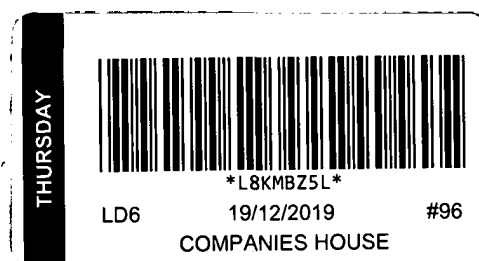


COMPANY REGISTRATION NUMBER: 06418951

ORTAC RESOURCES (UK) LIMITED

Financial Statements

31 March 2019



ORTAC RESOURCES (UK) LIMITED

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ORTAC RESOURCES (UK) LIMITED

CORPORATE INFORMATION

Company registration number	06418951
Director	Vassilios Carellas
Company Secretary	John Forrest
Registered Office	15 Westferry Circus Canary Wharf London E14 4HD
Auditor	PKF Littlejohn LLP (Statutory Auditor) 15 Westferry Circus Canary Wharf London E14 4HD
Solicitor	Hill Dickinson LLP London WC2R 1DJ
Principal Bankers	Bank of Scotland 33 Old Broad Street The City London, EC2N 1HW

ORTAC RESOURCES (UK) LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their report together with the financial statements for the year ended 31 March 2019.

Principal Activities

The principal activity of Ortac Resources (UK) Limited ("the Company") is the management and supervision of the activities of its subsidiaries in Slovakia in developing the Šturec resource in Kremnica and elsewhere exploring for base and precious metals in Slovakia.

Results and Dividends

Loss on ordinary activities after taxation amounted to £514,575 (2018: £6,842,692). No dividends were paid during the year (2018: £nil). In 2019 the Company impaired its investment in Sturec by an amount of £422,000. (2018: £6,700,000).

Post Balance Sheet events

There were no reportable Post balance sheet events.

Directors

The names of the Directors who served during the year are set out below:

Director

Vassilios Carellas

Principal risks and uncertainties

The principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Arc Minerals Limited, which include those of the Company, are discussed in the Group's 2019 Annual Report.

Going Concern

The Company made a loss during the year and is reliant on its parent, Arc Minerals Limited, for support. Further funding will be required within 12 months of the date of signing the financial statements. The Company's parent has demonstrated its ability to raise funds in equity markets with several equity raisings in 2017-2019. Whilst there is no indication that this will continue, the Director believes that preparation of the Company's accounts on a going concern basis is appropriate and consistent with the basis of preparation of the accounts of its parent Arc Minerals Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Status of the Directors Report

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Vassilios Carellas

16 December 2019

ORTAC RESOURCES (UK) LIMITED

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE

		Year ended 31 March 2019	Year ended 31 March 2018
	Note	£	£
Revenue			-
Other operating income			-
Administrative expenses	2	(92,575)	(142,692)
Impairment of assets	3	(422,000)	(6,700,000)
Operating loss		(514,575)	(6,842,692)
Loss before income tax		(514,575)	(6,842,692)
Income tax expense	5	-	-
Loss after income tax		(514,575)	(6,842,692)
Loss for the financial year		(514,575)	(6,842,692)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(514,575)	(6,842,692)

The notes following form part of these financial statements

ORTAC RESOURCES (UK) LIMITED

FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION AS AT

Registered Number: 06418951

	Note	31 March 2019 £	31 March 2018 £
ASSETS			
Non-current assets			
Investment in subsidiaries	6	1,327,400	1,327,400
Trade and other receivables	7	6,654,520	6,985,064
Total non-current assets		7,981,920	8,312,464
Current assets			
Trade and other receivables	7	5,168	2,097
Cash and cash equivalents		347	8,494
Total current assets		5,515	10,591
TOTAL ASSETS		7,987,435	8,323,055
EQUITY			
Share capital	9	560,993	560,993
Share premium		1,311,861	1,311,861
Retained earnings - deficit		(12,880,919)	(12,366,344)
TOTAL EQUITY		(11,008,065)	(10,493,490)
LIABILITIES			
Current Liabilities			
Trade and other payables	8	18,995,500	18,821,545
TOTAL LIABILITIES		18,995,500	18,821,545
TOTAL EQUITY AND LIABILITIES		7,987,435	8,323,055

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 (the "Act") relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and were approved by the Board of Directors on 16 December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Vasilios Carellas', with a long horizontal stroke extending to the right.

Vasilios Carellas

Director

The notes following form part of these financial statements.

ORTAC RESOURCES (UK) LIMITED

FINANCIAL STATEMENTS (continued)

CASH FLOW STATEMENT FOR THE YEAR ENDED

	Note	31 March 2019 £	31 March 2018 £
Cash flows from operating activities			
Loss before income tax		(514,575)	(6,842,692)
Impairment of assets	3	422,000	6,700,000
(Increase) decrease in trade and other receivables		(3,071)	(24)
Increase (decrease) in trade and other payables		5,926	15,100
Net cash outflow from operating activities		(89,720)	(127,616)
Cash flows from investing activities			
Increase in Loans from parent and group companies		173,209	297,944
Increase in loans to subsidiaries		(91,456)	(165,232)
Net cash inflow from investing activities		81,573	132,712
Net increase/(decrease) in cash and cash equivalents		(8,147)	5,096
Cash and cash equivalents at beginning of year		8,494	3,398
Cash and cash equivalents at end of year		347	8,494

The notes following form part of these financial statements.

ORTAC RESOURCES (UK) LIMITED

FINANCIAL STATEMENTS (continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to equity shareholders			Total equity £
	Called up share capital £	Share premium reserve £	Retained earnings £	
As at 1 April 2017	560,993	1,311,861	(5,523,652)	(3,650,798)
Loss for the year	-	-	(6,842,692)	(6,842,692)
Total comprehensive income for the year	-	-	(6,842,692)	(6,842,692)
As at 31 March 2018	560,993	1,311,861	(12,366,344)	(10,493,490)
As at 1 April 2018	560,993	1,311,861	(12,366,344)	(10,493,490)
Loss for the year	-	-	(514,575)	(514,575)
Total comprehensive income for the year	-	-	(514,575)	(514,575)
As at 31 March 2019	560,993	1,311,861	(12,880,919)	(11,008,565)

Share capital: This represents the nominal value of the equity shares in issue.

Share premium: When shares are issued, any premium paid above the nominal value is credited to the share premium reserve.

Retained earnings: This records the accumulated losses of the Company since the inception of the business.

The notes following form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

General information and authorisation of financial statements

Ortac Resources (UK) Limited is a private limited company incorporated and domiciled in England & Wales, with a registered number 06418951. The Company's Financial Statements for the year ended 31 March 2019 were authorised for issue by the Board on 16 December 2019 and the Statement of Financial Position was signed on the Board's behalf by Mr. Vassilios Carellas.

(i) New and amended standards adopted by the Group

The standards which applied for the first time this year have been adopted and have not had a material impact. These standards were:

IFRS 9

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

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

IFRS 15

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

(ii) New standards and interpretations not yet adopted by the Group

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not

ORTAC RESOURCES (UK) LIMITED

effective for the financial year ending 31 March 2019 and have not been adopted early. The Group is currently assessing the impact of these standards and based on the Group's current operations do not expect them to have a material impact on the financial statements.

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

*Not yet adopted by European Union

Arc has progressed further its projects dealing with the implementation of these key new accounting standards and is able to provide the following information regarding their likely impact:

IFRS 16 'Leases'

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRIC") as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial information is presented in pounds sterling and all values are rounded to the nearest pound (£) unless otherwise stated.

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

ORTAC RESOURCES (UK) LIMITED

Consolidated Financial Statements

The Company has taken advantage of the exemption available under S401 of the Companies Act 2006 not to present consolidated financial statements in respect of Ortac Resources (UK) Limited and its subsidiaries, as Arc Minerals Limited (which is listed on the Alternative Investment Market) has prepared consolidated financial statements which include those of the Company and its subsidiaries.

Going concern

The Company's business activities are set out in the Directors' Report on pages 3 and 4; in addition, note 10 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit, market and liquidity risk.

Whilst the Directors have prepared cashflow forecasts for the Company, it remains reliant on its Parent (Arc Minerals Limited) for the funding of its operations to be able to provide this support. Having considered all information available, the Directors believe that such funding will be forthcoming and that the Parent will provide finance as required. The amount of funding is unforeseen at the point of approval of these Financial Statements and the Company's Parent will be required to raise additional funds via an issue of equity.

The Financial Statements have been prepared on a going concern basis. Although the Company's assets are not generating revenue and an operating loss has been reported, the Directors are of the opinion that the Parent Company will have sufficient funds to finance the Company's operating activities for a period of at least the next 12 months following approval of these Financial Statements.

Contingent consideration

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Taxation

Tax is recognised in the 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.

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.

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

ORTAC RESOURCES (UK) LIMITED

Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of investment in, and loans to, subsidiaries

Management tests annually whether the investment in, and loans to, subsidiaries have a recoverable value greater than their carrying value. Where there are indications that a subsidiary may be impaired, the Company is required to estimate the Company's recoverable amount, which is the greater of value in use and fair value less costs to sell.

The impairment review in the current year assessed that exploration projects carried out by the subsidiaries, whilst at an early stage of development, are all connected with projects for which a JORC compliant resource estimate is available. Impairment provisions have been raised against these projects.

Subject to the above, the Directors are of the opinion that no further impairment provisions are required.

Revenue

The Company had no revenue in the years ended 31 March 2019 or 31 March 2018.

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value.

Financial instruments

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

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

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

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

Trade and other payables

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

ORTAC RESOURCES (UK) LIMITED

2. Expenses by Nature

	2019	2018
	£	£
Operating loss is arrived at after charging:		
Directors' emoluments	-	21,300
Salaries and benefits	58,018	58,264
Establishment expenses	29,432	25,768
Travel and subsistence expenses	1,362	23,137
Professional fees	3,007	2,108
Other	756	12,115
Total operating expenses	<u>92,575</u>	<u>142,692</u>

Auditors remuneration for the year ended 31 March 2019 was borne by the Parent Company. The Directors estimate the audit fee for the Company to be £5,000 (2018: £5,000).

3. Impairment of assets

During 2019 the Company impaired its investment in the Sturec project in the amount of £422,000 (2018: £6,700,000).

ORTAC RESOURCES (UK) LIMITED

4. Employee Information

	2019	2018
	£	£
Salaries	58,018	58,264
Directors' remuneration	-	21,300
	<u>58,018</u>	<u>79,564</u>

The average number of employees during the period was made up as follows:

	2019	2018
	£	£
Administration	-	-
Management	1	1
	<u>1</u>	<u>1</u>

5. Taxation

The taxation charge of £nil on the Company's loss before taxation differs from the theoretical amount that would arise using the tax rate applicable to the loss of the Company as follows:

	2019	2018
	£	£
Tax on ordinary activities	-	-
Loss on ordinary activities before tax	(514,575)	(6,842,692)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 20% (2018: 20%)	(102,915)	(1,368,568)
Effects of:		
Unutilised losses	<u>102,915</u>	<u>1,368,538</u>
Current tax charge	-	-

There are tax losses in the Company of £10.6m (2018: £10.1m) which are carried forward for relief against taxable profits in future periods. The potential deferred tax asset of £2,123,000 (2018: £2,020,000) has not been recognised in respect of these losses.

ORTAC RESOURCES (UK) LIMITED

6. Investment in Subsidiaries

Shares in subsidiary undertakings	£
Carrying value	
At 31 March 2018	1,327,400
At 31 March 2019	1,327,400

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

At 31 March 2019, the Company held an interest in the share capital of the following subsidiary companies, each of which is a Minerals Exploration company:

Company	Place of Business	Proportion held
St. Stephans Gold s.r.o.	Slovak Republic	100%
Ortac s.r.o (formerly Kremnica Gold Mining s.r.o.)	Slovak Republic	100%

7. Trade and Other Receivables

	2019	2018
	£	£
Current trade and other receivables		
Other receivables	3,533	-
Tax receivables	1,635	2,097
Total	5,168	2,097
	£	£
Non-current trade and other receivables		
Loans due from subsidiaries	6,654,020	6,985,064
	6,654,020	6,985,064

Current trade and other receivables are all due within one year. The fair value of all remaining receivables is the same as their carrying values stated above.

Loans due from subsidiaries are unsecured, interest free and have no fixed repayment dates. During the year ended 31 March 2019, the Company impaired its loan to Kremnica in the amount of £422,000 (2018: £6,700,000).

ORTAC RESOURCES (UK) LIMITED

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

	2019	2018
	£	£
UK Pounds	5,168	2,097
Total	5,168	2,097

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

	2019	2018
	£	£
Euros	6,654,020	6,985,064
Total	6,654,020	6,985,064

8. Trade and Other Payables

	2019	2018
	£	£
Amounts due to group companies	18,978,160	18,804,951
Trade payables and accruals	17,340	16,594
Total	18,995,500	18,821,545

Amounts due to Group companies are primarily amounts due to Arc Minerals Limited (formerly Ortac Resources Limited) which were incurred when Ortac acquired the assets in Slovakia.

9. Share Capital

Authorised share capital	No.	2019		2018	
		No.	£	No.	£
Ordinary shares of £0.05 each	40,000,000	2,000,000	40,000,000	2,000,000	2,000,000
Redeemable preference shares of £1 each	51,000	51,000	51,000	51,000	51,000
		2,051,000		2,051,000	

Allotted, called up and fully paid share capital	No.	2019		2018	
		No.	£	No.	£
Ordinary shares of £0.05 each	11,219,862	560,993	11,219,862	560,993	560,993
At 31 March 2019 and 2018	11,219,862	560,993	11,219,862	560,993	560,993

10. Financial and Capital Risk Management

Financial risk management

The main financial risks to which the Company's activity is exposed are liquidity and capital risk.

Liquidity risk

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows, and maintaining funding sources and back-up facilities.

Liquidity risk is managed at a Group level as the Company's Parent holds the cash to fund exploration activities. The Directors are confident that adequate funding will be forthcoming from the Company's Parent with which to finance operations although the Parent will need to raise funds on the open market to be able to provide such funding.

Market risk

The Company's main exposure to market risk is through foreign currency exchange rates and interest rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and UK pound sterling.

Foreign exchange risk arises from recognised monetary assets and liabilities. The exposure to this risk is not considered material to the Company's operations and thus the Directors consider that, for the time being, no hedging or other arrangements are necessary to mitigate this risk.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to enable the Company and its subsidiaries to continue their exploration and evaluation activities. The Company is dependent on its Parent for financing, and holds no external debt and, as such, capital risk management is monitored on a Group basis, ensuring the level of cash resources within the Group are in line with future planned exploration and evaluation activities. The Parent Company may issue new shares in order to raise further funds from time to time.

11. Related Party Transactions

Intra Group Payments

During 2019 the Company received from its parent £ 173,209 (2018: £297,944) and loaned to its Slovakian subsidiaries £ 91,456 (2018: £165,232)

12. Post Balance Sheet Events

There were no reportable post balance sheet events.

ORTAC RESOURCES (UK) LIMITED

13. Ultimate Controlling Party

The Company is wholly-owned by Arc Minerals Limited (formerly Ortac Resources Limited), a company incorporated in the British Virgin Islands, whose shares are traded on the Alternative Investment Market of the London Stock Exchange with the symbol ARCM.

No person or entity controls Arc Minerals Limited; as such there is no ultimate controlling party.