

**ARC MINERALS LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

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Corporate Information

Directors

Nicholas von Schirnding
Rémy Welschinger
Brian McMaster
Valentine Chitalu

Director, Executive Chairman
Non-Executive Director
Non-Executive Director
Non-Executive Director

Chief Operations Officer

Vassilios Carellas

Chief Financial Officer

Ian Lynch

Company Secretary

Ian Lynch

Registered Address

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Registered Agent

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Overview

Arc Minerals Limited (“Arc Minerals”, “Arc” or the “Company”) is a copper-focused exploration company operating in Africa. The Company’s primary assets are located in Zambia and Botswana, situated in two of the most prospective copper regions on the continent - the Zambian Copperbelt and the Kalahari Copper Belt.

In Zambia, Arc Minerals announced on 10 November 2023 the unconditional completion, via the Company’s 67%-owned subsidiary, Unico Minerals Ltd (“Unico”), of a transformative joint venture agreement with a subsidiary of Anglo American plc (“Anglo”) (the “JVA”). Following satisfaction of the substantive regulatory conditions precedent on 10 November 2023, Anglo American holds a 70% interest in Handa Resources Ltd, the joint venture company, while Arc’s subsidiary, Unico, holds a 30% stake.

The commercial terms, as first announced on 12 May 2022, include an investment by Anglo of up to USD 88,500,000, including cash payments to Unico of up to USD 14,500,000, over three phases. In Phase 1, Anglo will invest USD 24,000,000 in exploration expenditures over 3 years and make a USD 3,500,000 cash payment to Unico which was received on 13 November 2023, with a further USD 11,000,000 due over the course of Phase 1.

This partnership represents a pivotal milestone, providing Arc with a well-capitalised and technically robust joint venture to advance exploration on its highly prospective Zambian licenses. See Note 14 in the notes to the financial statements for further disclosures related to the joint venture agreement.

In Botswana, Arc Minerals has made significant progress on its Virgo project, comprising the PL 135/2017 and PL 162/2017 prospecting licenses. The Company’s maiden scout drilling campaign confirmed the presence of prospective contact geology and encountered anomalous mineralization in close proximity to Khoemacau’s operations, boding well for Arc’s upcoming exploration initiatives.

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

Business Model and Strategy

Arc Minerals’ strategy is to leverage its high-quality asset portfolio, experienced technical team, and strong partnerships to position itself as a leading African-focused base metals exploration and development company. The Company’s business model is underpinned by the following key pillars:

- 1. Strategic Asset Portfolio:** Arc Minerals has strategically assembled a portfolio of highly prospective copper exploration licenses in two of Africa’s most prolific copper regions. The joint venture with Anglo American in Zambia and the promising Virgo project in Botswana provide a solid foundation for future growth and value creation.
- 2. Robust Partnerships:** Arc Minerals recognises the value of strategic partnerships, as exemplified by the transformative joint venture with Anglo American in Zambia. This collaboration provides access to extensive technical expertise, financial resources, and operational capabilities, significantly enhancing Arc’s exploration and development potential.
- 3. Experienced Technical Team:** The Company boasts a highly qualified and experienced technical team with a proven track record of discovering and developing mineral resources in Africa. Their expertise in exploration, geology, and mining operations is instrumental in driving the Company’s success.
- 4. Growth-Oriented Approach:** Arc Minerals is committed to a growth-oriented approach, with a focus on advancing its exploration projects through systematic and well-designed exploration campaigns. The Company aims to unlock value by identifying and developing potential Tier 1 copper deposits, capitalising on the strong demand for copper driven by the global transition to a low-carbon economy.
- 5. Shareholder Value Creation:** Underpinning Arc Minerals’ strategy is a commitment to creating long-term value for its shareholders. The Company strives to maintain open and transparent communication, providing regular updates on exploration progress, results, and strategic developments, fostering trust and confidence among its supportive shareholder base.

Chairman's Statement

2023 Overview

I'm pleased to report on Arc Minerals' 2023 year-end results; a testament to our unwavering commitment and the hard work of our dedicated team.

Completion of Joint Venture with Anglo American

The financial year to 31 December 2023 was marked by a significant milestone – the satisfaction of substantive regulatory conditions precedent and the completion of our Joint Venture Agreement (JVA) with a subsidiary of Anglo American plc. I believe this partnership represents a pivotal turning point for Arc Minerals and our shareholders. I was delighted to announce that Anglo American has acquired a 70% interest in the joint venture company, while our 67%-owned subsidiary, Unico Minerals Ltd, holds a 30% stake.

The commencement of the joint venture's drilling campaign, led by our esteemed partners at Anglo American, is a source of great excitement. I extend my sincere appreciation to the administration and various government agencies of the Republic of Zambia for their tireless efforts in ensuring the necessary regulatory approvals were obtained, paving the way for this exciting collaboration.

Botswana Drilling Update

During the reporting period, we undertook our maiden scout drilling campaign in Botswana, spanning both the PL 135/2017 and PL 162/2017 prospecting licenses that make up the Virgo project, which was a resounding success. We confirmed the presence of the prospective contact geology and encountered anomalous mineralization in close proximity to the boundary of our licenses to Khoemacau, boding well for our upcoming exploration campaign.

Post Year-End Fundraising

In the face of challenging market conditions, the Board deemed it necessary to ensure the Company was adequately capitalised and able to take advantage of any potential opportunities that may arise as a scramble for copper assets kicks off worldwide. Consequently, in March 2024 we completed a placing and an offer for subscription, raising approximately £4.14 million. The Board believes this was a prudent and necessary decision to secure the cash resources required for our ongoing operations and future growth.

Outlook

The period ahead promises to be an exciting time for exploration and growth for Arc Minerals. With mobilisation for the exploration field season commencing in Zambia following the end of the rainy season, we eagerly anticipate the commencement of our joint venture core diamond drilling programme, initially targeting two identified prospects. The comprehensive 2024 work programme, including LiDAR surveys, detailed geological mapping, and further geophysical studies, will provide us with a deeper understanding of the geological context and basin geometry, paving the way for potential future discoveries.

In Botswana, the completion of the ground IP survey over copper targets in PL 135/2017 was completed in May and the results informed our first phase of a 2,000m reverse circulation drill programme, which commenced on 14 June 2024. This drill campaign, spanning eight to ten holes, will be a significant milestone in our exploration efforts within the highly prospective Central Structural Corridor of the Kalahari Copper Belt.

Furthermore, with the acceptance by the Botswanan Department of Mines of our applications to extend the licence terms of the PL135/2017 and PL162/2017 licenses, we expect to continue to explore and unlock the potential of the Virgo Project licenses for an additional two years, until 2026.

As we forge ahead, our shareholders can expect regular updates on the progress of our exploration activities, including the results of the geological studies, geophysical surveys, and, most importantly, the drilling campaigns. We remain committed to maintaining open and transparent communication, keeping you informed every step of the way.

With our strong partnerships, strategic asset portfolio, and dedicated team, we are well-positioned to navigate the challenges and capitalize on the opportunities that lie ahead. We look forward to sharing our successes and celebrating our achievements together as we continue our pursuit of discovering and developing Tier 1 copper deposits.

Looking ahead, we remain steadfast in our determination to unlock value and deliver on our strategic objectives. With the backing of our valued joint venture partner, a strong portfolio of assets, and a talented team, I am confident that we are well-positioned for continued success.

Acknowledgements

I would like to thank the management and employees of Arc who have worked tirelessly on numerous challenges over the past years, including all manner of attempts to block progress on delivering what I believe is one of the most exciting JV transactions concluded with a major mining company. The challenges in negotiating and concluding the joint venture required significant commitment from the management team, including ensuring that all requisite regulatory approvals were obtained - no mean feat. During this time over the past three years no bonuses were awarded, no share option packages put in place and the board and management sacrificed salaries being paid for over half a year.

On behalf of the entire Arc Minerals team, I also extend our heartfelt appreciation to our shareholders for their resilience and forbearance amidst a challenging macroeconomic landscape. Your unwavering trust and understanding have been a source of strength, enabling us to remain focused on our long-term goals.

Nicholas von Schirnding
Executive Chairman
26 June 2024

Strategic Report

Overview of Operations

Arc Minerals is incorporated in the British Virgin Islands 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, a market of the London Stock Exchange, under the symbol ARCM.

Zambia Copper Projects

The Company, through its Joint Venture ('JV') with Anglo American, has a number of areas under licence located on the opposite flank of the Kabompo Dome to First Quantum's Sentinel operations.

The JV license areas are located approximately 900km by road from Lusaka, in Mwinilunga, Northwestern 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 these licenses represent one of the last dome-related areas in Zambia yet to be explored in any detail.

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

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

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

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

During 2023, the Group's exploration activities in Zambia were limited as focus moved to preparing for and concluding the joint venture with a subsidiary of Anglo American as announced on 20 April 2023 ("JV with Anglo"), including reorganising the Group's licences and applying for mining licenses to maintain the areas under licence.

Leading up to the JV with Anglo, work carried out over the areas under licence included c.22,000m of drilling, the collection and analyses c.75,000 soil samples, and flying 10,700 line km's of airborne geophysical surveys. The JV areas under licence comprised the following at 31 December 2023:

- Large-Scale Exploration Licence (23004-HQ-LEL);
- Large-Scale Exploration Licence (23005-HQ-LEL);
- Large-Scale Exploration Licence (19906-HQ-LEL);
- Large Scale Exploration License (28700-HQ-LEL).

Three mining license applications were submitted in 2023 in concluding the JV with Anglo, being 33402-HQ-LML, 33403-HQ-LML and 33404-HQ-LML over the exploration licenses 23004-HQ-LEL and 19906-HQ-LEL. All of the mining licence applications were approved and validated by the Mining Cadastre

Department and, following submission of the subsequent requisite documentation, the Mines Advisory Committee (MAC) was expected to meet to review the finalised LML applications prior to issuance of the Mining Licenses.

As announced on 17 June, the Mining Cadastre Department published the results of the MAC meeting pursuant to which these applications and were rejected and Zaco Investments Limited's application with respect to 23004-HQ-LEL was marked as deferred pending an information request. As the applications were validly submitted and validated by the Zambian Mining Cadastre, the Company has been advised that Handa and Zaco will be appealing the decision of the Mining Licence Committee to reject the Mining Licence Applications and are engaging with the Mining Cadastre to have the appeal heard as soon as possible so that the applications can be reinstated and/or considered positively in accordance with the law.

With the exception of the licence mentioned above, none of the Company's other licences were affected by the recent Mining Licence Committee Meeting review and Anglo continued to mobilise for the planned exploration activities.

Botswana Copper Project

In November 2021, Arc Minerals Limited acquired a 75% interest in Alvis-Crest (Proprietary) Limited, the holder of two prospecting licences (PL 135/2017 & PL 162/2017) in Botswana's Kalahari Copper Belt ("KCB"), colloquially called the Virgo Project/Licences. The Virgo project is located in an emerging copper district in the Kalahari district in close proximity of some larger discoveries and cover an area of over 210km². The Virgo licenses lie within (PL 165/2017) and adjacent (PL 135/2017) to the highly prospective Central Structural Corridor and within 10km and 50km of the Zone 5 and Banana Zone copper projects respectively, known as the two largest copper projects on the KCB.

Historically, two copper-nickel soil anomalies have already been recorded on PL 135/2017 and PL 162/2017 and they are approximately 3km and 2.5km in strike length, respectively. The largest of the two anomalies, located on PL 135/2017, overlays an interpreted D'Kar-Ngwako Pan formation ("DKF-NPF") contact, while a second more intermittent anomaly may be linked to extensional faulting around the dome edge. The large coherent anomaly on PL 162/2017, also appears to overlay the interpreted DKF-NPF contact on the northern limb of a syncline.

Alvis Crest carried out soil sampling in two new areas and a drilling campaign in 2022 to test two areas of copper soil anomalies previously established in the two prospecting licenses. The first area to be tested was in PL135/2017 followed by another in PL162/2017.

Soil sampling as an initial test for copper distribution within an area of interest was recommended as it has proved that despite the thick Kalahari cover, copper in soils is detectable. Soil samples were tested for copper using XRF analysis and this method successfully picked up copper values though in very low range.

For the PL135/2017 license area, a grid of 3.5km stretch of 1km NE-SW line spacing and 25m sample spacing was covered by soil sampling. A total of 205 samples were collected and sent for copper analysis at Intertek Genalysis laboratory in Australia. Results obtained gave very good copper values and led to the identification of a soil anomaly that has subsequently been drilled for host rock, structure and mineralization.

For the PL162/2017 license area, a grid of 2.7km stretch of 1 Km NW-SE line spacing and 25m sample spacing was covered by soil sampling. A total of 102 samples were collected and sent for copper analysis at Intertek Genalysis laboratory in Australia. Results obtained in the area gave good copper values and resulted in the identification of a copper anomaly that has subsequently been tested with Reverse Circulation ("RC") drilling.

Drilling on these two license areas consisted of five Reverse-Circulation ('RC') holes for 805m and two core diamond holes for 420.60m.

The aim of the maiden scout drilling programme over both the PL 135/2017 and PL 162/2017 prospecting licenses that make up the Virgo project, was to:

- identify the lithologies below the Kalahari sand cover to confirm the presence of the interpreted D'Kar – Ngwako Pan formation contact.
- confirm the lateral extents of this favourable geology
- test for anomalism/mineralisation

This scout drilling campaign, with each hole spaced over 1km between profiles, has confirmed all of the above with contact geology, copper anomalism and mineralisation intersected with up to 3.65% Cu assayed over one of the sampled intervals near the contact between the D'Kar and Ngwako Pan formations ("DKF-NPF"). For full results, see announcement dated 25 January 2024.

In order to define the next phase more precisely, a ground based Induced Polarisation ('IP') Geophysical survey was commissioned to guide further follow up drilling programmes. The ground IP helps resolve the 3D orientation of structures and lithologies, while also helping to discriminate between types of conductive structures and providing targets for drilling. The results of this IP survey was announced on 30 May 2024 and informed the first phase of a 2,000m reverse circulation drill programme, which commenced on 14 June 2024.

Governance

Board of Directors

Nicholas von Schirnding, Director and Executive Chairman

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

Rémy Welschinger, Non-Executive Director

Remy Welschinger has over 20 years' experience in finance. He was Head of Commodities Sales at Deutsche Bank in Europe and, prior to that, an Executive Director in the Fixed Income and Commodities division of Morgan Stanley in London. Rémy is a non-executive director of ASX-listed Infinity Lithium and AIM-listed Firing Strategic Minerals. Remy is President of Viridian Lithium, a private French company.

Brian McMaster, Non-Executive Director

Brian McMaster has over 20 years' experience in the area of corporate reconstruction and turnaround and performance improvement and 20 years in the mining and exploration industry. Brian's recent experience includes founding Harvest Minerals and Jangada Mines, AIM listed companies with Potash and PGM projects in Brazil respectively, as well as numerous reorganisations and the recapitalisation and listing of 12 Australian companies. Brian's career to date includes significant working periods in the United States, South America, Asia, India and UK. Brian was a founding director in venture capital and advisory firm, Garrison Capital Pty Ltd, and is also currently a director of a number of ASX and AIM listed companies.

Valentine Chitalu, Non-Executive Director

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

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and Auditor's Report for the year ended 31 December 2023.

Principal activities

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

Results and Dividends

During the year cash decreased by £335k (31 December 2022: £1.119m).

The gain on continuing operations of the Group after taxation amounted to £7.069m (31 December 2022: Loss of £5.827m). There were no dividends paid in the year ended 31 December 2023 (31 December 2022: nil).

Financing

In November 2023, the Company received its share of the \$3.5m cash payment pursuant to the Joint Venture with a subsidiary of Anglo American. In addition, the Company raised a total of £192k during the year from the exercise of warrants.

Events after the reporting date

Refer to Note 27

Interest >3%

The following shareholders have a notifiable interest in the Company as at 24 June 2024:

- Karl-Erik von Bahr 4%
- Hargreave Hale Ltd 3%

Directors

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

| Directors | Date of Appointment | Date of Resignation |
|--------------------------------|----------------------------|----------------------------|
| Executive Directors | | |
| Nick von Schirnding | 24 January 2017 | - |
| Non-Executive Directors | | |
| Rémy Welschinger | 31 June 2019 | - |
| Brian McMaster | 1 August 2017 | - |
| Valentine Chitalu | 27 August 2021 | - |
| Caleb Mulenga | 29 October 2020 | 27 March 2023 |

Directors' Remuneration

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

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

Directors' Interest

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

| Director | As at 31 Dec 2023 | | | As at 31 Dec 2022 | | |
|-----------------------------------|-------------------|-----------|----------|-------------------|-----------|----------|
| | Shares | Options | Warrants | Shares | Options | Warrants |
| Nicholas von Schirmding | 17,080,532 | - | - | 17,080,532 | - | - |
| Rémy Welschinger | 14,258,844 | - | - | 14,528,844 | - | - |
| Brian McMaster | 2,555,557 | - | - | 2,555,557 | - | - |
| Valentine Chitalu ⁽ⁱⁱ⁾ | - | 2,000,000 | - | - | 2,000,000 | - |
| Caleb Mulenga ⁽ⁱ⁾ | - | - | - | - | 2,000,000 | - |

(i) Caleb Mulenga resigned on 27 March 2023. Mr Mulenga's 2,000,000 options expired on 15 December 2023.

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

No incentive option schemes are in place.

Corporate Governance

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

Key Performance Indicators

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

Non-Financial KPIs

The Board established the following goals for management in 2024:

1. Drilling a discovery hole at Arc's Botswana portfolio of licences
2. Expanding Arc's portfolio of copper exploration and development assets in Africa

Financial KPIs

The current financial KPIs are:

| Financial KPIs | Measure | Dec 2023 | Dec 2022 |
|-------------------------------|---------|----------|----------|
| Total funds raised | £ 000's | 192 | 2,213 |
| Exploration costs capitalised | £ 000's | 69 | 675 |

These KPI's relate to interests in Botswana and exclude Zambian entities (that were disposed of in the Joint Venture Deal with Anglo American BV – See Note 14. These KPIs will continue to be the priorities for the Group.

Health and Safety – number of reported incidents

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

Risk Management Report

A Risk Management Report is set out on page 14.

Environmental Policy

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

Employment Policy

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

Insurance

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

Statement of Disclosure to the Auditor

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

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

Auditor

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

Going Concern

The Directors have reviewed a forecast for the next 18 months, prepared by the executive and have a reasonable expectation that the Group has sufficient funds to continue in operation and satisfy liabilities for the foreseeable future.

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 Note 1(f) to the Financial Statements.

Risk Management Report

The Company's risk exposures and the impact on the Company's financial statements 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 programmes. 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, 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 twelve months.

Exploration and Development Risk

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

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

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

During 2023, the Group submitted three mining license applications as part of preparing for completion of the JV with a subsidiary of Anglo American, being 33402-HQ-LML, 33403-HQ-LML and 33404-HQ-LML over the exploration licenses 23004-HQ-LEL and 19906-HQ-LEL. All of the mining licence applications were approved and validated by the Mining Cadastre Department and, following submission of the subsequent requisite documentation, the Mines Advisory Committee (MAC) was expected to meet to review the finalised LML applications prior to issuance of the Mining Licenses.

As announced on 17 June, the Mining Cadastre Department published the results of the MAC meeting pursuant to which these applications and were rejected and Zaco Investments Limited's application with

respect to 23004-HQ-LEL was marked as deferred pending an information request. As the applications were validly submitted and validated by the Zambian Mining Cadastre, the Company has been advised that Handa and Zaco will be appealing the decision of the Mining Licence Committee to reject the Mining Licence Applications and are engaging with the Mining Cadastre to have the appeal heard as soon as possible so that the applications can be reinstated and/or considered positively in accordance with the law.

With the exception of the licence mentioned above, none of the Company's other licences were affected by the recent Mining Licence Committee Meeting review and Anglo continued to mobilise for the planned exploration activities.

The Group's Botswana prospecting licences 135/2017 and 162/2017 were successfully renewed during 2022 and are valid until 30 September 2024. Alvis Crest has lodged renewal applications for both the licenses. This is an administrative process and the Directors see no reason why the licences will not be automatically renewed in accordance with their terms. The renewals will extend the period by which the Company can continue exploring the Virgo Project licenses for a further two years, expiring in 2026.

Market Risk

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

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

Foreign Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates against the Company's reporting currency, pound sterling. The Company expects to continue to raise funds in London and Europe in sterling. The Company conducts its business in Zambia and in Botswana. As the Company reports in Great British Pounds ("GBP"), it is subject to risk due to fluctuations in the exchange rates between the GBP and each of the USD and Kwacha. Assets in Zambia and Botswana and most liabilities are denominated in Zambian kwacha or Botswanan pula, respectively, but the shareholder loans are denominated in GBP or USD. Changes in the currency exchange rates between the kwacha and pula relative to GBP can have a significant impact on the group accounts. The Company has not hedged its exposure to currency fluctuations.

Commodity Price Risk

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

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

Licensing Risk

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

Political Risk

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

Dependence on key personnel

The Group is dependent upon its executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

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

Nicholas von Schirnding
Director & Executive Chairman
26 June 2024

Corporate Governance Statement

The Company is committed to maintaining the highest standards in corporate governance throughout its operations and to ensure that all of its practices are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve shareholder value. Therefore, and in accordance with the AIM Rules for Companies (as updated from time to time), the Company continues to formalise its governance policies by complying with the UK's Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code").

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

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

QCA Code

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

1. Business Model and Strategy

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

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

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

2. Understanding Shareholder Needs and Expectations

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

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

3. Considering Wider Stakeholder and Social Responsibilities

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

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

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

4. Risk management

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

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

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

- Exploration and Development Risk
- Political Risk in sub-Saharan Africa
- License and Permitting Risk
- Market Risk
- Foreign Currency Risk
- Commodity Price Risk
- Dependence on Key Personnel
- Financing Risk
- Liquidity Risk
- Credit Risk

5. Well-functioning Board of Directors

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

Profiles of the Arc directors are set out on pg. 9 and are also available on the Company's website at www.arcminerals.com.

The Board is currently comprised of one executive director (Nick von Schirnding, Executive Chairman), two independent non-executive directors ("NEDs") (Brian McMaster and Valentine Chitalu) and Rémy Welschinger, a non-executive director who is not considered independent having previously held an executive position in the Company.

The QCA Code states that the issue of share options to Non-Executive Directors undermines independence and the Company acknowledges that both Brian McMaster and Valentine Chitalu hold share options in the Company. However, having considered it at length, the board of Arc Minerals consider that the options held by Brian McMaster and Valentine Chitalu are de minimus in size and therefore have taken the view that the holdings by each of them are too small to undermine independence in this instance.

Arc Mineral also recognises that having an Executive Chairman and no other executive director on the board is not in compliance with the QCA Code, which states that the role of the Chairman and the Executive Directors should be separate. Brian McMaster has been appointed as a Senior Independent Director as a point of contact for shareholders that is separate to the executive director of the Company, as required by the QCA Code.

6. Appropriate Skills and Experience of the Directors

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

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

The Board also recognise that the composition of the board does not include a Finance Director, but note that the board is supported by a Chief Financial Officer of suitable, relevant qualification and experience and who attends board meetings on request.

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

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

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

7. Evaluating Board Performance

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

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

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

The Review Process, includes the following key considerations:

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

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

8. Corporate Culture

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

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

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

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

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

9. Maintenance of Governance Structures and Processes

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

Board of Directors

Arc's key strategic, financial and operational decisions are reserved exclusively for the Board. The Board aims to meet quarterly, 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 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.

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

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

Director experience and qualifications are set out in their profiles on page 8.

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

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

The following matters are reserved for the Board:

Management Structure and Appointments

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

Strategic/Policy Considerations

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

Transactions

- Transactions which are notifiable under the AIM Rules.
- Approval of major capital projects.

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

Finance

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

General

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

Audit and Risk Committee

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

Some of the Audit Committee's duties include:

- reviewing the Company's accounting policies and reports produced by internal and external audit functions.
- considering whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- reporting its views to the board of directors if it is not satisfied with any aspect of the proposed financial reporting by the Company.
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems.
- reviewing the adequacy and effectiveness of the Company's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance.
- overseeing the appointment of and the relationship with the external auditor.

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

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

The Remuneration Committee has two members. The current members of the committee are Brian McMaster and Nicholas von Schirnding. The committee chairman is Brian McMaster. The full Terms of Reference of the Remuneration Committee can be found 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 two members. The current members of the committee are Rémy Welschinger and Nicholas von Schirnding. The committee chairman is Rémy Welschinger. The full Terms of Reference of the Nomination Committee can be found on the Company's website.

Share Dealing Code

The Company has adopted a share dealing code which is compliant with the AIM Rules for Companies and the Market Abuse Regulations.

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.

10. Shareholder Communication

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

The Company recognises that maintaining strong communications with its shareholders promotes transparency and will drive value in the medium to long-term. Accordingly, the Company will provide regular updates on the progress of the Company, detailing recent business and strategy developments, in news releases which will be posted on the Company's website. In order to continually improve transparency, the board would be delighted to receive feedback from shareholders. Communications

should be directed to info@arcminerals.com. Nicholas von Schirnding has been appointed to manage the relationship between the Company and its shareholders and will review and report to the board on any communications received.

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

Directors' Responsibility Statement

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

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union 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 of 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 and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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 the BVI Business Companies Act (Revised 2020). 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.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARC MINERALS LTD

Opinion

We have audited the group financial statements of Arc Minerals Limited (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- Give a true and fair view of the state of the group's affairs as at 31 December 2023 and of its profit for the year then ended.
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing management's going concern assessment model and associated going concern assumptions paper;
- Challenging the assumptions used in the going concern assessment model based on our understanding of the business, the industry and the wider macroeconomic environment factors;
- Identifying and evaluating subsequent events impacting the going concern assessment;
- Performing sensitivity analysis, where applicable, to review the effect of downside scenarios on the ability of the group to continue as a going concern; and
- Reviewing the disclosure in the financial statements to confirm it is consistent with the assumptions used, and conclusions reached in the going concern model.

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

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

Independent Auditor's Report (continued)

Our application of materiality

The materiality applied to the group financial statements was £274,000 (2022: £131,000), based on a percentage of gross assets, as it is from these assets that the Group seeks to deliver returns for shareholders.

Performance materiality has been set at 60% (2022: 65%) of materiality. Performance materiality applied to the group financial statements was therefore £164,400 (2022: £85,000).

The threshold for which we communicate errors to the Audit and Risk Committee has been set at £13,700 (2022: £6,500).

We apply the concept of materiality in both planning and performing the audit and evaluating the effect of misstatements. At the planning stage, materiality is used to determine the financial statements areas that are included within the scope of the audit and the extent of the sample 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 either during or at the conclusion of the audit.

Our approach to the audit

Our audit was risk based and was designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size. In designing our audit, we determined materiality, as above, 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 directors such as the carrying value of the exploration and evaluation assets, the recoverability of receivables and the accounting treatment of the Anglo-American PLC joint venture deal. As in all of our audits, we also addressed the risk of Management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Of six components of the group, a full scope audit was performed on the complete financial information of three components. The other three components were not considered financially significant, and we performed a limited analytical scope review.

We performed a full scope audit on the three significant components as group auditors. We have performed specified review procedures on the non-significant components.

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.

Independent Auditor’s Report (continued)

| Key Audit Matter | How our scope addressed this matter |
|---|--|
| Key Audit Matter 1 Valuation of Exploration Assets | |
| <p>The carrying value of intangible assets as at 31 December 2023 was £1,699k (£5,233k) which comprised of exploration and evaluation expenditure on the Zambian and Botswana licence areas, as disclosed in Note 10.</p> <p>There is a risk that the carrying value of these projects is impaired and that exploration and development costs capitalised during the year have not been capitalised in accordance with IFRS 6.</p> <p>Due to the complexity and estimation uncertainty, the audit team raised this as a key audit matter.</p> | <p>Our work in this area included:</p> <ul style="list-style-type: none"> • Reviewing publicly available information and other relevant audit evidence to assess potential indicators of impairment that may not have been identified by management. • Evaluating the group's accounting policy for recognizing exploration and evaluation expenditures; and performing substantive testing on the capitalised expenditure during the period in accordance with IFRS 6. • Enquiring about the future plans for each license, including obtaining cashflow projections where necessary and corroborating this with minimum spend requirements attached to the licenses. • Reviewing the indicators of impairment listed in IFRS 6, including internal and external technical reports, such as ESIA reports and application documents for exploration licenses (i.e. expiry dates and application for renewal), and any correspondence with regulatory agencies. • Reviewing the financial statement disclosures regarding impairment assumptions and sensitivities to ensure their appropriateness and adherence to the accounting framework. <p>Our testing of the accounting estimate (the accuracy, valuation and allocation of the exploration assets) involved one or more of the following approaches:</p> <ul style="list-style-type: none"> • Obtaining evidence from events occurring up to the date of our audit report. • Testing how the directors made the accounting estimate. • Developing our own estimate or range. <p>Our work also considered the appropriateness of the associated disclosures in the financial statements for the accounting estimate.</p> <p><u>Key observations</u></p> <p>We draw attention to the disclosure in the Risk Management Report and Note 10 to the financial statements regarding the Group’s Botswana prospecting licenses 135/2017 and 162/2017 that</p> |

Independent Auditor's Report (continued)

| | |
|---|--|
| | <p>are due to expire on 30 September 2024, and for which renewal applications have been submitted, approved, but not yet finalised. The Directors are not aware of any reason why the licenses will not be renewed.</p> |
| <p>Key Audit Matter 2 Recoverability of Receivable from Regency Ltd</p> | |
| <p>As of 31 December 2023, Arc Minerals Limited had receivables from Regency Mining Limited in the amount of £982k (PY – 1,033k), as disclosed in Note 15.</p> <p>Regency Mining Limited acquired a 73.5% interest in the Misisi gold project from Golden Square Equity Partners Limited, replacing Rackla Metals Inc. as the acquiror of Misisi.</p> <p>The terms of the transaction were that Arc Minerals Limited would be paid USD 250,000 in cash and the equivalent of USD 1,250,000 in shares in a publicly listed company in Canada.</p> <p>As of 31 December 2023, Arc Minerals Limited had received only USD 250,000 in cash.</p> <p>There is a risk that the account receivable from Regency Mining Limited in the amount of £982k (2022 - £1,033k) will not be recoverable and should be impaired as at 31 December 2023.</p> <p>Due to the estimation uncertainty, the audit team raised this as a key audit matter.</p> | <p>Our work in this area included:</p> <ul style="list-style-type: none"> • Reviewing Regulatory News Service (RNS) and signed agreements to ensure consistency. • Reviewing management's assessment of the likelihood of recoverability • Obtaining third party confirmation of the balance owed and a detailed timeline of repayment • Recalculating the expected value given the movements in the foreign currency • Ensuring adequate disclosure throughout the financial statements in line with the reporting requirements of the applicable standards. • Testing post-year end cash receipts. <p>Our testing of the accounting estimate (the accuracy, valuation and allocation of the receivable from, Regency Mining Limited involved one or more of the following approaches:</p> <ul style="list-style-type: none"> • Obtaining evidence from events occurring up to the date of our audit report. • Testing how the directors made the accounting estimate. • Developing our own estimate or range. <p><u>Key observations</u></p> <p>We draw attention to the disclosure within Note 15 and within the Critical Accounting Estimates and Judgements that the account receivable balance of £982k (USD 1,250k) from Regency Mining Limited was due as of 31 December 2023 and is likely to be recovered once the Group receives shares equivalent to the balance held in the public listed company.</p> <p>Directors are not aware of any reason why the account receivable with Regency Mining Limited in the amount of GBP £982k (USD 1,250k) will not be recoverable.</p> |

Independent Auditor's Report (continued)

Key Audit Matter 3 The Accounting Treatment of the Anglo-American Joint Venture Deal

During the 2023 year, the joint venture agreement with the Anglo America subsidiary was finalised. See disclosure in Note 4 and 14.

This deal confirmed that Arc Minerals group will hold 30% in the joint venture company Handa Resources Ltd) (through the 67% interest acquired in Unico Minerals Ltd).

Handa Resources Ltd was previously a subsidiary of the Arc Minerals Ltd group.

There is hence a risk that the accounting for the change in control from a subsidiary to joint venture is incorrectly accounted for, and that the subsequent accounting for this joint venture is incorrectly taken into account when determining the consolidated financial results as per the updated group structure.

In addition, complexity relating to the effective date of acquisition of the joint venture is evident due to numerous delays in the finalisation of the agreement, and the conditions being met over stages.

Due to the complexity of the transaction, the audit team raised this as a key audit matter.

Our work in this area included:

- Performing a review of all RNS (Regulatory News Services) relating to the Anglo agreement to understand terms of the transaction.
- Reviewing the documentation and agreements with Anglo American to understand agreement terms.
- Recalculation of the loss on disposal of subsidiaries.
- Challenging and obtaining corroborative evidence to support the judgement around the effective date selected for the accounting of the Anglo deal.
- Assessing management's paper regarding the accounting treatment of the JV.
- Considering the nature of the acquisition and both IAS 28 to verify the appropriateness of the initial and subsequent accounting treatment.
- Ensuring rights and obligations at the year end by agreeing share ownership documentation of all subsidiaries and JVs.
- Recalculating and agreeing management's recognition of the JV's share of profit/loss for the year end
- Assessing the carrying value of the JV as an investment at year end.
- Assessing the recoverability of the £7.2m receivable from Anglo America.
- Ensuring adequate disclosure throughout the financial statements in line with the reporting requirements of the applicable standards.

Key observations

We draw the users' attention to the disclosure within Note 4 and 14 where the details of the Handa Disposal as part of the Joint Venture agreement with Anglo American has been disclosed.

Handa Resources Limited ("JV") holds an exploration licence in Zambia. The application for the mining licence was rejected by the Mining cadastre and management of the JV have confirmed that they will be appealing this decision of the Mining Licence Committee to reject the Mining Licence Applications and are engaging with the Mining Cadastre to have the appeal heard as soon as possible so that the applications can be reinstated and/or considered positively in

Independent Auditor's Report (continued)

| | |
|--|--|
| | accordance with the law. Management of JV are confident of a positive outcome. The recoverability of the investment in the JV is dependent on the Mining Cadastre in Zambia reinstating the mining licence applications for the Zambian interests. |
|--|--|

Other information

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

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the group financial statements, the directors are responsible for assessing the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- We obtained an understanding of the group and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with Management and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group in this regard to be those arising from AIM rules and local mining and exploration regulations applicable to the subsidiaries. There was regular interaction with the component auditors during all stages of

Independent Auditor's Report (continued)

the audit, including procedures designed to identify non-compliance with laws and regulations, including fraud.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and RNS announcements and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the impairment assessment of intangible assets (KAM above), recoverability of receivables (KAM above) and valuation of investment (KAM above). We addressed this by challenging the assumptions and judgements made by management when evaluating any indicators of impairment, assessing recoverability of receivables and valuation of investments.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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

Zahir Khaki (Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Registered Auditor
26 June 2024

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

| | Notes | 31 December 2023 £ 000s | 31 December 2022 £ 000s |
|--|-------|-------------------------------|-------------------------------|
| Administrative expenses | 3 | (5,067) | (3,500) |
| Operating loss from continuing operations | | (5,067) | (3,500) |
| Loss on disposal of Zamsort | 4 | - | (2,162) |
| Gain on disposal of Handa Group | 14 | 10,933 | |
| Distribution from subsidiaries | 6 | 1,918 | - |
| Share of loss from associate | 13 | (691) | - |
| Profit/(Loss) before income tax | | 7,093 | (5,662) |
| Income tax expense | 5 | - | - |
| Profit/ (Loss) for the year from continuing operations | | 7,093 | (5,662) |
| Loss from discontinued operations | 4 | (24) | (165) |
| Operating profit (loss) | | 7,069 | (5,827) |
| Profit/ (Loss) for the year | | 7,069 | (5,827) |
| Other comprehensive income: | | | |
| Item that may be subsequently reclassified to profit or loss | | | |
| Currency translation differences | | 45 | 1,959 |
| Total comprehensive loss for the year, net of tax | | 7,114 | (3,868) |
| Loss attributable to: | | | |
| Equity holders of the parent | | 7,078 | (7,342) |
| Non-controlling interest | | (9) | 1,515 |
| | | 7,069 | (5,827) |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the parent | | 7,111 | (6,048) |
| Non-controlling interest | | 3 | 2,180 |
| | | 7,114 | (3,868) |
| Earnings per share attributable to owners of the parent during the year | | | |
| - Basic (pence per share) | 8 | 0.58 | (0.50) |
| - Diluted (pence per share) | 8 | 0.03 | - |
| - From continuing operations – Basic | 8 | 0.58 | (0.50) |
| - From continuing operations – Diluted | 8 | 0.03 | - |
| - From discontinued operations – Basic | 8 | - | (0.01) |
| - From discontinued operations – Diluted | 8 | - | - |

The notes on pages 37 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at 31 December 2023

| | Notes | 31 December 2023 £ 000s | 31 December 2022 £ 000s |
|--|-------|-------------------------------|-------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 1,699 | 5,233 |
| Fixed assets | 11 | - | 12 |
| Investment in Associate | 13 | 2,458 | - |
| Long-term receivable | 15 | 6,531 | - |
| Total non-current assets | | 10,688 | 5,245 |
| Current assets | | | |
| Trade and other receivables | 15 | 1,859 | 1,096 |
| Short term investments | 17 | 68 | 1,738 |
| Cash and cash equivalents | | 281 | 616 |
| Total current assets | | 2,208 | 3,450 |
| TOTAL ASSETS | | 12,896 | 8,695 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | (2,244) | (2,733) |
| Total current liabilities | | (2,244) | (2,733) |
| Non-current liabilities | | | |
| Long term payables | 9 | (105) | (117) |
| TOTAL LIABILITIES | | (2,349) | (2,850) |
| NET ASSETS | | 10,547 | 5,845 |
| Equity | | | |
| Share Capital | 20 | - | - |
| Share premium | 22 | 64,464 | 64,272 |
| Share based payment reserve | 21 | 126 | 283 |
| Warrant reserve | 21 | 84 | 84 |
| Foreign exchange reserve | | (61) | 1,045 |
| Retained earnings | | (54,063) | (59,196) |
| Equity attributable to equity holders of the parent | | 10,550 | 6,488 |
| Non-controlling interest | | (3) | (643) |
| TOTAL EQUITY | | 10,547 | 5,845 |

These financial statements were approved by the Board of Directors on 26 June 2024 and signed on its behalf by:

Nicholas von Schirnding
Executive Chairman

The notes on pages 37 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December 2023

| | Notes | 31 December 2023 £ 000s | 31 December 2022 £ 000s |
|---|-------|-------------------------------|-------------------------------|
| Cash flows from operating activities | | | |
| Profit/(Loss) before income tax and including discontinued operations | | 7,069 | (5,827) |
| Share based payment and warrants issued | 21 | - | 27 |
| Gain and losses on investments | 17 | - | 2,519 |
| Gain through profit and loss on forgiven shareholder loans | | - | (6,485) |
| Non-cash gains and losses related to Zamsort Ltd ⁽ⁱ⁾ | | - | 5,517 |
| Loss arising on deconsolidation of Zamsort | | - | 2,162 |
| Non-cash gains and losses related to Handa (Anglo JV) | 14 | (10,933) | - |
| Fair value loss on investments | 17 | 1,673 | - |
| Distribution from subsidiary | 6 | (1,918) | - |
| Share of loss from associate | 13 | 691 | - |
| Gains and Losses on foreign exchange | 3 | 476 | (168) |
| Depreciation and amortisation | 11 | 2 | 10 |
| Net cash used in operating activities before changes in working capital | | (2,987) | (2,245) |
| Increase in trade and other receivables ⁽ⁱⁱⁱ⁾ | 15 | (20) | (1,004) |
| (Decrease) Increase in trade and other payables | 19 | 743 | 124 |
| Net cash used in operating activities | | (2,217) | (3,125) |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | 10 | (65) | (675) |
| Proceeds from CASA disposal | | - | 202 |
| Proceeds from disposal of short term investments | | - | 176 |
| Proceeds from disposal of Handa (Anglo JV) | | 2,863 | - |
| Distribution to minority shareholder following Handa disposal | | (945) | - |
| Dividends received | 6 | - | - |
| Net cash generated from / (used in) investing activities | | 1,853 | (297) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares – net of share issue costs ^(iv) | 22 | 29 | 2,253 |
| Minority shareholder loans | 9 | - | 50 |
| Net cash from financing activities | | 29 | 2,303 |
| Net decrease in cash and cash equivalents | | (335) | (1,119) |
| Cash and cash equivalents at beginning of year | | 616 | 1,735 |
| Cash and cash equivalents at end of the year | | 281 | 616 |

(i) Within cash flows from operating activities in 2022 is an amount of £5.297m representing the net effect of the disposal (£6.485m non-cash gain) and derecognition (£2,102m non-cash loss) of Zamsort and the derecognition of the related foreign currency translation reserve (£914k non-cash gain).

(ii) Within cash flows from operating activities is an amount of £2.984m representing the net effect of the non-cash gain recognised on the settlement of the Casa loan Note (£1.973m), the non-cash gain recognised on the disposal of Casa Mining Ltd (£1.011m) and the non-cash loss attributable to the settlement of the Casa loan note due to remeasuring the fair value of the Tingo Inc (OTC:TMNA) stock received in settlement of the Casa loan note (see Note 15).

(iii) Within trade and other receivables in 2023 is an amount of £7.275m representing the receivables from the Anglo JV deal (See Note 15) which is a non cash movement.

(iv) Within proceeds from issue of ordinary shares is the settlement of a 163k loan through shares which is a non cash movement.

The notes on pages 37 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity as at 31 December 2023

| | Attributable to equity holders of the Company | | | | | Retained earnings | Total | Non-controlling interest | Total equity |
|--|---|---------------|--------------------------|-----------------------------|-----------------|-------------------|---------|--------------------------|--------------|
| | Share capital | Share premium | Foreign exchange reserve | Share based payment reserve | Warrant reserve | | | | |
| | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s | | | | |
| Balance as at 1 January 2023 | - | 64,272 | 1,045 | 283 | 84 | (59,196) | 6,488 | (643) | 5,845 |
| Profit for the year | - | - | - | - | - | 7,078 | 7,078 | (9) | 7,069 |
| Other comprehensive income(loss) for the year - currency translation differences | - | - | 33 | - | - | - | 33 | 12 | 45 |
| Total comprehensive income (loss) for the year | - | - | 33 | - | - | 7,078 | 7,111 | 3 | 7,114 |
| Share capital issued | - | 192 | - | - | - | - | 192 | - | 192 |
| Share options expired during the year | - | - | - | (157) | - | 157 | - | - | - |
| Share options expense during the year | - | - | - | - | - | - | - | - | - |
| Effect of foreign exchange on opening balance | - | - | - | - | - | - | - | - | - |
| Effect of Handa group disposal (see Note 4) | - | - | (1,139) | - | - | (2,102) | (3,241) | 637 | (2,604) |
| Total transactions with owners, recognised directly in equity | - | 192 | (1,139) | (157) | - | (1,945) | (3,049) | 637 | (2,412) |
| Balance as at 31 December 2023 | - | 64,464 | (61) | 126 | 84 | (54,063) | 10,550 | (3) | 10,547 |

Consolidated Statement of Changes in Equity

| | Attributable to equity holders of the Company | | | | | Retained earnings | Total | Non-controlling interest | Total equity |
|--|---|---------------|--------------------------|-----------------------------|-----------------|-------------------|---------|--------------------------|--------------|
| | Share capital | Share premium | Foreign exchange reserve | Share based payment reserve | Warrant reserve | | | | |
| | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s | | | | |
| Balance as at 1 January 2022 | - | 62,019 | (1,885) | 273 | 84 | (53,385) | 7,106 | 1,076 | 8,182 |
| Loss for the year | - | - | - | - | - | (5,827) | (5,827) | 1,515 | (4,312) |
| Other comprehensive income(loss) for the year - currency translation differences | - | - | 1,294 | - | - | - | 1,294 | 665 | 1,959 |
| Total comprehensive income (loss) for the year | - | - | 1,294 | - | - | (5,827) | (4,533) | 2,180 | (2,353) |
| Share capital issued | - | 2,253 | - | - | - | - | 2,253 | - | 2,253 |
| Share options expired during the year | - | - | - | (16) | - | 16 | - | - | - |
| Share options expense during the year | - | - | - | 27 | - | - | 27 | - | 27 |
| Effect of foreign exchange on opening balance | - | - | 2,550 | (1) | - | - | 2,549 | (2,631) | (82) |
| Disposal of Zamsort | - | - | (914) | - | - | - | (914) | (1,268) | (2,182) |
| Total transactions with owners, recognised directly in equity | - | 2,253 | 1,636 | 10 | - | 16 | 3,915 | (3,899) | 16 |
| Balance as at 31 December 2022 | - | 64,272 | 1,045 | 283 | 84 | (59,196) | 6,488 | (643) | 5,845 |

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

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

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

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

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

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

The notes on pages 38 to 60 are an integral part of these consolidated financial statements.

Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. General Information and Authorisation of Financial Statements

The Company is registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1396532 and is located at Craigmuir Chambers, Road Town, Tortola. The Company's ordinary shares are traded on AIM, a market of 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 December 2023 were authorised for issue by the Board on 26 June 2024.

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

There were no new standards, amendments or interpretations effective for the first time for periods beginning on or after 1 January 2023 that had a material effect on the consolidated or company financial statements.

At the date of approval of these financial statements, there were no new standards or amendments to IAS which have not been applied in these financial statements which were in issue but not yet effective and are expected to have a material impact on the consolidated and company financial statements.

d. Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries made up to 31 December. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries

Subsidiaries are entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control

Notes to the financial statements

ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements consolidate the financial statements of Arc Minerals Limited and the audited financial statements of its subsidiary undertakings made up to 31 December 2023.

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.

Notes to the financial statements

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 Directors have reviewed a forecast prepared for the next 18 months, by the executive and have a reasonable expectation that the Group has sufficient funds to continue in operation and satisfy liabilities for the foreseeable future. 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.

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

The presentational currency (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

Notes to the financial statements

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

Notes to the financial statements

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) 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 is currently in the process of renewing its licences which expire in September 2024 and the Directors are not aware of any reason why any renewals or applications would not be granted.

The Group's ability to continue its exploration programmes and develop its projects is dependent on future fundraising, as well as the successful renewal of appropriate licensing, the outcome of which is uncertain but the directors are confident that the licences will be renewed. The ability of the Group to continue operating within its jurisdiction is dependent on a stable political environment which is

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uncertain. This may also impact the Group's legal title to assets held which would affect the valuation of their assets.

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

There have been no changes to any past valuations.

(ii) Valuation of Casa Royalty

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

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

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

(iii) Sturec Resource Royalty

As disclosed in Note 16, Sturec was sold in February 2020. As part of the transaction if before November 2024, the Sturec JORC Indicated and Measured Resource exceeds 1.5 million ounces gold at a grade greater than 2.5g/t (inclusive of recoverable Ag equivalent), MetalsTech will pay Arc a further A\$2 royalty per additional ounce of gold. This royalty is capped at 7 million ounces of gold or Australian dollars 11M. Because of the general uncertainty about the size of the Sturec resource and the difficulties of operating in Slovakia the Company has not recorded the royalty in the accounts.

(iv) Recoverability of the US\$ 5 million receivable in respect of the Casa Sale, first reported at 31 March 2021

The Casa asset was sold during the year ended 31 March 2020 with the consideration being a mixture of cash and royalty as above. The cash element was due for payment on 19 March 2021. As reported in Note 16, the terms of the original loan note were amended. As announced on 29 April 2022, the loan note was satisfied in full.

(v) Valuation of short term investments

Short term investments comprise shares held in Asiamet Resources Ltd (AIM:ARS) and Tingo Inc (OTC:TMNA). Short term investments are measured initially, and subsequently revalued at reporting dates, at fair value through profit or loss. Similarly, changes in fair value are recognised through profit and loss. Additional information is contained in Note 17.

(vi) Investment in associate

The investment in associate arises as a result of the partial disposal of Handa Resources Limited (Handa) as a subsidiary. The investment shareholding decreased from 66% (a subsidiary) to 30% (an associate). Unico lost control in a series of five contractual arrangements that were entered into for the purposes of the Joint Venture (JV) agreement with Anglo American BV. Consequently, single transaction accounting was applied in accounting for the transaction. See Note 14 for details of this agreement). The remaining investment, after the partial disposal of Handa, was fair valued as at the date of the disposal (See Note 13) and is subsequently measured using the equity method at year end.

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During 2023, the Group submitted three mining license applications as part of preparing for completion of the JV with a subsidiary of Anglo American, being 33402-HQ-LML, 33403-HQ-LML and 33404-HQ-LML over the exploration licenses 23004-HQ-LEL and 19906-HQ-LEL. All of the mining licence applications were approved and validated by the Mining Cadastre Department and, following submission of the subsequent requisite documentation, the Mines Advisory Committee (MAC) was expected to meet to review the finalised LML applications prior to issuance of the Mining Licenses.

As announced on 17 June 2024, the Mining Cadastre Department published the results of the MAC meeting pursuant to which these applications and were rejected and Zaco Investments Limited's application with respect to 23004-HQ-LEL was marked as deferred pending an information request. As the applications were validly submitted and validated by the Zambian Mining Cadastre, the Company has been advised that Handa and Zaco will be appealing the decision of the Mining Licence Committee to reject the Mining Licence Applications and are engaging with the Mining Cadastre to have the appeal heard as soon as possible so that the applications can be reinstated and/or considered positively in accordance with the law.

- (vii) Regency recoverability (whilst outstanding for some time, management believes, having made reasonable enquiries, that this remains recoverable).

m. Equity

Equity comprises the following:

- "Share capital" represents the nominal value of the Ordinary shares;
- "Share Premium" represents consideration less nominal value of issued shares and costs directly attributable to the issue of new shares;
- "Share based payment reserve" represents stock options awarded by the group;
- "Warrant reserve" represents warrants granted by the group;
- "Foreign exchange reserve" represents the translation differences arising from translating the financial statement items from functional currency to presentational currency and foreign exchange differences arising on the elimination of intercompany loans forming part of the investment of subsidiaries;
- "Retained earnings" represents retained losses.
- "Non-controlling interest" represents the interests of minority shareholders in the assets and liabilities of the Group.

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

p. Financial instruments

(i) Classification

The Group classifies its financial assets at amortised cost and at fair value through the profit or loss or OCI. The classification depends on the purpose for which the financial assets were acquired.

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Management determines the classification of its financial assets at initial recognition

(ii) Recognition and measurement

Amortised cost

Regular purchases and sales of financial assets are recognised on the trade date at cost – the date on which the Group commits to purchasing or selling the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Fair value through the profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FTVPL, are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Fair value is determined by using market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Listed investments are valued at closing bid price on 31 December 2023. For measurement purposes, financial investments are designated at fair value through the income statement. Gains and losses on the realisation of investments are recognised in the income statement for the period. The difference between the market value of financial instruments and book value to the Company is shown as a gain or loss in the income statement for the period.

(iii) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original Effective Interest Rate ("EIR"). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12

Notes to the financial statements

months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. This is the same treatment for a financial asset measured at FVTPL.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

Notes to the financial statements

modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

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

Notes to the financial statements

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. 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.

Upon expiry, the associated portion of the share option reserve is derecognised and recorded against retained losses.

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

t. Earnings per share

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

u. 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.

Notes to the financial statements

2. Segmental analysis

Segment information has been determined based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. No revenue is currently being generated. Head office activities are administrative in nature whilst the activities in Zambia and Botswana relate to exploration and development work.

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

| 31 December 2023 | BVI £ 000's | Zambia £ 000's | Botswana £ 000's | Total £ 000's |
|--|----------------|-------------------|---------------------|------------------|
| Result | | | | |
| Gain / (loss) from continuing operations | 4,395 | 2,735 | (37) | 7,093 |
| Gain / (loss) before Income Tax | 4,395 | 2,735 | (37) | 7,093 |
| Other information | | | | |
| Non-controlling interest | - | - | 3 | 3 |
| | - | - | 3 | 3 |
| Assets | | | | |
| Non-current Assets | - | 8,989 | 1,699 | 10,688 |
| Investments at fair value through profit and loss | 68 | - | - | 68 |
| Current assets excluding cash and cash equivalents | 1,858 | - | 1 | 1,859 |
| Cash and equivalents | 279 | - | 2 | 281 |
| Consolidated total assets | 2,205 | 8,989 | 1,702 | 12,896 |
| | - | - | - | - |
| Liabilities | | | | |
| Non-current liabilities | - | - | (105) | (105) |
| Current liabilities | (2,241) | - | (3) | (2,244) |
| Consolidated total liabilities | (2,241) | - | (108) | (2,349) |
| | - | - | - | - |
| 31 December 2022 | | | | |
| | BVI £ 000's | Zambia £ 000's | Botswana £ 000's | Total £ 000's |
| Result | | | | |
| Loss / (Gain) from continuing operations | 10,218 | (4,564) | 8 | 5,662 |
| Loss before Income Tax | 10,218 | (4,564) | 8 | 5,662 |
| Other information | | | | |
| Non-controlling interest | - | 577 | 66 | 643 |
| | - | 577 | 66 | 643 |
| Assets | | | | |
| Non-current Assets | 302 | 3,275 | 1,669 | 5,245 |
| Investments at fair value through profit and loss | 1,738 | - | - | 1,738 |
| Current assets excluding cash and cash equivalents | 1,064 | 8 | 24 | 1,096 |
| Cash and equivalents | 593 | 6 | 17 | 616 |
| Consolidated total assets | 3,697 | 3,289 | 1,710 | 8,696 |
| | - | - | - | - |
| Liabilities | | | | |
| Non-current liabilities | - | - | 117 | 117 |
| Current liabilities | 1,442 | 1,279 | 12 | 2,733 |
| Consolidated total liabilities | 1,442 | 1,279 | 129 | 2,850 |

Notes to the financial statements

3. Expenses by nature

| | Note | 31 Dec 2023 £ 000's | 31 Dec 2022 £ 000's |
|--|------|---------------------------|---------------------------|
| Directors' fees | 7 | 1,538 | 685 |
| Office expenses | | 121 | 114 |
| Travel and subsistence expenses | | 46 | 25 |
| Professional fees – legal, consulting, exploration | | 1,006 | 787 |
| AIM related costs including Public Relations | | 204 | 151 |
| Auditor's remuneration – audit | | 50 | 117 |
| Stock option expense | | - | 27 |
| Fair value loss on investments | 17 | 1,673 | 2,519 |
| Loss on disposal of Zamsort | | - | 5,517 |
| Zamsort gain on forgiven shareholder loan | | - | (6,485) |
| Other expenses | | (82) | 201 |
| Zamsort administration costs | | - | 3 |
| Alvis-Crest administration costs | | 37 | 7 |
| Gains and losses on foreign exchange | | 474 | (168) |
| Total operating expenses | | 5,067 | 3,500 |

Auditors Remuneration

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

| | 31 Dec 2023 £ 000's | 31 Dec 2022 £ 000's |
|---|---------------------------|---------------------------|
| Fees payable to the auditor for the audit of the consolidated financial statements - current financial year | 50 | 60 |
| Fees payable to the auditor for the audit of the consolidated financial statements – prior financial year (not accrued in prior year) | - | 54 |
| Fees payable to the auditor for the audit of subsidiaries for component audits - current year) | - | 3 |
| Total | 50 | 117 |

Employee information

The average number of persons employed in the Group through payroll was nil (2022 – nil) at a cost of nil (2022 – nil). See note 7 for details of key management remuneration.

Notes to the financial statements

4. Disposals of held for sale assets and Zamsort subsidiary

Handa Disposal as part of Anglo Joint Venture

On 12 May 2022 the Company announced that it, together with its partners, had entered into an agreement with Anglo American with the intention to form a joint venture in respect of its Zambian copper interests. The key commercial terms of the Joint Venture were that, upon signing of a binding Joint Venture Agreement (“JV Agreement”), Anglo American would have an initial ownership interest of 70% with Arc and its partners holding the balance via Unico Minerals Ltd (“Unico”) in which Arc will have a 67% interest with the balance held by its partners. On 20 April 2023, the JV Agreement was signed subject to completing certain conditions precedent including a restructuring of the Group’s assets, obtaining approvals from relevant government and regulatory authorities and other customary conditions. On 10 November 2023 (the Effective Date), the Company satisfied the Conditions Precedent (see Note 14).

The related financial information is set out below:

a) Results of disposal group prior to disposal

| | Nov 2023 | Dec 2022 |
|---|----------------|----------------|
| | Handa Group | Handa Group |
| | £ 000's | £ 000's |
| Administrative Expenses | (24) | (165) |
| Loss before income tax | (24) | (165) |
| Income tax | - | - |
| Loss after tax | (24) | (165) |
| Loss from discontinued operations | (24) | (165) |
| Other comprehensive income from discontinued operations | - | - |

b) Cash flows of disposal group prior to disposal

| | Nov 2023 | Nov 2023 |
|----------------------|----------------|-------------|
| | Handa Group | Total |
| | £ 000's | £ 000's |
| Operating activities | (177) | (177) |
| Investing activities | - | - |
| Financing activities | 172 | 172 |
| Cash used | (5) | (5) |

c) Assets and liabilities of disposal group ⁽ⁱ⁾

| | Nov 2023 | Nov 2023 |
|-----------------------------|----------------|--------------|
| | Handa Group | Total |
| | £ 000's | £ 000's |
| Intangible assets | 2,406 | 2,406 |
| Investment in subsidiary | 219 | 219 |
| Fixed assets | 4 | 4 |
| Trade and other receivables | 401 | 401 |
| Long-term payables | (223) | (223) |
| Total | 2,807 | 2,807 |

Notes to the financial statements

d) Disposal group on 10 November 2023

| | Nov 2023 Handa Group £ 000's | Nov 2023 Total £ 000's |
|--|--|---------------------------------|
| Assets | 3,030 | 3,030 |
| Liabilities | (223) | (223) |
| Net Asset Value on 10 November 2023 | 2,807 | 2,807 |

Zamsort Settlement

As announced in February 2022, the Company announced that the parties to the legal cases in Zambia and in the UK have come to an agreement to settle various disputed matters and for all legal proceedings to be permanently dropped (the "Settlement Agreement"). The Settlement Agreement was submitted to Zambian courts to effect a Consent Judgement which has the force of law.

In return for the claimant parties, being Terra Metals Limited, Zambia Mineral Exchange Corporation Limited and their related parties (Mumena Mushinge, Brian Chisala and Katambi Bulawayo), relinquishing all claims against Zamsort or any other company in the Arc Minerals Ltd Group, present or contingent, and in full and final settlement of all claims in formal conclusion of all matters, the Group agreed to transfer to the claimant parties, for nil consideration, 100% of the issued share capital of Zamsort Ltd (the "Zamsort Transfer"), which owns the pilot plant. The Group also agreed to consent to the claimant parties applying for the 8 square kilometre small mining and small exploration license areas that were previously in existence at Zamsort prior to Arc's involvement (the "Original Zamsort License Area").

The pilot plant, related equipment and intangible assets that relate to the Original Zamsort License Area have remained in Zamsort and all other assets and liabilities of Zamsort immediately preceding the date of the Zamsort Transfer (the "Assets and Liabilities transferred to Handa subsidiary") were transferred to Handa Resources Ltd. The total loss on the transfer of Zamsort was £4.67m.

All of the Group's representative directors who served on the board of directors of Zamsort resigned effective 1 April 2022.

The related financial information is set out below:

a) Results of disposal group prior to disposal

| | Dec 2022 Zamsort £ 000's | Dec 2022 Total £ 000's |
|---|-----------------------------------|---------------------------------|
| Administrative Expenses | 2,519 | 2,519 |
| Loss before income tax | 2,519 | 2,519 |
| Income tax | - | - |
| Loss after tax | 2,519 | 2,519 |
| Loss from discontinued operations | - | - |
| Other comprehensive income from discontinued operations | - | - |

b) Cash flows of disposal Group prior to disposal

| | Dec 2022 Zamsort £ 000's | Dec 2022 Total £ 000's |
|--|-----------------------------------|---------------------------------|
|--|-----------------------------------|---------------------------------|

Notes to the financial statements

| | | |
|----------------------|-------|-------|
| Operating activities | 2,768 | 2,768 |
| Investing activities | - | - |
| Financing activities | - | - |
| Cash used | 2,768 | 2,768 |

c) Assets and liabilities of disposal Group ⁽ⁱ⁾

Assets classified as held for sale (2022)

| | Dec 2022 | Dec 2022 |
|-------------------------------|-------------|-------------|
| | Zamsort | Total |
| | £ 000's | £ 000's |
| Intangible assets | - | - |
| Property, plant and equipment | - | - |
| Inventory | - | - |
| Total | - | - |

d) Zamsort subsidiary disposal on 31 March 2022

| | Mar 2022 | Mar 2022 |
|--|--------------|--------------|
| | Zamsort | Consolidated |
| | £ 000's | £ 000's |
| Zamsort Assets | 3,404 | 3,404 |
| Zamsort Liabilities | (3) | (3) |
| Zamsort Net Asset Value | 3,401 | 3,401 |
| Derecognised on disposal of Zamsort subsidiary | (3,300) | (3,300) |
| Net Asset Value on 31 March 2022 (transferred to Handa) | 101 | 101 |

Notes to the financial statements

5. Taxation

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|--|-------------------------|-------------------------|
| Current income tax charge | - | - |
| Deferred tax charge/ (credit) | - | - |
| Total taxation charge/ (credit) | - | - |

Taxation reconciliation

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

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|--|-------------------------|-------------------------|
| (Income)/Loss before income tax | (7,093) | 5,827 |
| Tax on (income)/ loss at the weighted average Corporate tax rate of 25.20% (Dec 2022: 0.96%) | (697) | 101 |
| Effects of: | - | - |
| Permanent differences | - | - |
| Tax losses carried forward | 697 | (101) |
| Losses not subject to corporation tax | - | - |
| Total income tax expense | - | - |

The weighted average applicable tax rate of 25.20% (2022: 0.96%) used is a combination of the 0% corporation tax in the BVI (2022:0%), 30% corporation tax in Zambia (2022: 30%) and 22% corporation tax in Botswana (2022: 22%).

A 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 is the weighted average rate of the British Virgin Islands, the Republic of Botswana and the Republic of Zambia (up to the date of the disposal of the Zambian subsidiaries). Unused tax losses available in Botswana approximate BWP 761k at 31 December 2023 (31 December 2022 - BWP 127k), being approximately GBP 45k (31 December 2022 - £8k).

6. Dividends

Unico declared dividends of £2,863k of which 67% (£1,918) was distributed to the Company on 10 November 2023 (31 December 2022: nil). The net difference of £945k was the distribution to the minority shareholders.

Notes to the financial statements

7. Key management remuneration

| | | 31 Dec 2023 | 31 Dec 2022 | |
|---|------------------------|-------------------------------|-------------------------|--------------|
| | | £ 000's | £ 000's | |
| Key management remuneration | | 1,501 | 848 | |
| 31 December 2023 | | | | |
| | Short term benefits | Bonus paid ^(iv) | Share based payments | Total |
| | £ 000's | £ 000's | £ 000's | £ 000's |
| Executive Directors | | | | |
| Nicholas von Schirnding | 309 | 225 | - | 534 |
| Rémy Welschinger <i>(1 Jan 2023 to 31 Oct 2023)</i> | 194 | 171 | - | 365 |
| Non-Executive Directors | | | | |
| Brian McMaster | 48 | 24 | - | 72 |
| Valentine Chitalu | 48 | 24 | - | 72 |
| Rémy Welschinger <i>(1 Nov 2023 to 31 Dec 2023)⁽ⁱ⁾</i> | 39 | - | - | 39 |
| Caleb Mulenga <i>(1 Jan 2023 to 27 Mar 2023)⁽ⁱⁱ⁾</i> | 12 | - | - | 12 |
| Key Management Personnel | | | | |
| Ian Lynch (CFO) <i>(1 Nov 2023 to 31 Dec 2023)⁽ⁱⁱⁱ⁾</i> | 22 | 101 | - | 123 |
| Vassilios Carellas (COO) | 164 | 120 | - | 284 |
| | 836 | 665 | - | 1,501 |

(i) Includes £30k paid in lieu of contractual notice with respect to R Welschinger's former office as Finance Director.

(ii) C Mulenga resigned effective 27 March 2023.

(iii) I Lynch was appointed to the office of Chief Financial Officer in November 2023.

(iv) This represents 50% of bonuses declared during the year. The remaining 50% was declared on a deferred basis and will be payable in 2024 in cash or in shares at the discretion of Management.

| | | | | |
|---------------------------------|------------------------|------------|-------------------------|--------------|
| 31 December 2022 | | | | |
| | Short term benefits | Bonus paid | Share based payments | Total |
| | £ 000's | £ 000's | £ 000's | £ 000's |
| Executive Directors | | | | |
| Nicholas von Schirnding | 308 | - | - | 308 |
| Rémy Welschinger | 233 | - | - | 233 |
| Non-Executive Directors | | | | |
| Brian McMaster | 48 | - | - | 48 |
| Caleb Mulenga | 48 | - | - | 48 |
| Valentine Chitalu | 48 | - | - | 48 |
| Key Management Personnel | | | | |
| Vassilios Carellas (COO) | 163 | - | - | 163 |
| | 848 | - | - | 848 |

Notes to the financial statements

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.

| | 31 Dec 2023 | 31 Dec 2022 |
|--|----------------|----------------|
| | £ 000's | £ 000's |
| Gain/(Loss) Gain | 7,069 | (5,827) |
| Weighted average number of ordinary shares (000s) | 1,226,801 | 1,173,115 |
| Potential diluted weighted average number of shares (000s) | 21,975 198 | - |
| Basic earnings per share (expressed in pence) | 0.58 | (0.50) |
| Net Profit (loss) per share continuing operations – Basic | 0.58 | (0.50) |
| Net Profit (loss) per share continuing operations – Basic | 0.58 | (0.50) |
| Net Profit (loss) per share continuing operations – Diluted ⁽ⁱ⁾ | 0.03 | - |
| Net Profit (loss) per share discontinued operations – Basic | - | (0.01) |
| Net Profit (loss) per share discontinued operations – Diluted ⁽ⁱ⁾ | - | - |

(i) Due to the loss in 2022, the effect of options and warrants in calculating a diluted loss per share would be anti-dilutive and was therefore not calculated.

9. Long term payables

| | 31 Dec 2023 | 31 Dec 2022 |
|----------------------------|----------------|----------------|
| | £ 000's | £ 000's |
| Minority shareholder loans | 105 | 117 |
| | 105 | 117 |

- (i) The minority shareholder loans are payable to the minority shareholder Alvis-Crest (Proprietary) Limited in the amount of USD 134k, as at 31 December 2023 (31 December 2022: USD 141k). The loans are unsecured and loan holders have agreed to roll forward the loans until a liquidity event occurs.
- (ii) The minority shareholder loans rank equally with Arc's working capital loan to Alvis-Crest of USD 897k (31 December 2022: USD 861k), which is eliminated on consolidation. The loans are unsecured and loan holders have agreed to roll forward the loans until a liquidity event occurs.

10. Intangible assets

| | Deferred Exploration | | Prospecting and exploration rights | Other Intangible Assets | Total |
|---|----------------------|---------|------------------------------------|-------------------------|---------|
| | Zaco | Handa | | | |
| | £ 000's | £ 000's | £ 000's | £ 000's | £ 000's |
| At 1 Jan 2023 | 1,103 | 2,162 | 1,312 | 656 | 5,233 |
| Additions | 9 | - | - | 56 | 65 |
| Transfer of intangibles | - | - | - | - | - |
| Disposal of Handa Group | (729) | (1,683) | - | (301) | (2,713) |
| Currency gain/(loss) | (383) | (479) | - | (24) | (886) |
| Net book value as at 31 Dec 2023 | - | - | 1,312 | 387 | 1,699 |

Notes to the financial statements

| | Deferred Exploration | | Prospecting and exploration rights | Other Intangible Assets | Other Intangible Assets | Total |
|---|----------------------|------------------|------------------------------------|-------------------------|-------------------------|--------------|
| | Zaco £ 000's | Handa £ 000's | Alvis-Crest £ 000's | £ 000's | £ 000's | |
| Cost | | | | | | |
| At 1 Jan 2022 | 955 | - | 2,035 | 1,312 | 188 | 4,490 |
| Additions | 123 | - | - | - | 552 | 675 |
| Transfer of intangibles | - | 1,960 | (1,960) | - | - | - |
| Zamsort derecognition | - | - | (852) | - | - | (852) |
| Currency gain/(loss) | 25 | 202 | 777 | - | (84) | 920 |
| Net book value as at 31 Dec 2022 | 1,103 | 2,162 | - | 1,312 | 656 | 5,233 |

The Group's Intangible assets are comprised of evaluation and exploration expenditures in respect of the licences in Zambia and Botswana. Other Intangible Assets include exploration expenditures incurred and assets disposed by the Group in relation to Zambia and Botswana.

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

The Group is currently in the process of renewing its licences which expire in September 2024 and the Directors are not aware of any reason why any renewals or applications would not be granted.

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

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

Following their assessment, the Directors concluded that no impairment indicators exist which would require a formal impairment assessment and therefore that no impairment has been recognised.

11. Fixed Assets

| | Processing Plant £ 000's | Mining Equipment £ 000's | Motor Vehicles £ 000's | Furniture & Fittings £ 000's | Total £ 000's |
|-----------------------|-----------------------------|-----------------------------|---------------------------|---------------------------------|------------------|
| Cost | | | | | |
| At 1 Jan 2022 | - | - | 86 | 33 | 119 |
| Zamsort derecognition | - | - | (40) | (31) | (71) |
| Disposals | - | - | - | - | - |
| Additions | - | - | - | - | - |
| Foreign exchange | - | - | (11) | - | (11) |
| At 31 Dec 2022 | - | - | 37 | 2 | 39 |
| At 1 Jan 2023 | - | - | 37 | 2 | 39 |
| Disposals | - | - | (25) | (2) | (27) |
| Additions | - | - | - | - | - |
| Foreign exchange | - | - | - | - | - |
| At 31 Dec 2023 | - | - | 12 | - | 12 |

Notes to the financial statements

Accumulated Depreciation

| | | | | | |
|--|---|---|------|------|------|
| At 1 Jan 2022 | - | - | (66) | (31) | (97) |
| Disposals | - | - | - | - | - |
| Zamsort transfer | - | - | 40 | 30 | 70 |
| Depreciation | - | - | (9) | - | (9) |
| Reclassification of fixed assets to held for sale assets | - | - | - | - | - |
| Foreign exchange | - | - | 9 | - | 9 |
| At 31 Dec 2022 | - | - | (26) | (1) | (27) |
| At 1 Jan 2023 | - | - | (26) | (1) | (27) |
| Disposals | - | - | 16 | 1 | 17 |
| Zamsort transfer | - | - | - | - | - |
| Depreciation | - | - | (2) | - | (2) |
| Reclassification of fixed assets to held for sale assets | - | - | - | - | - |
| Foreign exchange | - | - | - | - | - |
| At 31 Dec 2023 | - | - | (12) | - | (12) |
| Net book value – 31 Dec 2022 | - | - | 11 | 1 | 12 |
| Net book value – 31 Dec 2023 | - | - | - | - | - |

12. Investment in subsidiary and associate companies

At 31 December 2023, the Company held interests in the share capital of the following subsidiary and associate companies.

| Company | Place of Business | Ownership Held (%) | Direct/ Indirect Ownership | Nature of business |
|-----------------------------------|------------------------|--------------------|----------------------------|---------------------|
| Alvis-Crest (Proprietary) Limited | Republic of Botswana | 75% | Direct | Mineral Exploration |
| Unico Minerals Limited | British Virgin Islands | 67% | Direct | Holding Company |
| Handa Resources Limited | Republic of Zambia | 30% | Indirect | Mineral Exploration |

Unico Minerals Limited registered office at Berkley Square House, Berkley Square, London, W1J 6BD, United Kingdom.

Handa Resources Limited registered office at Plot No. 1266, Haile Selassie Avenue, Longacres, Lusaka, Zambia – Handa was a subsidiary of the Company until it was disposed as part of the joint venture agreement to Anglo American Exploration BV – see Note 14.

Alvis Crest (Proprietary) Limited is registered at Desert Secretarial Services (Pty) Limited, Plot 64518, Deloitte House, Fairground, PO Box 211008, Bontlang, Gaborone, Botswana.

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

13. Investment in Associate

| | |
|---|------------------------|
| | Handa Group £ 000's |
| At acquisition fair value of associate at 10 Nov 2023 (Note 14) | 3,149 |
| Share of profits and losses | (691) |
| At 31 Dec 2023 | 2,458 |

The Investment in Associate comprises of the investment in Handa Resources Limited (Group), being the vehicle for the joint venture with Anglo American BV (“Anglo”), which was acquired on 10

Notes to the financial statements

November 2023 following satisfaction of all conditions precedent. Details of the joint venture are set out in Note 14.

Anglo's accounting policy requires exploration expenditure to be expensed through profit and loss. As such, the share of losses includes the Group's share of exploration expenditure incurred during the period 11 November 2023 to 31 December 2023.

During 2023, the Group submitted three mining license applications as part of preparing for completion of the JV with a subsidiary of Anglo American, being 33402-HQ-LML, 33403-HQ-LML and 33404-HQ-LML over the exploration licenses 23004-HQ-LEL and 19906-HQ-LEL. All of the mining licence applications were approved and validated by the Mining Cadastre Department and, following submission of the subsequent requisite documentation, the Mines Advisory Committee (MAC) was expected to meet to review the finalised LML applications prior to issuance of the Mining Licenses.

As announced on 17 June 2024, the Mining Cadastre Department published the results of the MAC meeting pursuant to which these applications and were rejected and Zaco Investments Limited's application with respect to 23004-HQ-LEL was marked as deferred pending an information request. As the applications were validly submitted and validated by the Zambian Mining Cadastre, the Company has been advised that Handa and Zaco will be appealing the decision of the Mining Licence Committee to reject the Mining Licence Applications and are engaging with the Mining Cadastre to have the appeal heard as soon as possible so that the applications can be reinstated and/or considered positively in accordance with the law.

With the exception of the licence mentioned above, none of the Company's other licences were affected by the recent Mining Licence Committee Meeting review and Anglo continued to mobilise for the planned exploration activities.

14. Joint Venture Agreement with Anglo American

On 12 May 2022 the Company announced that it, together with its partners, had entered into an agreement with Anglo American with the intention to form a joint venture in respect of its Zambian copper interests. The key commercial terms of the Joint Venture were that, upon signing of a binding Joint Venture Agreement ("JV Agreement"), Anglo American would have an initial ownership interest of 70% with Arc and its partners holding the balance via Unico Minerals Ltd ("Unico") in which Arc will have a 67% interest. On 20 April 2023, the JV Agreement was signed subject to completing certain conditions precedent including a restructuring of the Group's assets, obtaining approvals from relevant government and regulatory authorities and other customary conditions. On 10 November 2023 (the "Effective Date"), the Company announced that it had satisfied the conditions precedent. The key commercial terms of the Joint Venture are as follows:

Handa Resources Limited - the Joint Venture vehicle - was reconstituted to reflect the initial ownership interests of Anglo American and Unico of 70% and 30%, respectively ("Initial Ownership Interests");

Notes to the financial statements

- Anglo American has the right to retain an Ownership Interest of 51%, by:
funding exploration expenditures equal to USD 24,000,000 on or before the date that is 180 days after the third anniversary of the Effective Date ("Phase I End Date"); and making cash payments to Unico totalling up to USD 14,500,000, as follows:
 - USD 3,500,000, which was received on 13 November 2023;
 - The balance receivable of USD 11M becomes due as follows:
 - USD 1,000,000 on the first anniversary of the Effective Date;
 - USD 1,000,000 on the second anniversary of the Effective Date;
 - USD 1,000,000 on the third anniversary of the Effective Date; and
 - USD 8,000,000 by the Phase I End Date.

Following the completion of Phase I, Anglo American will have the right to retain an additional ownership interest equal to 9% (for a total ownership interest of 60%) by funding USD 20,000,000 of additional exploration expenditures within 2 years of the Phase I End Date ("Phase II End Date")

Following the completion of Phase II, Anglo American will have the right to retain an additional ownership interest equal to 10% (for a total ownership interest of 70%) by funding USD 30,000,000 within 2 years of the Phase II End Date ("Phase III End Date").

During the period up to the Phase III End Date, 30% of the total funds contributed by Anglo will be deemed to have been contributed by Unico Minerals Limited ("Deemed Contribution"). The Deemed Contribution has not yet been recognised in the accounts of Handa Resources Limited at 31 December 2023.

Anglo American, for as long as it holds the largest interest in the Joint Venture, shall have the right to nominate three directors and Unico shall have the right to nominate two directors. Joint Venture board decisions shall be adopted by simple majority vote.

Notes to the financial statements

Details of the group's gain on disposal of the Zaco and Handa subsidiaries is as follows:

| | Group 31 Dec 2023 £ 000's |
|---|--|
| Total Proceeds | 10,497 |
| Net Asset Value of Zaco | |
| Retained Earnings | 225 |
| Share Capital | (219) |
| Share Premium | (990) |
| Profit for the year | 34 |
| | <u>(951)</u> |
| Unico's 72.5% share of the Net Asset Value | <u>(690)</u> |
| Net Asset Value of Handa | |
| Retained Earnings | 132 |
| Share Capital | (172) |
| Share Premium | (1,818) |
| Profit for the year | 0 |
| Consideration | <u>(1,858)</u> |
| Arc's 66% share of the Net Asset Value | <u>(1,226)</u> |
| Fair value uplift on recognition of the Handa JV | 2,352 |
| Group gain on disposal of subsidiaries | <u>10,933</u> |

Following the transaction with Anglo, the group's interest in Handa reduced to 30% and as part of the disposal accounting, the directors assessed that their interest in Handa would be accounted for an investment in associate and the value of the investment amounted to £3.149m that they have deemed on recognition.

15. Receivables

| Long-term receivables | Group 31 Dec 2023 £ 000's | Group 31 Dec 2022 £ 000's |
|------------------------------------|--|--|
| Receivable – Anglo JV (USD 8.33M) | <u>6,531</u> | - |
| Total | <u>6,531</u> | - |
| Trade and other receivables | Group 31 Dec 2023 £ 000's | Group 31 Dec 2022 £ 000's |
| Receivable – Anglo JV (USD 948k) | 744 | 63 |
| Receivable – Casa Sale (USD 1.25M) | 982 | 1,033 |
| Other Receivables | 121 | - |
| Prepayments | <u>12</u> | - |
| Total | <u>1,859</u> | <u>1,096</u> |

Notes to the financial statements

Receivable – Anglo JV

The £744k is due in November 2024, being the sterling equivalent of the net present value of USD 1M receivable upon the first anniversary of the Effective Date of the Anglo JV. A long-term receivable component of £6.531M has been recognised, representing the net present value of the remaining USD 10M proceeds arising from the Anglo JV agreement by the Phase I End Date. The total proceeds had a nominal value of USD 14.5M and was discounted at a rate of 5.5% and a USD/GBP exchange rate of £ 0.81. See Note 14 for details of amounts receivable pursuant to the joint venture agreement with Anglo American.

Receivable – Casa Sale

Included in receivables at 31 December 2023 is £982k (USD 1.25M) (2022: £1.033M (USD1.25M)) to reflect the overdue Consideration Shares due to Arc in relation to the disposal of Casa Mining Limited: As announced on 29 April 2022, Regency Mining Ltd (“Regency”) acquired a 73.5% interest in the Misisi gold project (“Misisi Project”) from Golden Square Equity Partners Limited (“Golden Square”), replacing Rackla Metals Inc. as the acquiror of Misisi. The terms of the transaction were that Arc would be paid USD 250,000 in cash and the equivalent of USD 1,250,000 in shares in a publicly listed company in Canada (“Consideration Shares”). The agreement also provided Arc with a royalty agreement on the same terms as the previous royalty agreement announced on 5 May 2021.

On 30 June, the Company received the first cash payment of USD 125,000 towards the USD 1,500,000 receivable from the disposal of its Casa interests. On 12 September, the Company received the second cash payment of USD 125,000, bringing the aggregate cash payments received by the Company to date to USD 250,000. The balance of USD 1,250,000 is to be settled by the issuance of listed stock which has been delayed due to corresponding delays in the listing process of the underlying entity. Management continues to follow up on progress and the directors consider the balance recoverable.

The carrying amounts of the Group’s trade and other receivables are denominated in the following currencies:

| | Group 31 Dec 2023 £ 000’s | Group 31 Dec 2022 £ 000’s |
|--|------------------------------------|------------------------------------|
| Current trade and other receivables | | |
| UK Pounds | 132 | 31 |
| US Dollars | 1,726 | 1,033 |
| Zambian Kwacha | - | 8 |
| Botswana Pula | 1 | 24 |
| Total | 1,859 | 1,096 |

16. Royalties

Net Smelter Royalty - Casa Mining Ltd

On 18 March 2020 the Company announced the sale of its shareholding in Casa Mining Limited in return for a USD 5,000,000 interest-free note originally payable on 19 March 2021 and a 3% Royalty calculated on net smelter production capped at USD 45,000,000. The USD 5m loan note was subsequently extended and, as announced in the RNS dated 29 April 2022, satisfied in full.

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

Notes to the financial statements

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

Resource Royalty - Sturec

On 18 March 2020 the Company announced the sale of its shareholding in Casa Mining Limited in return for a USD 5,000,000 interest-free note originally payable on 19 March 2021 and a 3% Royalty calculated on net smelter production capped at USD 45,000,000. The USD 5m loan note was subsequently extended and, as announced in the RNS dated 29 April 2022, satisfied in full.

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

17. Short-term Investments Held at Fair Value Through Profit and Loss

The Group's investments held at fair value through profit and loss consist of investments publicly traded on the London Stock Exchange and the Over-The-Counter (OTC) market. These investments are valued at the mid-price as at year end.

| | Level 1 £ 000's | Level 2 £ 000's | Level 3 £ 000's | Total £ 000's |
|----------------------------|--------------------|--------------------|--------------------|------------------|
| At 1 January 2023 | 1,738 | - | - | 1,738 |
| Additions | - | - | - | - |
| Fair value loss | (1,509) | - | - | (1,509) |
| Impairment of TMNA shares | (164) | - | - | (164) |
| Foreign exchange | 3 | - | - | 3 |
| At 31 December 2023 | 68 | - | - | 68 |

| | Level 1 £ 000's | Level 2 £ 000's | Level 3 £ 000's | Total £ 000's |
|--|--------------------|--------------------|--------------------|------------------|
| Losses on short-term investments held at fair value through profit and loss | | | | |
| Fair value loss on investments | (1,509) | - | - | (1,509) |
| Realised loss on impairment of investments | (164) | - | - | (164) |
| At 31 December 2023 | (1,673) | - | - | (1,673) |

The fair value Agri-Fintech Holdings Inc. (TMNA), formerly Tingo Inc., declined significantly in 2023. The fair value losses recognised represent the decline in value. Amid widely publicised FBI and SEC investigations, TMNA announced its intention to liquidate in the fourth quarter of 2023. Following this announcement, the investment was impaired in full. The Company continues to monitor developments.

| | Level 1 £ 000's | Level 2 £ 000's | Level 3 £ 000's | Total £ 000's |
|----------------------------|--------------------|--------------------|--------------------|------------------|
| At 1 January 2022 | - | - | - | - |
| Additions | 6,406 | - | - | 6,406 |
| Fair value changes | (4,685) | - | - | (4,685) |
| Gain/ (Loss) on disposals | (25) | - | - | (25) |
| Disposals | (176) | - | - | (176) |
| Foreign exchange | 218 | - | - | 218 |
| At 31 December 2022 | 1,738 | - | - | 1,738 |

| | Level 1 £ 000's | Level 2 £ 000's | Level 3 £ 000's | Total £ 000's |
|--|--------------------|--------------------|--------------------|------------------|
| Losses on short-term investments held at fair value through profit and loss | | | | |

Notes to the financial statements

| | | | | |
|--|----------------|----------|----------|----------------|
| Fair value loss on investments | (4,685) | - | - | (4,685) |
| Realised loss on disposal of investments | (25) | - | - | (25) |
| At 31 December 2022 | (4,710) | - | - | (4,710) |

18. Zamsort/Handa Restructuring

Zamsort Settlement (background)

The Company announced in February 2022 that the parties to the legal cases in Zambia and in the UK have come to an agreement to settle various disputed matters and for all legal proceedings to be permanently dropped (the "Settlement Agreement"). The Settlement Agreement was submitted to Zambian courts to effect a Consent Judgement which has the force of law.

In return for the claimant parties, being Terra Metals Limited, Zambia Mineral Exchange Corporation Limited and their related parties (Mumena Mushingi, Brian Chisala and Katambi Bulawayo), relinquishing all claims against Zamsort or any other company in the Arc Minerals Ltd Group, present or contingent, and in full and final settlement of all claims in formal conclusion of all matters, the Group agreed to transfer to the claimant parties, for nil consideration, 100% of the issued share capital of Zamsort Ltd (the "Zamsort Transfer"), which owns the pilot plant. The Group also agreed to consent to the claimant parties applying for the 8 square kilometre small mining and small exploration license areas that were previously in existence at Zamsort prior to Arc's involvement (the "Original Zamsort License Area").

As announced on 31 March 2022, the Company issued 3,000,000 options in relation to the Zamsort Settlement with an exercise price of 5 pence each and an expiry date of 31 March 2024. Following the grant of these options there were 20,133,334 share options outstanding.

All of the Group's representative directors who served on the board of directors of Zamsort resigned effective 1 April 2022 ("Resignation Date").

Transfer of assets and liabilities from Zamsort to Handa

The pilot plant, related equipment and intangible assets that relate to the Original Zamsort License Area which remained in Zamsort ("Zamsort Retained Assets") was treated as available for sale assets at 31 December 2021. All assets and liabilities, other than the Zamsort Retained Assets, immediately preceding the date of the Zamsort Transfer (the "Transferred Assets & Liabilities") were transferred to Handa Resources Ltd ("Zamsort/Handa Restructuring"). The Zamsort/Handa Restructuring has been recorded on 31 March 2022, being the date immediately preceding the Resignation Date and resulted in a c.£6.8m expense in the year to 31 December 2023. Handa was subsequently sold to Anglo American Exploration BV as part of the joint venture agreement – refer to Note 14.

19. Trade and other payables

Included in trade and other payables are the following:

| | Group 31 Dec 2023 | Group 31 Dec 2022 |
|---|----------------------------------|----------------------------------|
| | £ 000's | £ 000's |
| Current trade and other payables | | |
| Surrendered share options payable | 1,181 | 1,181 |
| Minority shareholder loans | 47 | 1,271 |
| Trade payables, other payables and accruals | 1,016 | 281 |
| | 2,244 | 2,733 |

20. Share capital

Notes to the financial statements

| Authorised | £ 000's | | | |
|---|----------------------|------------------|--|--|
| Unlimited ordinary shares of no par value | | | | - |
| | Number of shares | Nominal value | Average price per share (pence) | Gross Consideration value GBP'000 |
| Called up, allotted, issued and fully paid | | | | |
| As at 1 January 2022 | 1,150,519,886 | | | 6,499 |
| Issued to creditors in lieu of payment | 1,200,000 | - | 3.30 | 40 |
| Issued pursuant to warrant exercises | 74,024,896 | - | 2.25-3.00 | 2,213 |
| As at 31 December 2022 | 1,225,744,782 | | | 8,752 |
| As at 1 January 2023 | 1,225,744,782 | | | 8,752 |
| Issued to creditors in lieu of payment | 5,593,099 | - | 2.932 | 164 |
| Issued pursuant to warrant exercises | 980,584 | - | 2.9 | 28 |
| As at 31 December 2023 | 1,232,318,465 | | | 8,944 |

Share issue costs in the amount of £nil (31 December 2022 – £nil) were incurred in the year and set off against the share premium account.

21. 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 January 2022 | 3.69 | 17,833,334 | | | 1.83 | 273 |
| Expired | | (700,000) | - | - | - | (17) |
| Prior year adjustments | | - | - | - | - | - |
| Exercised during the year | | - | - | - | - | - |
| Granted | | 3,000,000 | 5.00 | 3.60 | 1.25 | 27 |
| 31 December 2022 | 3.85 | 20,133,334 | | | 0.95 | 283 |
| 1 January 2023 | 3.85 | 20,133,334 | | | 1.83 | 283 |
| Expired | | (11,200,000) | - | - | - | (157) |
| Prior year adjustments | | - | - | - | - | - |
| Exercised during the year | | - | - | - | - | - |
| Granted | | - | - | - | - | - |
| 31 December 2023 | 4.56 | 8,933,334 | - | - | 0.52 | 126 |

No options are/were subject to vesting conditions.

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

The weighted average exercise price of the options outstanding at 31 December 2023 is 4.56 pence (31 December 2022 - 3.85 pence).

In the Black-Scholes model the key inputs for the options granted in 2022 were Volatility as 64.6%, the Risk Free Interest Rate as 0% and the dividend yield as 0%.

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

Notes to the financial statements

During the year 11 200 000 share options expired unexercised. The value of these expired share options was calculated based on a pro-rata allocation of the opening balance.

The charge incurred during the year in relation to share based payments was £nil (31 December 2022 – £27,000).

Warrants

| Grant date | Number | Exercise Price (pence) | Term (years) | Share Price at grant pence |
|-------------------------------|-------------------|------------------------|--------------------------|----------------------------|
| 1 January 2023 | 12,795,647 | | | |
| Exercised during the year | 980,584 | | | |
| Expired during the year | - | | | |
| TOTAL 31 December 2023 | 11,815,063 | | | |
| Weighted Average | | 4.41 | 0.5⁽ⁱ⁾ | |

(i) Remaining term as at 31 December 2023

The charge incurred during the year in relation to warrants was nil.

| Grant date | Number | Exercise Price (pence) | Term (years) | Share Price at grant pence |
|-------------------------------|-------------------|------------------------|---------------------------|----------------------------|
| 1 Jan 2022 | 165,859,668 | | | |
| Exercised during the year | (74,024,896) | | | |
| Expired during the year | (79,039,125) | | | |
| TOTAL 31 December 2022 | 12,795,647 | | | |
| Weighted Average | | 4.29 | 1.36⁽ⁱ⁾ | |

(i) Remaining term as at 31 December 2022

The charge incurred during the year in relation to warrants was nil.

22. Share premium

| | 31 Dec 2023 | 31 Dec 2022 |
|--------------------------|---------------|---------------|
| | £ 000s | £ 000s |
| Opening Balance | 64,272 | 62,019 |
| Total Additions | 192 | 2,253 |
| Share issue costs | - | - |
| As at 31 December | 64,464 | 64,272 |

See Note 20 for a breakdown of share issues during the year.

23. Financial instruments and capital risk management

Categories of financial instruments

The categories of financial assets and liabilities included in the statement of financial position are as follows:

| | 2023 | 2022 |
|--|-------|------|
| | £000 | £000 |
| Financial assets at amortised cost: | | |
| Long-term receivable | 6,531 | - |

Notes to the financial statements

| | | |
|---|---------------|--------------|
| Trade and other receivables | 1,859 | 1,096 |
| Assets held for sale | - | - |
| Cash and cash equivalents | 281 | 616 |
| Financial assets at fair value through profit or loss: | | |
| Short term investments | 68 | 1,738 |
| Financial assets at carrying value using equity method | | |
| Investment in associate | 2,458 | - |
| | <u>11,197</u> | <u>3,450</u> |
| | 2023 | 2022 |
| | £000 | £000 |
| Financial liabilities at amortised cost: | | |
| Trade and other payables | 2,244 | 2,733 |
| Long-term payables | 105 | 117 |
| | <u>2,349</u> | <u>2,850</u> |

Financial Risk Management

Financial Risk Factors

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

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

a) Market Risk

i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the pound sterling, US dollar ("USD"), Zambian kwacha ("ZMW") and Botswanan pula ("BWP"). 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.

The Zambian kwacha depreciated by approximately 51% (appreciated by 2.5% in 2022), although it has shown to be a volatile currency. The kwacha risk is mitigated by the fact that the Group's Zambian entities were disposed of during the year – See Note 14.

The Botswanan pula depreciated by approximately 11% (appreciated 0.14% in 2022), Whilst less volatile than the ZMW, the pula risk is similarly mitigated to that of the kwacha by the fact that the Group's Botswanan entity would only have one month's cash requirement on hand at any one time.

Notes to the financial statements

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

Potential impact on Zambian kwacha and Botswanan Pula expenses: 2022

| Increase/(decrease) in exchange rates | | Group (BWP) £ 000's | Group (ZMW) £ 000's |
|---------------------------------------|------|------------------------|------------------------|
| | 20% | (2) | (9) |
| | -20% | 2 | 9 |

Potential impact on Zambian kwacha and Botswanan pula expenses: 2023

| Increase/(decrease) in exchange rates | | | |
|---------------------------------------|------|-----|-----|
| | 20% | 6 | 6 |
| | -20% | (8) | (9) |

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 reputable institutions.

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 USD. The Group's strategy for managing cash is to assess opportunity for interest income whilst ensuring cash is available to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts. Short term interest rates on deposits remained very unattractive during the fiscal year and management employed short-term investment strategies to protect working capital reserves.

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

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

| | Dec 2023 £ 000's | Dec 2022 £ 000's |
|----------------------------------|------------------------|------------------------|
| Cash and cash equivalents | | |
| Sterling | 49 | 593 |
| US Dollars | 230 | 3 |
| Zambian Kwacha (ZMK) | - | 3 |
| Botswana Pula (BWP) | 2 | 17 |
| At end of year | 281 | 616 |

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.

Notes to the financial statements

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.

Listed securities

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.

Risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate.

The Company holds investments in companies that are listed on stock markets. The value at the balance sheet date is 68k (2022: £1.738M). If there were to be a 10% decrease in overall share prices of these financial investments, the impact on the comprehensive income and net assets would be a decrease of approximately £7k (2022: £174k). There would be a similar increase in the event there was a 10% increase in overall share prices.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to position as a going concern and to continue its exploration and evaluation activities. The Group has capital, defined as the total equity and reserves of the Group, of £10,547,000 (December 2022: £5,845,000).

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

24. Commitments

Alvis-Crest committed exploration expenditure

Until a decision to mine is reached, the Group is committed to spending, during any consecutive three year period, not less than USD 200,000 per year, on average, on the Virgo Project. The licences were renewed in 2022 for 2 years to 2024. Alvis Crest has lodged renewal applications for both the PL135/2017 and PL162/2017 licenses. This is an administrative process and the Directors see no reason why the licences will not be automatically renewed in accordance with their terms. The renewals will extend the period by which the Company can continue exploring the Virgo Project licenses for a further two years, expiring in 2026. As such, under the current licence term, the Group is committed to spending at least USD 200,000 in the next 12 months and an additional USD 200,000 per year for the following year.

Exploration commitments

Notes to the financial statements

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.

25. 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 during the reporting year, except as disclosed below:

Remuneration of Key Management Personnel

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

Of the amounts set out in Note 7:

£284 000 (2022 – £163,143) was paid to VC Resources Ltd, a PSC owned by Vassilios Carellas.

£123 000 (2022 – £163,143) was paid to HFS Consulting Ltd, a company owned by Ian Lynch.

A relative of Rémy Welschinger made a loan to the Company which was unsecured and converted into equity in November 2023.

26. Ultimate controlling party

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

27. Events after the reporting date

Fundraising

On 12 March 2024 the Company announced it has raised approximately £4.14 million through the issue of shares. The proceeds of the fundraising will be used to progress the Company's Botswana exploration programme; to assess potential new licence areas in Zambia, and, if a target licence area is identified, to fund the associated due diligence, costs of acquiring the licence and any initial work programmes; and for working capital purposes.