, which is the United States dollar ("USD"). The Company expects to continue to raise funds in London and Europe. The Company conducts its business in Zambia ("Kwacha") the Democratic Republic of Congo ("DRC Francs") and Slovakia ("Euros") with a significant portion of expenditures in that country denominated in USD and, in addition, a portion of the Company's business is conducted in Great British Pounds ("GBP"). As such, it is subject to risk due to fluctuations in the exchange rates between the GBP and each of the USD, Kwacha, DRC Francs, Euros. A significant change in the currency exchange rates between the USD relative to foreign currencies could influence company's results of operations, financial position or cash flows. 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 Kalaba, Misisi and Štúrec projects are related to the price of copper and gold and the outlook for these minerals, 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, gold and copper prices have fluctuated and are affected by numerous factors outside of the Company's control, including but not limited to: industrial and retail demand; central bank lending; forward sales by producers and speculators; levels of worldwide production; short-term changes in supply and demand because of speculative hedging activities; and other factors related specifically to gold. Variations in these commodity prices may affect potential third party interest in these projects and the sale prices of these projects / assets.

#### 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, DRC and Slovakia, the Company is subject to considerations and risks related to the political, economic and legal environments in which the Company operates. Among other things, the Company's results may be impacted by changes in the political and social conditions in these countries, 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.

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

**Nick von Schirnding**  
Director & Executive Chairman  
30 September 2019

#### Corporate Governance Statement

The Company is committed to maintaining the highest standards in corporate governance throughout its operations and to ensure all of its practices are conducted transparently, ethically and efficiently. The Company believes 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 has chosen 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 and the Chief Executive's Statement.

The Board currently consists of six Directors: An Executive Chairman and five 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

Arc's strategy is to invest in early stage copper-cobalt and gold 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 the copper-cobalt projects of Zamsort Limited and Zaco Limited in Zambia.

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.

The key challenges facing the company have been set out in the Risk Management report on page 19.

##### Understand Shareholders Needs and Expectations

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.

#### Consider Wider Stakeholder and Social Responsibilities

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

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. (Refer note 22 in the accounts)

- Exploration and Development Risk
- Political Risk in DRC and Zambia
- Licencing Risk
- Partner Risk
- Market Risk
- Community Relations
- Retention of Key Personnel
- Financing Risk
- Liquidity Risk
- Credit Risk

#### Well-functioning Board of Directors

The Board is comprised of a chief executive (Nick von Schirnding, Executive Chairman) and five NEDs (Don Bailey, Mushingie Mumena, Brian McMaster, Jonathan De Thierry and Rémy Welschinger). Each Director serves on the Board until the Annual General Meeting following his election or appointment. The Executive Director works full time for the Company. NEDs generally allocate at least 12 days per year to the Company.

#### Appropriate Skills and Experience of the Directors

The Board considers the current balance of sector, financial and public market skills and experience which it embodies is 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 also enabling each Director to discharge his fiduciary duties effectively. Details of the current Board of Directors biographies is provided on pages 12 and 13.

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 Company has a professional Company Secretary who assists the Executive Chairman in preparing for and running effective board meetings, including the timely dissemination of appropriate information. The Company Secretary provides advice and guidance to the extent required by the board on the legal and regulatory environment.

#### Evaluate Board Performance

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 on a three-yearly cycle 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 - the CEO, membership, clients and funding bodies
- Continuous professional learning of Board Members

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

#### Corporate Culture

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: Health and Safety Policy; Share Dealing Policy; Code of Conduct; Anti-bribery and Corruption Policy, IT, communications and systems Policy and Social Media Policy so that all aspects of the Company are run in a robust and responsible way.

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.

**Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

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 office of Chief Financial Officer 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, and
- four independent, non-executive directors;
- one non-independent, non-executive director;

Director	Position	Independent (Y/N)	Remuneration Committee Membership	Nomination Committee Membership	Audit & Risk Committee Membership
Nicholas von Schirnding	Executive Chairman	N	-	-	-
Brian McMaster	Senior Independent Director	Y	Chairman	Member	-
Jonathan de Thierry	Non-Executive Director	Y	Member	Chairman	Member
Don Bailey	Non-Executive Director	Y	Member	-	Member
Mumena Mushingi	Non-Executive Director	N	-	-	-
Rémy Welschinger	Non-Executive Director	Y	-	Member	Chairman

A Director is considered non-independent if he is a POMR within a subsidiary.

The board has appointed Mr Brian McMaster as Senior Independent Director. Additionally, the Company has appointed a Company Secretary who assists the chairman in preparing for and running effective board meetings, including the timely dissemination of appropriate information. The Company Secretary 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. Each director serves on the board until the annual general meeting following his election or appointment, and the board meets at least three times a year. Non-independent directors are not part of any board committee.

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, include the CEO's limits, which must be in writing.

- 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.

The Board is supported by the audit and risk, remuneration and nomination committees as described below.

#### *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 on 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 three members, each of whom being independent, non-executive directors, and at least one member has recent and relevant financial experience. The current members of the committee are Jonathan de Thierry, Don Bailey and Rémy Welschinger. The committee chairman is Rémy Welschinger.

A copy of the terms of reference of the Audit and Risk Committee can be found on the Company's website.

#### *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:

The Remuneration Committee has three members, each of whom being independent, non-executive directors. The current members of the committee are Brian McMaster, Jonathan de Thierry and Don Bailey. Brian McMaster is the chairman of the committee.

A copy of the terms of reference of the Nomination Committees can be found on the Company's website.

#### *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 three members, each of whom being independent, non-executive directors. The current members of the committee are Brian McMaster, Jonathan de Thierry and Rémy Welschinger. Jonathan de Thierry is the chairman of the committee.

A copy of the terms of reference of the Nomination Committees can be found on the Company's website.

Given the small number of meetings held by of each of the above-mentioned Committees, neither have produced a separate report, however the Company intends to review this requirement on an annual basis.

#### *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 Communications*

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 Minerals 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 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 profit or loss of the Group for that period.

**In preparing the Group 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 **will continue in business**.

**The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements comply with applicable law. They are also responsible for safeguarding the assets of the Group 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

#### 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 year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity and the notes to the financial statements, including a summary of the 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 March 2019 and of its loss for the year 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 group 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.

##### Material uncertainty relating to going concern

We draw attention to note 1f in the financial statements which identifies conditions that may cast significant doubt on the group's ability to continue as a going concern. The Group is not expected to generate positive cashflows from operations in the 12 months from the date at which these financial statements were signed and will need to raise additional funds to provide working capital either through a successful project/asset sale or external funding raising for on-going activities and committed expenditure to be met.

The financial statements have been prepared on the going concern basis.

As stated in note 1f, these events or conditions, along with the other matters set forth in note 1f, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

##### Our application of materiality

The materiality applied to the group financial statements was £380,000 (2018: £300,000), based on a percentage of gross assets, as it is from these assets that the Group seeks to deliver returns for shareholders. We apply the concept of materiality both in planning and performing the audit, and evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of the audit and the extent of the sample sizes 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 at the conclusion of the audit.

##### An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the director's and considered future events that are inherently uncertain in respect of the carrying value of the held for sale assets and mines under construction. As in all 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 7 reporting components of the group, a full audit was performed on the complete financial information of 6 components and, for the other component, testing of all material items was performed.

Of the 9 reporting components of the group, 3 are located in Slovakia, 1 located in the UK, 1 located in Mauritius, 1 located in DRC, 1 located in Zambia and 2 in the British Virgin Islands. The components located in Slovakia, Mauritius, Zambia and DRC are audited by local auditors, operating under our instruction. The Senior Statutory Auditor 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 supporting documentation for the carrying value of the held for sale assets and well as the tangible and intangible assets held, gave us 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 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the

matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the key audit matter
<b>Classification and valuation of Zamsort Exploration and Production Assets (Note 1)</b>	
<p>In November 2018, per an RNS, Zamsort's CO2 plant construction was successfully completed. Commercial production was expected to commence shortly after completion.</p> <p>There is a risk that Management have not correctly classified the production assets within the appropriate fixed assets category and may have incorrectly amortised/not amortised the fixed assets in question.</p> <p>There is the risk that the value of the assets are impaired.</p> <p>There is the risk that the exploration costs incurred on the licences from which the plant will obtain ore are incorrectly classified and that the linked Exploration and Evaluation assets are impaired.</p>	<p>Our work included but was not limited to:</p> <ul style="list-style-type: none"> <li>• Discussing and challenging management as to the status of the plant and its intended production start date;</li> <li>• Considering and challenging management's impairment review of the plant, including valuation methods used;</li> <li>• Ensuring valid mining licenses were held; and</li> <li>• Ensuring that the work performed on the licences met the capitalisation criteria of IFRS 6 and that the assets were correctly categorised and exploration and evaluation assets;</li> </ul>
<b>Classification and valuation of Assets Held for Sale (Note 5)</b>	
<p>With the Slovakian subsidiaries being deemed discontinued operations and held for sale as at 31 March 2018, but not being sold in the year-end 31 March 2019, there is a risk that it may be inappropriate to classify the subsidiaries as held for sale again as at 31 March 2019.</p> <p>Given that the Slovakian subsidiaries were not sold during the year, there is a risk that the fair value of the assets has decreased further and thus an impairment may be required but may not have been accounted for by Management.</p> <p>During the year management committed to a plan to dispose of the Exploration Assets held within Casa Mining Limited which, at the year end, were recorded at a carrying value of £5.0m as an Asset held for Sale. There is a risk that the classification of the assets and the valuation of the assets is not in accordance with IFRS 5 - "Non-current assets held for sale and discontinued operations" and that the value of the asset is impaired.</p>	<p>Our work included but was not limited to:</p> <ul style="list-style-type: none"> <li>• Ensuring that management remain committed to a sale of the Slovakian subsidiaries and that they remain in active discussions with potential buyers with the aim of securing a timely sale;</li> <li>• Ensuring that management had agreed to a plan to dispose of the Casa assets prior to the year end, and the conditions of IFRS 5 had been met;</li> <li>• Reviewing and challenging management's rationale on the valuation of the assets held for sale; and</li> <li>• Ensuring that the disclosure requirements of IFRS have been met and that the valuation has been appropriately disclosed as a significant estimate.</li> </ul>

#### 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. Our opinion on the Group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Group'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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<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 entity's members, as a body, in accordance with our letter of engagement. Our audit work has been undertaken so that we might state to the entity'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 entity and the entity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Engagement Partner)  
15 Westferry Circus  
For and on behalf of PKF Littlejohn LLP  
Canary Wharf  
Statutory auditor  
London E14 4HD  
2019

Consolidated Statement of Comprehensive Income for the year ending 31 March 2019

	Notes	Year to 31 March 2019 £ 000s	Year to 31 March 2018 £ 000s
Other Operating Income		-	62
Administrative expenses	3	(2,341)	(970)
Impairment	4/15	(582)	(7,161)
<b>Operating loss</b>		<b>(2,923)</b>	<b>(8,069)</b>
Interest and finance costs		(318)	(11)
Share of loss of associates accounted for using the equity method	14	-	(87)
Loss on change of ownership status	14	(2,809)	(224)
Loss on sale of shares of Ardiamo Exploration Limited		(202)	-
Gain on business combination		-	10,502
<b>(Loss)/ Profit before income tax</b>		<b>(6,252)</b>	<b>2,111</b>
Income tax expense	5	-	-
<b>(Loss)/ Profit for the year from continuing operations</b>		<b>(6,252)</b>	<b>2,111</b>
(Loss) from discontinued operations, net of tax	4	(188)	(91)
<b>(Loss)/ Profit for the year</b>		<b>(6,440)</b>	<b>2,020</b>
<b>Other comprehensive income:</b>			
<b>Item that may be subsequently reclassified to profit or loss</b>			
Increase in ownership in subsidiaries	14	(767)	-
Currency translation differences		1,408	97
<b>Total comprehensive income for the year, net of tax</b>		<b>(5,799)</b>	<b>2,117</b>
<b>(Loss)/ Profit attributable to:</b>			
Equity holders of the parent		(6,003)	2,053
Non-controlling interest		(249)	(33)
		<b>(6,252)</b>	<b>2,020</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		(6,550)	2,150
Non-controlling interest		(249)	(33)
		<b>(6,799)</b>	<b>2,117</b>
<b>Profit (Loss) per share attributable to owners of the parent during the year</b>			
- Basic (pence per share)	8	(1.12)	0.98
- Diluted (pence per share)	8	(0.98)	0.90
- From continuing operations - Basic	8	(1.08)	1.02
- From continuing operations - Diluted	8	(0.95)	0.94
- From discontinued operations - Basic	8	(0.03)	(0.04)
- From discontinued operations - Diluted	8	(0.03)	(0.04)

The notes on pages 41 to 68 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 31 March 2019

	Notes	31 March 2019 £ 000s	31 March 2018 £ 000s
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	2,418	-
Investment in associate	13	339	-
Financial assets at fair value through profit or loss	15	-	932
Property, plant and equipment	11A	3,359	-
<b>Total non-current assets</b>		<b>6,116</b>	<b>932</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	15	-	392

Inventory		268	-
Assets held for sale	4	27,035	25,384
Prepayments and other receivables		590	611
Cash and cash equivalents		1,256	37
Total current assets		29,119	26,428
<b>TOTAL ASSETS</b>		<b>35,235</b>	<b>27,356</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Held for sale liabilities	4	(1,944)	(1,553)
Trade and other payables	17	(1,443)	(336)
<b>Total current liabilities</b>		<b>(3,387)</b>	<b>(1,889)</b>
<b>Non-current liabilities</b>			
Long term payable - Casa	18	-	-
Long term loan payable - Zamsort	9	(1,891)	-
<b>TOTAL LIABILITIES</b>		<b>(5,278)</b>	<b>(1,889)</b>
<b>NET ASSETS</b>		<b>29,957</b>	<b>25,467</b>
<b>Share Capital</b>			
Share Capital	19	-	-
Share premium	21	50,222	38,324
Share based payment reserve	20	1,320	1,333
Foreign exchange reserve		2,157	749
Retained earnings		(24,438)	(16,257)
<b>Equity attributable to equity holders of the parent</b>		<b>29,261</b>	<b>24,149</b>
Non-controlling interest		696	1,318
<b>TOTAL EQUITY</b>		<b>29,957</b>	<b>25,467</b>

These financial statements were approved by the Board of Directors on 30 September 2019 and signed on its behalf by:

Nicholas von Schirnding  
Executive Chairman

The notes on pages 41 to 68 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ending  
31 March 2019

	Notes	Year to 31 March 19 £ 000s	Year to 31 March 18 £ 000s
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax and including discontinued operations		(6,440)	2,020
Gain on business combination	14	-	(10,502)
Interest Expense	10	318	11
Share based payment	20	337	247
Share of loss from associates	14	-	87
Loss on disposal of associate		202	-
Impairment of intangible assets		582	7,161
Fair value loss on change of ownership status	14	2,809	224
Gain on disposal of fixed assets		(144)	-
Foreign exchange		54	(27)
Depreciation and amortisation		52	-
<b>Net cash used in operating activities before changes in working capital</b>		<b>(2,230)</b>	<b>(779)</b>
(Increase)/decrease in inventories		(268)	(17)
Decrease/(increase) in trade and other receivables	16	(253)	(496)
Increase/(decrease) in trade and other payables	17	374	302
<b>Net cash used in operating activities</b>		<b>(2,377)</b>	<b>(960)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(3,181)	(571)
Purchase of fixed assets		(1,231)	-
Investment in Casa Mining Limited		-	(2,046)
Investment in Zaco Limited		(297)	-
<b>Net cash used in investing activities</b>		<b>(4,709)</b>	<b>(2,617)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares - net of share issue costs		6,183	3,512

Shareholder loan - Zamsort		1,891	-
Cash acquired on acquisition of Casa mining Limited	14	62	206
<b>Net cash from financing activities</b>		<b>8,136</b>	<b>3,718</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,050</b>	<b>111</b>
Cash and cash equivalents at beginning of year		191	80
<b>Cash and cash equivalents at end of the year</b>		<b>1,241</b>	<b>191</b>

The notes on pages 41 to 68 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity as at 31 March 2019

	Attributable to the owners of the parent							Total equity £ 000s
	Share capital £ 000s	Share premium £ 000s	Foreign exchange reserve £ 000s	Share based payment reserve £ 000s	Retained earnings £ 000s	Total £ 000s	Non-controlling interest £ 000s	
<b>Balance as at 1 April 2017</b>	-	32,774	652	1,697	(19,345)	15,778	-	15,778
Income for the year	-	-	-	-	2,020	2,020	-	2,020
Other comprehensive income(loss) for the year - Currency translation differences	-	-	97	-	-	97	-	97
<b>Total comprehensive income (loss) for the year</b>	-	-	97	-	2,020	2,117	-	2,117
Share capital issued	-	5,550	-	-	-	5,550	-	5,550
Share based payments granted	-	-	-	247	-	247	-	247
Share based payments expired	-	-	-	(611)	611	-	-	-
Fair Value of NCI on acquisition of Casa Mining Limited	-	-	-	-	-	-	1,775	1,775
Acquisition of NCI of Casa Mining Limited	-	-	-	-	457	457	(457)	-
<b>Total transactions with owners, recognised directly in equity</b>	-	5,550	-	(364)	1,068	6,254	1,318	7,572
<b>Balance as at 31 March 2018</b>	-	38,324	749	1,333	(16,257)	24,149	1,318	25,467
<b>Balance as at 1 April 2018</b>	-	38,324	749	1,333	(16,257)	24,149	1,318	25,467
Loss for the year	-	-	-	-	(6,440)	(6,440)	-	(6,440)
Other comprehensive income(loss) for the year - currency translation differences	-	-	1,408	-	-	1,408	-	1,408
Other comprehensive income(loss) for the year - increase in ownership in subsidiaries	-	-	-	-	(767)	(767)	-	(767)
<b>Total comprehensive income (loss) for the year</b>	-	-	2,157	-	(7,207)	(5,799)	-	(5,799)
Share capital issued	-	11,898	-	-	-	11,898	-	11,898
Share based payments granted	-	-	-	337	-	337	-	337
Share based payments expired	-	-	-	(350)	350	-	-	-
Acquisition of 99.43% of Casa Mining Limited	-	-	-	-	-	-	(1,204)	(1,204)
Acquisition of 66% of Zamsort Limited	-	-	-	-	(1,324)	(1,324)	582	(742)
<b>Total transactions with owners, recognised directly in equity</b>	-	11,898	-	(13)	(974)	10,911	(622)	10,289
<b>Balance as at 31 March 2019</b>	-	50,222	2,157	1,320	(24,438)	29,261	696	29,957

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 Casa Mining Limited.

The notes on pages 41 to 68 are an integral part of these consolidated 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 year ended 31 March 2019 were authorised for issue by the Board on 30 September 2019.

#### 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) IFRS 9

IFRS 9 (2014) "Financial Instruments" supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). The finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement". The content of IFRS 9 (2014) includes:

- *Classification and measurement* - financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The standard introduces a fair value through other comprehensive income category for certain debt instruments. Financial liabilities are classified in a similar manner to that under IAS 39 however there are differences in the requirements applying to the measurement of an entity's own risk.
- *Impairment* - The standard introduces an expected credit loss model for the measurement of the impairment of financial assets so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- *Hedge accounting* - The standard introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- *Derecognition* - the requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

##### (ii) IFRS 15

IFRS 15 "Revenue from Contracts with Customers" provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue.

There is no impact on the financial statements upon adopting IFRS 9 and IFRS 15.

##### ii) New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 March 2019 and have not been adopted early. The Group is currently assessing the impact of these standards and based on the Group's current operations do not expect them to have a material impact on the financial statements.

New Standards	Effective Date
IFRS 16 - Leases	1 January 2019
IFRS 17 - Insurance Contracts	1 January 2021
<b>Amendments to Existing Standards</b>	
IFRIC 23 Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to IFRSs (2015-2017 Cycle)*	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1 January 2019

\*Not yet adopted by European Union

Arc has progressed further its projects dealing with the implementation of these key

new accounting standards and is able to provide the following information regarding their likely impact:

#### IFRS 16 'Leases'

The standard is effective for periods commencing on or after 1 January 2019 and has been endorsed by the EU. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments. The directors continue to consider the potential effects on the Group's financial statements and do not currently expect that there will be a material impact.

#### 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 March 2019. The audited accounts of Casa Mining Limited and Zamsort Limited are consolidated as of 31 December 2018 as it is deemed impractical to consolidate these companies as at 31 March 2019. Any significant transactions between 1 January 2019 and 31 March 2019 have been recognised accordingly in these financial statements.

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 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 Group's assets are not generating revenues, operating cash outflows have been incurred in the year and an operating loss and cash outflow from operations is expected in the 12 months subsequent to the date of these financial statements being signed and, as a result, the Group will need to either successfully sell the projects / assets held for sale (Casa and Sturec) or raise funding to finance their ongoing activities and non-discretionary expenditures.

Based on the Board's assessment that the necessary funds will be raised, cash flow budgets can be achieved and the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 31 March 2019.

Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further

liabilities which might arise and to classify fixed assets as current. The auditors make reference to a material uncertainty in relation to going concern within their audit report.

#### **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 acquiree 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 Pounds Sterling. 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 Slovakian subsidiaries is the Euro, while for Casa Mining Limited and Zamsort Limited it is the US Dollar.

The presentation currency (Pounds Sterling - GBP) is used primarily because the Parent Company Arc Minerals Limited 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 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) Assets held for sale*

As described in note 4, during 2018 the Group decided to dispose of its Slovakian operations and in 2019 Casa Mining Limited was also designated for sale. As a result, they have been reclassified as assets held for sale. This reclassification has required the Board to measure these items at the lower of carrying amount and fair value less costs to sell. The valuation of these items represents management's best estimate thereon based on discussions held and general market knowledge. In forming this estimate management also consider the status of any sale and the prospect of any sale completion within set time limits. Both the valuation and the time frame may change depending on factors outside of the Directors control.

##### *ii) 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.

#### **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 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).

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 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 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 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 Earnings per share 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.

#### 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.

## 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 mainly administrative in nature whilst the activities in Slovakia Eritrea, Zambia and the Democratic Republic of Congo relate to exploration and development work. Assets in Slovakia and the Democratic Republic of Congo are held for sale while the Company's interest in Eritrea was sold in 2018.

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 March 2019	UK/BVI	Slovakia	Zambia	DRC	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
<b>Result</b>					
Operating (loss)/gain	(1,320)	(92)	(1,511)	-	<b>(2,923)</b>
Loss on sale of shares of Andiamo Exploration Ltd	(202)	-	-	-	(202)
Loss on change of ownership status (Zamsort)	(2,809)	-	-	-	(2,809)
Interest and finance costs	(318)	-	-	-	(318)
<b>(Loss) Profit before Income Tax</b>	<b>(4,649)</b>	<b>(92)</b>	<b>(1,511)</b>	<b>-</b>	<b>(6,252)</b>
<b>Other information</b>					
Capital additions	-	-	-	-	-
Non-controlling interest	-	-	582	114	696
<b>Assets</b>					
Non-current Assets	339	-	5,777	-	6,116
Available for sale financial assets	-	-	-	-	-
Held for sale assets	-	6,000	-	21,035	27,035
Inventory	-	-	268	-	268
Current assets excluding cash and cash equivalents	422	5	163	-	590

Cash and equivalents	1,196	-	30	-	<b>1,226</b>
<b>Consolidated total assets</b>	<b>1,957</b>	<b>6,005</b>	<b>6,238</b>	<b>21,035</b>	<b>35,235</b>
<b>Liabilities</b>					
Non-current liabilities	-	-	1,891	-	<b>1,891</b>
Held for sale liabilities	-	34	-	1,910	<b>1,944</b>
Current liabilities	836	-	607	-	<b>1,443</b>
<b>Consolidated total liabilities</b>	<b>836</b>	<b>34</b>	<b>2,498</b>	<b>1,910</b>	<b>5,278</b>

31 March 2018	UK/BVI £ 000's	Slovakia £ 000's	Eritrea £ 000's	Zambia £ 000's	DRC £ 000's	Total £ 000's
<b>Result</b>						
Operating gain/(loss)	(995)	31	-	-	(35)	(999)
Fair value loss	-	-	-	-	(224)	(224)
Share of loss of associate	-	-	-	-	(87)	(87)
Impairment	-	(6,700)	(461)	-	-	(7,161)
Gain on Business Combination	-	-	-	-	10,502	10,502
Finance income	-	-	-	(11)	-	(11)
<b>Profit (loss) before Income Tax</b>	<b>(995)</b>	<b>(6,669)</b>	<b>(461)</b>	<b>(11)</b>	<b>10,156</b>	<b>2,020</b>
<b>Other information</b>						
Capital additions	-	150	-	-	322	<b>472</b>
Non controlling interest	-	-	-	-	1,318	<b>1,318</b>
<b>Assets</b>						
Non-current Assets	-	-	-	932	18,495	<b>19,427</b>
Available for sale financial assets	-	-	392	-	-	<b>392</b>
Held for sale assets	-	6,724	-	-	-	<b>6,724</b>
Current assets excluding cash and cash equivalents	637	-	-	-	-	<b>637</b>
Cash and equivalents	37	-	-	-	139	<b>176</b>
<b>Consolidated total assets</b>	<b>674</b>	<b>6,724</b>	<b>392</b>	<b>932</b>	<b>18,634</b>	<b>27,356</b>
<b>Liabilities</b>						
Non-current liabilities	-	-	-	-	(1,480)	<b>(1,480)</b>
Held for sale liabilities	-	(39)	-	-	-	<b>(39)</b>
Current liabilities	(131)	-	-	-	(239)	<b>(370)</b>
<b>Consolidated total liabilities</b>	<b>(131)</b>	<b>(39)</b>	<b>-</b>	<b>-</b>	<b>(1,719)</b>	<b>(1,889)</b>

### 3. EXPENSES BY NATURE

	2019	2018
	£ 000's	£ 000's
Directors' fees	406	213
Wages and salaries	114	58
Office expenses	35	21
Travel and subsistence expenses	170	62
Professional fees - legal, consulting, exploration	302	116
AIM related costs including Public Relations	183	182
Auditor's remuneration - audit	42	32
Stock option expense	337	247
Foreign exchange loss	196	-
Other expenses	24	39
Casa administration costs	-	-
Zamsort administration costs	532	-
<b>Total operating expenses</b>	<b>2,341</b>	<b>970</b>

### AUDITORS REMUNERATION

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

2019	2018
£ 000's	£ 000's

Fees payable to the auditor for the audit of the consolidated financial statements	42	32
Fees payable to the auditor for other services:		
Tax advisory services	3	3
<b>Total</b>	<b>45</b>	<b>35</b>

## EMPLOYEE INFORMATION

	2019	2018
Group Staff Costs comprised:	£ 000's	£ 000's
Wages, salaries and benefits	114	130
Zamsort wages and salaries	453	-
Less: capitalised exploration expenditure	-	(72)
Charge to the profit or loss	<b>567</b>	<b>58</b>

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

	2019	2018
Average number of persons employed:	Number	Number
Administration	12	1
Operations	1	4
Zamsort administration	10	-
Zamsort operations	40	-
	<b>63</b>	<b>5</b>

## 4. HELD FOR SALE ASSETS/DISCONTINUED OPERATIONS

During 2018, the Group confirmed its intention to dispose of its Slovakian interests and announced a similar plan for Casa in 2019. Active programs to locate buyers have been initiated. The associated assets and liabilities are consequently presented as held for sale within these financial statements.

The related financial information is set out below:

### a) Results of disposal group

	2019	2019	2019	2018	2018	2018
	Casa	Slovakia	Total	Casa	Slovakia	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Expenses	(163)	(25)	(188)	(57)	(34)	(91)
Loss before income tax	(163)	(25)	(188)	(57)	(34)	(91)
Income tax	-	-	-	-	-	-
Loss after tax	(163)	(25)	(188)	(57)	(34)	(91)
Loss from discontinued operations	(163)	(25)	(188)	(57)	(34)	(91)
Other comprehensive income from discontinued operations	-	-	-	-	-	-

### b) Cash flows of disposal Group(i)

	2019	2019	2019	2018	2018	2018
	Casa	Slovakia	Total	Casa	Slovakia	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Operating activities	162	(27)	135	(669)	189	(480)
Investing activities	(1,419)	-	(1,419)	(1,525)	(184)	(1,709)
Financing activities	1,265	27	1,292	2,269	-	2,269
	<b>8</b>	<b>-</b>	<b>8</b>	<b>75</b>	<b>5</b>	<b>80</b>

(i) includes only Casa Mining Limited expressed in US Dollars.

c) Assets and liabilities of disposal Group

Assets classified as held for sale

	2019			2018		
	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	18,495	6,290	24,784
Property, plant and equipment	-	159	159	-	175	175
Cash and cash equivalents	8	7	15	139	15	154
Trade and other receivables	146	2	148	26	190	217
Inventory	-	31	31	-	54	54
	<b>21,035</b>	<b>6,000</b>	<b>27,035</b>	18,660	6,724	25,384

(2) Itemised as €6,000,000 for Štúrec and £21,624,000 for Casa

Liabilities directly associated with assets classified as held for sale

	2019			2018		
	Casa	Slovakia	Total	Casa	Slovakia	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Deferred consideration	1,535	-	1,535	1,480	-	1,479
Trade and other creditors	375	34	409	34	39	74
	<b>1,910</b>	<b>34</b>	<b>1,944</b>	1,514	39	1,553

During 2018, the Directors initiated a programme to dispose of its Slovakian operations and assets and in 2019 a similar programme was started for Casa. The valuation of these asset is an estimate and represents management's best judgement in respect of their fair value. Management have based their valuations of these projects on the level of interest shown, the valuation of the assets arising from reports prepared by independent consultants and other factors. There can be no guarantee that the asset will be sold for the amount disclosed within the financial statements and as such any difference to the price will impact accordingly upon the financial statements. On reclassification to an Asset Held for Sale, management have impaired the Slovakian Asset by €6.7m in 2018 and a further £422k in 2019.

**5. TAXATION**

	2019	2018
	£'000	£'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 year can be reconciled to the loss per the consolidated statement of comprehensive income:

	2019	2018
	£'000	£'000
Gain (Loss) before income tax	(6,782)	(835)
Tax on loss at the weighted average Corporate tax rate of 10 % (2018: 19.00 %)	680	384
Effects of:	-	-
Permanent differences	(680)	(384)
Tax losses carried forward	-	-
Non-taxable income/Non-deductible expenses for tax purposes	-	-
<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 2019 is the weighted average rate of the Republic of Zambia and British Virgin Islands

#### 6. DIVIDENDS

No dividends were paid (2018: nil).

#### 7. KEY MANAGEMENT REMUNERATION

	2019 £ 000's	2018 £ 000's
Key management remuneration	723	560

2019	Short term employee benefits £ 000's	Share based payments £ 000's	Total £ 000's
<b>Executive Directors</b>			
Nicholas von Schirmding	174	165	339
<b>Non-Executive Directors</b>			
Brian McMaster	35	20	55
Michael Foster *	26	22	48
Jonathan de Thierry	35	20	55
Don Bailey †	30	104	134
Mumena Mushingi †	6	-	6
<b>Key Management Personnel</b>			
Vassilios Carellas (COO)	143	89	232
John Forrest (CFO)	94	64	158
	<b>543</b>	<b>484</b>	<b>1,027</b>

\* Resigned as a Director during the year

† Appointed as a Director during the year. Mr Mushingi received USD 11,667 in fees from Zamsort Ltd in the period since his appointment as a Director of the Company to 31 March 2019.

2018	Short term employee benefits £ 000's	Share based payments £ 000's	Total £ 000's
<b>Executive Directors</b>			
Nicholas von Schirmding	69	120	189
<b>Non-Executive Directors</b>			
Anthony Balme *	25	-	25
Brian McMaster	30	15	45
Michael Foster	10	-	10
Jonathan de Thierry	8	-	8
Paul Heber *	8	-	8
<b>Key Management Personnel</b>			
Vassilios Carellas (COO) *	114	112	226
John Forrest (CFO)	49	-	49
	<b>313</b>	<b>247</b>	<b>560</b>

\* Resigned as a Director during the year

No pension benefits are provided for any Directors (2018: nil).

#### 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 year.

	2019 £ 000's	2018 £ 000's
(Loss) Gain	(6,440)	2,020
Weighted average number of ordinary shares (000s)	577,412	206,580

Potential diluted weighted average number of shares (000s) 659,211 224,598

Basic earnings per share (expressed in pence)	(1.12) (0.98)	0.98 0.90
Fully Diluted earnings per share (expressed in pence)		
Net Profit (loss) per share continuing operations - basic	(1.08)	1.02
Net Profit (loss) per share continuing operations - diluted	(0.95)	0.94
Net (loss) per share discontinuing operations - basic	(0.03)	(0.04)
Net (loss) per share discontinuing operations - diluted	(0.03)	(0.04)

#### 9. LOAN PAYABLE

	2019 £ 000's	2018 £ 000's
Loan payable	1,657	-

- (i) The loan is payable to the 34% shareholder in Zamsort Limited. The loan is unsecured and repayable on 31 December 2021.
- (ii) The loan ranks equally with Arc's working capital loan to Zamsort of £2,576,000 which is eliminated on consolidation of Zamsort in the group accounts.
- (iii) In addition, and also eliminated on consolidation, Arc holds a convertible loan in Zamsort in the amount of £443,000 (2018 - £386,000). This amount is repayable on 31 December 2020 or convertible into 5.35% of shareholding in Zamsort.

In summary, the Company had loans to Zamsort Limited of £3,019,000 at 31 December 2018 and £3,286,000 at 31 March 2019.

#### 10. INTANGIBLE ASSETS

	Goodwill		Deferred Exploration		Total £ 000's
	Casa £ 000's	Zamsort £ 000's	Casa £ 000's	Zamsort £ 000's	
<b>Cost</b>					
At 1 April 2017	-	-	-	-	-
Assets acquired on purchase of Casa Mining Limited (see note 14)	-	-	18,737	-	18,737
Additions	-	-	322	-	322
Currency loss	-	-	(564)	-	(564)
<b>Net book value as at 31 March 2018</b>	-	-	18,495	-	18,495
<b>At 1 April 2018</b>	-	-	18,495	-	18,495
Assets acquired on purchase of Zamsort Limited (see note 14)	-	671	-	-	671
Additions, net	-	-	1,434	1,747	3,181
Currency gain	-	-	1,122	-	1,122
Reclassified as Deferred Exploration (see note 14)	-	(671)	-	671	-
Transferred to Assets Held for Sale (see note 5)	-	-	(21,051)	-	(21,051)
<b>Net book value as at 31 March 2019</b>	-	-	-	2,418	2,418

#### 11. FIXED ASSETS

	Processing Plant £ 000's	Mining Equipment £ 000's	Motor Vehicles £ 000's	Furniture & Fittings £ 000's	Total £ 000's
	<b>Cost</b>				
At 1 April 2018	-	-	-	-	-
Assets acquired on purchase of Zamsort Limited (see note 14)	2,487	378	188	38	3,091
Disposals	-	(175)	(69)	-	(244)
Additions	1,149	71	-	11	1,231
Foreign exchange	(387)	(59)	(28)	(6)	(480)
<b>At 31 Mar 2019</b>	3,249	215	91	43	3,598
<b>Depreciation</b>					
At 1 April 2018	-	-	-	-	-
Assets acquired on purchase of Zamsort Limited (see note 14)	-	(271)	(43)	(23)	(337)
Disposals	-	83	17	-	100
Depreciation	-	(24)	(23)	(5)	(52)
Foreign exchange	-	40	7	3	50
<b>At 31 Mar 2019</b>	-	(172)	(42)	(25)	(239)
<b>Net Book Value</b>					
At 1 April 2018	-	-	-	-	-
At 31 Mar 2019	3,249	43	49	18	3,359

## 12. Investment in subsidiaries

At 31 March 2019, the Company held interests in the share capital of the following subsidiary companies:

Company	Place of Business	% Ownership held	Nature of business
Ortac Resources (UK) Limited	England and Wales	100%	Holding Company
St. Stephans Gold s.r.o. *	Slovak Republic	100%	Mineral Exploration
Ortac s.r.o. *	Slovak Republic	100%	Mineral Exploration
Carpathian Minerals s.r.o. *	Slovak Republic	100%	Mineral Exploration
Casa Mining Limited	Republic of Mauritius	92%	Mineral Exploration
Leda Mining S.A. †	Democratic Republic of Congo	73%	Mineral Exploration
Zamsort Limited	Republic of Zambia	66%	Mineral Exploration
Unico Minerals Limited ‡	British Virgin Islands	100%	Holding Company
Zaco Limited †	Republic of Zambia	37.5%	Mineral Exploration

\* Wholly owned subsidiary of Ortac Resources (UK) Limited

† Subsidiary of Casa Mining Limited

‡ Zaco Ltd 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 47.5% since 31 March 2019.

The non-controlling interest shown within the primary statement arises as a result of the Group owning less than 100% of the share capital in Casa Mining Limited, Leda Mining S.A. and Zamsort Limited.

## 13. INVESTMENT IN ASSOCIATES

Set out below are the associates of the Group during the year ended 31 March 2019.

	Andiamo £ 000's	Casa £ 000's	Zaco £ 000's	Total £ 000's
1 April 2017	-	1,033	-	1,033
Acquired > 50%	-	(1,033)	-	(1,033)
31 March 2018	-	-	-	-
1 April 2018	-	-	-	-
Additions	-	-	339	339
Share of loss	-	-	-	-
31 March 2019	-	-	339	339

Zaco Limited is a Zambian-registered company, now owned 47.5% by Arc (42.5% at 31 March 2019 acquired for cash). The Chairman of Arc has been appointed Chairman of Zaco. The equity method will be included to report Arc's share of Zaco future earnings. There were no operations in 2019. Further information about the assets of Zaco is included elsewhere in the Annual Report.

## 14. ACQUISITION OF ZAMSORT LIMITED ("ZAMSORT")

Zamsort is involved in the mining of and 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:

	£ 000s
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	(185)
Shareholder loans	(1,655)
Total net assets acquired	2,851

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	(1,053)
Goodwill	<u>671</u>

Goodwill has been allocated to Deferred exploration

If new information obtained within one year from the date of acquisition about the facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, the acquisition accounting will be revised.

#### Non-controlling interest:

The non-controlling interest 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:

The contribution to net loss of the Group was a loss of £1,867,000 by Zamsort Limited. Group revenue includes £Nil from the operations of Zamsort.

If these businesses were acquired at the beginning of the reporting period Group revenue would have been £Nil, and loss for the year from continuing operations would have been £895,000 more.

The directors of the Group consider these results to be representative of the performance of the combined Group, annualised, and provide a reference point for comparison against periods in the future.

The financial statements of Zamsort Limited have been consolidated to its year end of 31 December 2018, as it is impractical to consolidate the balances as at 31 March 2019.

Between 1 January 2019 and 31 March 2019 Zamsort incurred expenses of £393,000 and paid trade creditors £295,000 with funds advanced by Arc Minerals Limited (£454,000) and the minority shareholders (£234,000). As this expenditure was material in value, the consolidated financial statements have been adjusted to incorporate these transactions in accordance with IFRS 10 Consolidated Financial Statement.

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 £ 000's	2018 £ 000's
<b>Opening Balance</b>	<b>1,324</b>	<b>1,644</b>
Additions - Zamsort Limited	-	141
Acquired > 50% Zamsort Limited	(932)	-
Sale of Andiamo (2018 - Impairment)	(392)	(461)
<b>As at 31 March</b>	<b>-</b>	<b>1,324</b>
<b>Current</b>	<b>-</b>	<b>392</b>
Andiamo	-	392
<b>Non-current</b>	<b>-</b>	<b>932</b>
Zamsort	-	932
<b>As at 31 March</b>	<b>-</b>	<b>1,324</b>

#### (i) Current - financial assets at fair value through profit or loss

##### (a) Current available for sale assets

At 31 March 2018, the Group impaired the carrying value of Andiamo by £461,000. This was a result of the expected sale of the asset and yet end indication of the expected sale amount.

The Company's interest in Andiamo was sold in 2019 for USD 250,000.

#### (ii) Long term financial assets at fair value through profit or loss - Zamsort Limited

	2019 £ 000's	2018 £ 000's
14% Equity	-	546
Convertible loan and advances	-	386
	-	<u>932</u>

In May 2017 the Company agreed with Zamsort Limited to convert US\$828,472 of US\$1,200,000 Secured Loan Notes issued by Zamsort to the Company in 2015 and to release its secured debenture in exchange for a 14% shareholding in Zamsort and a loan note with a principal amount of US\$371,528 which is convertible into 5.35% and has a repayment date of 31 December 2020. Interest of 8% continues to accrue.

In 2019 the Company acquired a controlling interest in Zamsort Limited and its 14% equity interest is included in the acquisition cost (Refer to Note 14A). The convertible loan has been eliminated on consolidation of Zamsort Limited

### 16. TRADE AND OTHER RECEIVABLES

	Group	Group
	2017	2018
	£ 000's	£ 000's
<b>Current trade and other receivables</b>	<b>577</b>	<b>635</b>
Other receivables		
Prepayments	13	2
<b>Total</b>	<b>590</b>	<b>637</b>

Current trade and other receivables are all due within one year.

The fair value of trade and other receivables is the same as their carrying values as stated above.

Trade and other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

	Group	Group
	2019	2018
	£ 000's	£ 000's
<b>Current trade and other receivables</b>	<b>427</b>	<b>6</b>
UK Pounds		
US Dollars	163	621
Euros	-	-
<b>Total</b>	<b>590</b>	<b>627</b>

#### 17. TRADE AND OTHER PAYABLES

	Group	Group
	2019	2018
	£ 000's	£ 000's
<b>Current trade and other payables</b>	<b>1,443</b>	<b>370</b>
Trade payables, other payables and accruals		
<b>Total</b>	<b>1,443</b>	<b>370</b>

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.

#### 18. Deferred consideration

	Group	Group
	2019	2018
	£ 000's	£ 000's
<b>Long term payable</b>	<b>-</b>	<b>-</b>
Deferred consideration		
<b>Total</b>	<b>-</b>	<b>-</b>

Deferred consideration relates to US\$ 2,000,000 incurred by Casa Mining Ltd when that Company purchased and cancelled shares from a shareholder, Tremont Master Holdings. The amount is unsecured, non-interest bearing and due for payment in January 2020. It is non-recourse to Arc Minerals Limited. Deferred consideration of £1,535,000 and £1,480,000 as at 31 March 2019 and 31 March 2018 respectively has been reclassified as held for sale liabilities within Note 5 to the financial statements.

#### 19. SHARE CAPITAL

Authorised	£ 000's
Unlimited ordinary shares of no par value	-

Called up, allotted, issued and fully paid	Number of shares	Nominal value	Average price per share (pence)	Gross Consideration value GBP'000
<b>At 1 April 2017</b>	<b>82,335,987</b>	-	-	<b>3,700</b>
Financings for cash	31,866,967	-	2.00 - 3.00	
Issued in relation to the acquisition of Casa Mining Limited	85,902,258	-	2.35	2,018
<b>As at 31 March 2018</b>	<b>119,703,012</b>	-	-	<b>5,718</b>
Financings for cash	223,625,025	-	2.40 - 4.50	6,759

Issued in relation to the acquisition of	13,085,988	-	2.53	331
<b>Casa Mining Limited</b>				
Issued in relation to the acquisition of	141,583,333	-	3.37	4,772
<b>Zamsort Limited</b>				
Issued to service providers in lieu of fees	2,051,793	-	2.83	58
Issued to management in lieu of fees	5,400,000	-	3.33	180
Issued pursuant to warrant exercises	487,500	-	2.90	14
<b>As at 31 March 2019</b>	<b>705,997,551</b>			<b>12,114</b>

Share issue costs in the amount of £215,618 were incurred in the period and set off against the share premium account.

## 20. SHARE BASED PAYMENTS AND WARRANTS

### Share Options

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

	Weighted Avg Price (pence)	Number	Exercise Price (pence)	Share price at grant (pence)	Weighted Avg Term (years)	Value (000s) **
1 April 2018	11.31	18,018,210	-	-	3.98	1,333
Expired		(1,812,000)				(150)
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>

Of the options granted in May 2018, 10.5M are subject to vesting conditions linked to milestones. No other options are 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 March 2019 is 6.9 pence.

In the Black-Scholes model the key inputs were Volatility as 100%, the Risk Free Interest Rate as 0.55% 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 £337,000 (2018: £247,000)

### Warrants

Grant date	Number	Exercise Price (pence)	Term (years)	Share Price at grant pence
1 April 2018	10,975,000	2.00-5.50	0.1-2.61	
1 April 2018	1,000,000	2.25	3.59	2.23
15 May 2018	4,666,667	2.40	1.33	3.01
15 May 2018	505,953	3.36	1.33	3.01
15 May 2018	2,000,000	6.00	1.33	3.01
16 May 2018	980,584	2.50	4.13	2.70
19 June 2018	4,520,000	6.00	1.22	4.245
1 October 2018	1,789,000	4.50	2.01	4.01
10 October 2018	44,600,014	6.50	2.53	3.65
31 October 2018	1,000,000	4.50	1.76	3.40
17 December 2018	2,043,094	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	(6,750,000)			
<b>TOTAL</b>	<b>133,340,821</b>	<b>2.00-6.50</b>	<b>0.1-4.13</b>	
Weighted Average		5.01	2.49(i)	

(i) Remaining term as at 31 March 2019

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

## 21. SHARE PREMIUM

	2019	2018
	£ 000s	£ 000s
<b>Opening Balance</b>	<b>38,324</b>	<b>32,774</b>
<b>Total Additions (see note 19 for details)</b>	<b>12,114</b>	<b>5,738</b>
Share issue costs	(216)	(188)
<b>As at 31 March</b>	<b>50,222</b>	<b>38,324</b>

See note 19 for a breakdown of share issues during the year.

## 22. 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 and Zambian Kwacha. 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 16% since acquisition the Kwacha risk is mitigated by the fact that Zamsort would only have one month's cash requirement on hand at any one time. The more 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.

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:USD foreign exchange rate on the Group's loss for the year and on equity is as follows:

**Potential impact on USD expenses: 2019**

Increase/(decrease) in foreign exchange rate	Group £ 000's
20%	760
-20%	(760)

**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 and US Dollars. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

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:

	2019 £ 000's	2018 £ 000's
<b>Cash and cash equivalents</b>		
Sterling	1,196	51
US Dollars	30	139
<b>At end of year</b>	<b>1,226</b>	<b>190</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 Estimation**

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2019.

Items at fair value as at 31 March 2019	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Assets				
Financial assets at fair value through profit or loss - shares (Note 15)	-	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2018.

Items at fair value as at 31 March 2018	Level 1 £ 000's	Level 2 £ 000's	Level 3 £ 000's	Total £ 000's
Assets				
Financial assets at fair value through profit or loss - shares (Note 15)	-	-	1,324	1,324
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>1,324</b>	<b>1,324</b>

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.

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 had £1,535,000 (USD 2,000,000) of debt classified as held for sale liabilities at 31 March 2019 which were acquired on acquisition of Casa Mining Limited (2018 - £1,480,000 (USD 2,000,000)) and has capital, defined as the total equity and reserves of the Group, of £30,485,000 (2018: £25,467,000).

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

### 23. 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.

### 24. 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.

#### Purchase of 5% of Zaco Limited

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 focused on financing its 5,800m Kalaba drill program. 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.

#### Remuneration of Key Management Personnel

### THE REMUNERATION OF THE DIRECTORS AND PDMS IS SET OUT IN NOTE 8.

Of the amounts set out in note 8:

£35,000 was paid to a Personal Services Company ("PSC") owned by Brian McMaster.

£55,000 was paid to a PSC owned by Vassilios Carellas.

£94,000 was paid to a PSC owned by John Forrest

Symbadon Company Limited is a company owned by Don Bailey and to which non-executive director fees in the amount of £30,000 were paid and 2.5M share options were issued.

### 25. ULTIMATE CONTROLLING PARTY

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

### 26. EVENTS AFTER THE REPORTING PERIOD

There are no events to report subsequent to 31 March 2019.

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