

3 July 2023

Arc Minerals Ltd
('Arc Minerals' or the 'Company')
Annual Report - December 2022

Arc Minerals Limited announces its audited results for the year ended 31 December 2022 (the "Annual Report") which is available to view at the following link: http://www.rns-pdf.londonstockexchange.com/rns/6570E_1-2023-7-2.pdf and has also been made available on the Company's website at <http://www.arcminerals.com/investors/document-library/default.aspx>. The Chairman's Statement and primary financial statements are set out below.

In accordance with shareholders' consent⁽ⁱ⁾ to receive information electronically and in the absence of any requests submitted to the Company for information in print, the Annual Report has not been distributed to shareholders in printed format.

Notice of the Company's Annual General Meeting will be announced in due course.

Market Abuse Regulation (MAR) Disclosure

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

Forward-looking Statements

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

(i) Shareholder consent to receive information electronically

At the Annual General Meeting of the Company held in September 2012, Shareholders approved electronic communication and dissemination of information via the Company's official website, including but not limited to Notices of General Meetings, Forms of Proxy and Annual Reports and Accounts. Shareholders are reminded that their right to request information in print remains unaffected and that they can do so by contacting the Company giving no less than 14 days' notice.

ENDS

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Chairman's Statement

2022 Overview

The past year was dominated by the Company's ongoing negotiations with a subsidiary of Anglo American plc ("Anglo American") to structure and finalise a joint venture in respect of the Company's copper interests in North Western Zambia.

In 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 (which was subsequently signed as announced on 20 April 2023 subject to completing certain Conditions Precedent) Anglo American would have an initial ownership interest of 70% with Arc and its partners the balance.

The terms of the Joint Venture agreement included Anglo American having the right to retain an Ownership Interest of 51% (Phase 1), by funding exploration expenditures equal to \$24m on or before 180 days after the third anniversary and making cash payments to Arc Minerals' subsidiary Unico of \$3m upon signing of the Joint Venture Agreement and satisfying the Conditions Precedent and \$1m per annum for the following three years with a final payment of \$8m by the end of Phase 1.

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 \$20m of additional exploration expenditures within 2 years of the Phase I end date and 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 \$30m within 2 years of the Phase II End Date.

At the date of this report the Company continues to work towards finalising the Conditions Precedent referred to above.

Following the acquisition of Alvis-Crest (Propriety) Limited in late 2021, the Company started initial exploration work on its licenses in Botswana. These licenses lie within and adjacent to the highly prospective Central Structural Corridor of the Kalahari Copper Belt ("KCB") and within 10km and 50km of Khomecau's Zone 5 and Banana Zone copper projects respectively, known as the two largest copper projects on the KCB.

These licenses already host two known copper-nickel anomalies, both 2-3km in length overlying the favourable interpreted DKF-NPF contact that have yet to be drill tested and now potentially may have further targets. As a result of delays associated with the Covid pandemic the two licenses in Botswana (PL 135/2017 and PL 162/2017) were renewed for an additional two years until 30 September 2024.

On 29 April 2022 the Company announced an update on the progress of the acquisition of a 73.5% interest in the Misisi gold project ("Misisi") by Regency Mining Ltd ("Regency") from Golden Square Equity Partners Limited ("Golden Square"). Regency replaced Rackla Metals Inc. as the acquiror of Misisi. The terms of the transaction saw Arc being paid US\$250,000 with Regency procuring the issuance to Arc of shares in a publicly listed company in Canada with a value of US\$1,250,000 ("Consideration Shares"). At the time of writing the issuance of the shares in Canada were subject to finalisation of an equity raise. The agreement also provides Arc with a royalty agreement on the same terms as the previous Misisi royalty agreement announced on 5 May 2021.

In addition, Arc held a US\$5m secured loan note dated 19 March 2020 issued by Golden Square ("Loan Note"). The Loan Note has since been replaced by the issuance to Arc of 3 million shares in a US listed company, Tingo Inc. (OTC: TMNA) ("Security Shares"), a agri-fintech business in Africa, in full and final settlement of the Loan Note.

Sustainability

From an ESG perspective, I am proud to report that the Company continued with its local outreach programme in some of the communities where we operate in North West Zambia.

Outlook

Notwithstanding the current economic headwinds of higher energy prices, the war in Ukraine and elevated levels of inflation and interest rates the outlook for copper remains strong. Global demand will require significant additional copper supply over and above the current requirements. Prolonged underinvestment in exploration and new mine development means the metal has a future that is well supported by strong fundamentals.

President Hakainde Hichilema's government has prioritised additional foreign investment into the mining sector and has made a number of significant policy changes to support increased economic growth in Zambia.

Acknowledgements

I would like to extend my gratitude to our shareholders for their continued support over the past year and look forward to reporting further on our progress.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

| | Notes | 31 December 2022 £ 000s | 31 December 2021 £ 000s |
|--|-------|-------------------------------|-------------------------------|
| Administrative expenses | 3 | (3,665) | (5,447) |
| Operating loss | | (3,665) | (5,447) |
| Loss on disposal of Zamsort | 4 | (2,162) | - |
| Loss for the year before tax | | (5,827) | (5,447) |
| Income tax expense | 5 | - | - |
| Loss for the year | | (5,827) | (5,447) |
| Other comprehensive income: | | | |
| Item that may be subsequently reclassified to profit or loss | | | |
| Currency translation differences | | 1,959 | 597 |
| Total comprehensive loss for the year, net of tax | | (3,868) | (4,850) |
| Loss attributable to: | | | |
| Equity holders of the parent | | (7,342) | (5,359) |
| Non-controlling interest | | 1,515 | (88) |
| | | (5,827) | (5,447) |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the parent | | (6,048) | (5,142) |
| Non-controlling interest | | 2,180 | 292 |
| | | (3,868) | (4,850) |
| Earnings per share attributable to owners of the parent during the year | | | |
| - Basic (pence per share) | 8 | (0.50) | (0.50) |
| - From continuing operations - Basic | 8 | (0.50) | (0.50) |

Consolidated Statement of Financial Position as at 31 December 2022

| | Notes | 31 December 2022 £ 000s | 31 December 2021 £ 000s |
|---------------------------------|-------|-------------------------------|-------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 5,233 | 4,490 |
| Fixed assets | 11 | 12 | 22 |
| Total non-current assets | | 5,245 | 4,512 |
| Current assets | | | |
| Trade and other receivables | 14 | 1,096 | 3,971 |
| Assets held for sale | 4 | - | 3,592 |
| Short term investments | 16 | 1,738 | 439 |
| Cash and cash equivalents | | 616 | 1,735 |
| Total current assets | | 3,450 | 9,737 |
| TOTAL ASSETS | | 8,695 | 14,249 |

| | | | |
|--|----|----------------|----------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | (2,733) | (1,338) |
| Total current liabilities | | (2,733) | (1,338) |
| Non-current liabilities | | | |
| Long term payables | 9 | (117) | (4,735) |
| TOTAL LIABILITIES | | (2,850) | (6,067) |
| NET ASSETS | | 5,845 | 8,182 |
| Equity | | | |
| Share Capital | 19 | - | - |
| Share premium | 21 | 64,272 | 62,019 |
| Share based payment reserve | 20 | 283 | 273 |
| Warrant reserve | 20 | 84 | 84 |
| Foreign exchange reserve | | 1,045 | (1,885) |
| Retained earnings | | (59,196) | (53,385) |
| Equity attributable to equity holders of the parent | | 6,488 | 7,106 |
| Non-controlling interest | | (643) | 1,076 |
| TOTAL EQUITY | | 5,845 | 8,182 |

These financial statements were approved by the Board of Directors on 2 July 2023 and signed on its behalf by:

Nicholas von Schirnding
Executive Chairman

Consolidated Statement of Cash Flows for the period ended 31 December 2022

| | Notes | 31 December 2022 £ 000s | 31 December 2021 £ 000s |
|--|-------|-------------------------------|-------------------------------|
| Cash flows from operating activities | | | |
| Loss before income tax and including discontinued operations | | (5,827) | (5,447) |
| Share based payment and warrants issued | 20 | 27 | 23 |
| Gain and losses on investments | 16 | 2,519 | - |
| Gain through profit and loss on forgiven shareholder loans | 3 | (6,485) | - |
| Loss through profit and loss on disposal of Zamsort | 3 | 5,517 | - |
| Loss arising on deconsolidation of Zamsort | 4 | 2,162 | - |
| Gains and Losses on foreign exchange | 3 | (168) | 114 |
| Depreciation and amortisation | | 10 | 31 |
| Net cash used in operating activities before changes in working capital | | (2,245) | (5,279) |
| Decrease in inventories | | - | 15 |
| Decrease (Increase) in trade and other receivables | 14 | (1,004) | (431) |
| Increase in trade and other payables | 18 | 124 | 2,116 |
| Net cash used in operating activities | | (880) | 1,700 |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | 10 | (675) | (367) |
| Proceeds from Casa disposal | | 202 | - |
| Proceeds on disposal of short term investments | 16 | 176 | - |
| Net cash used in investing activities | | (297) | (367) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares - net of share issue costs | 21 | 2,253 | 3,564 |
| Proceeds from exercise of share based payments | | - | 1,199 |
| Minority shareholder loans | | 50 | 292 |
| Net cash from financing activities | | 2,303 | 5,055 |
| Net (decrease) increase in cash and cash equivalents | | (1,119) | 1,035 |
| Cash and cash equivalents at beginning of year | | 1,735 | 700 |
| Cash and cash equivalents at end of the year | | 616 | 1,735 |

Consolidated Statement of Changes in Equity as at 31 December 2022

| | Share capital | Share premium | Attributable to equity holders of the Company Foreign exchange reserve | Share based payment reserve | Warrant reserve | Retain earn |
|--|---------------|---------------|---|-----------------------------|-----------------|-------------|
| | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s |
| Balance as at 1 January 2022 | - | 62,019 | (1,885) | 273 | 84 | (53,;) |
| Loss for the year | - | - | - | - | - | (5,;) |
| Other comprehensive income(loss) for the year - currency translation differences | - | - | 1,294 | - | - | - |
| Total comprehensive income (loss) for the year | - | - | 1,294 | - | - | (5,;) |
| Share capital issued | - | 2,253 | - | - | - | - |
| Share options expired during the year | - | - | - | (16) | - | - |
| Share options expense during the year | - | - | - | 27 | - | - |
| Effect of foreign exchange on opening balance | - | - | 2,550 | (1) | - | - |
| Disposal of Zamsort | - | - | (914) | - | - | - |
| Total transactions with owners, recognised directly in equity | - | 2,253 | 1,636 | 10 | - | - |
| Balance as at 31 December 2022 | - | 64,272 | 1,045 | 283 | 84 | (59,;) |

| | Share capital | Share premium | Attributable to equity holders of the Company Foreign exchange reserve | Share based payment reserve | Warrant reserve | Retain earn |
|--|---------------|---------------|---|-----------------------------|-----------------|-------------|
| | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s |
| Balance as at 1 January 2021 | - | 55,755 | (3,111) | 1,368 | 84 | (49,;) |
| Loss for the year | - | - | - | - | - | (5,;) |
| Other comprehensive income(loss) for the year - currency translation differences | - | - | 597 | - | - | - |
| Total comprehensive income (loss) for the year | - | - | 597 | - | - | (5,;) |
| Share capital issued | - | 6,264 | - | - | - | - |
| Granted during the year | - | - | - | 23 | - | - |
| Surrendered during the year | - | - | - | (1,118) | - | 1,;) |
| Effect of foreign exchange on opening balance | - | - | 629 | - | - | - |
| Investment by NCI in the year | - | - | - | - | - | - |
| Total transactions with owners, recognised directly in equity | - | 6,264 | 629 | (1,095) | - | - |
| Balance as at 31 December 2021 | - | 62,019 | (1,885) | 273 | 84 | (53,;) |

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.*



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