

## SEPTEMBER 2018 QUARTERLY REPORT

ARC Exploration Limited (“**ARX**” or “the **Company**”) provides the following commentary and Appendix 5B for the September 2018 Quarter.

### Highlights

- **Integration and review of historical dataset compilation nearing completion, targets for 2019 field season being prioritised for exploration activity.**
- **ARC exploration executes sale and purchase agreement to divest non-core asset for cash consideration of A\$100,000**

### Manitou Gold Project - North-Western Ontario, Canada

The Company continues with the compilation of an extensive historical database for the Manitou Gold Project region available in public datasets in Ontario. Datasets are being digitised into modern software to integrate and interrogate data. Several prospect areas have been identified, and ongoing work will prioritise targets for planned mapping and sampling during the 2019 summer months, which will be focused on defining potential drill targets, and a component of mapping and sampling work will be oriented to determining if a contemplated VTEM airborne geophysical survey can cost effectively refine drill targeting and define additional targets for surface disturbing exploration activity.

### Trenggalek Project - East Java.

The Company has executed a binding sale and purchase agreement with an unrelated entity to divest its joint venture interest with PT Sumber Mineral Nusantara in the Trenggalek Project in East Java. ARX has agreed to the sale of its legal and beneficial right, title and interest to the Trenggalek Project, technical information, specified contracts and shares in its wholly owned subsidiary PT Indonusa Mining Services for cash consideration of A\$100,000.

The divestment is consistent with ARX’s decision to focus its resources and activities on developing the Manitou Gold Project (“the Project”) which is located in North-western Ontario and comprises 112 claims totalling 245 km<sup>2</sup>. The Project is strategically located in the past producing Manitou Lake area in the Western Wabigoon geological sub-province of Ontario, Canada.

Although the Board is currently focussed on the Manitou Gold Project, the Company will also continue to assess new business opportunities in the mining and resources sector.

### Corporate - Other

At the end of the September Quarter the Company had cash at bank of \$2.0m. Refer to the attached Appendix 5B for further details.

**ABOUT ARC EXPLORATION LIMITED**

Arc Exploration Limited (ASX Code: ARX) is an Australian-listed company focused on gold and base metal exploration in Canada and Indonesia.

The Manitou Project is located approximately 60km South of Dryden, Ontario on an all-weather paved highway; with a total area of 245 km<sup>2</sup>. The Project is strategically located in a geologically favourable Archean sub-province that currently contains multiple orebodies containing greater than 1.0 million ounces of gold. Locally the Project straddles a major first order fault system that is host to local historic past producing mines still containing historic non-JORC compliant gold estimates (Ontario Ministry of Northern Development and Mines).

The geology of the Project is representative of the typical Archean lode-gold style of mineralization found in most greenstone belts worldwide consisting of mafic to intermediate meta-volcanic units locally intercalated with minor meta-sediments and intruded with local plugs and stocks of mafic to felsic composition. The meta-volcanic and meta-sedimentary units are generally folded and sheared by the first order Manitou-Straits fault system with the later felsic and mafic intrusive units generally remaining un-deformed due to timing and only generally display a weak fabric due to regional deformation events. Due to the large size of the land package there is also potential for discovery of other commodities typically found in greenstone belts.

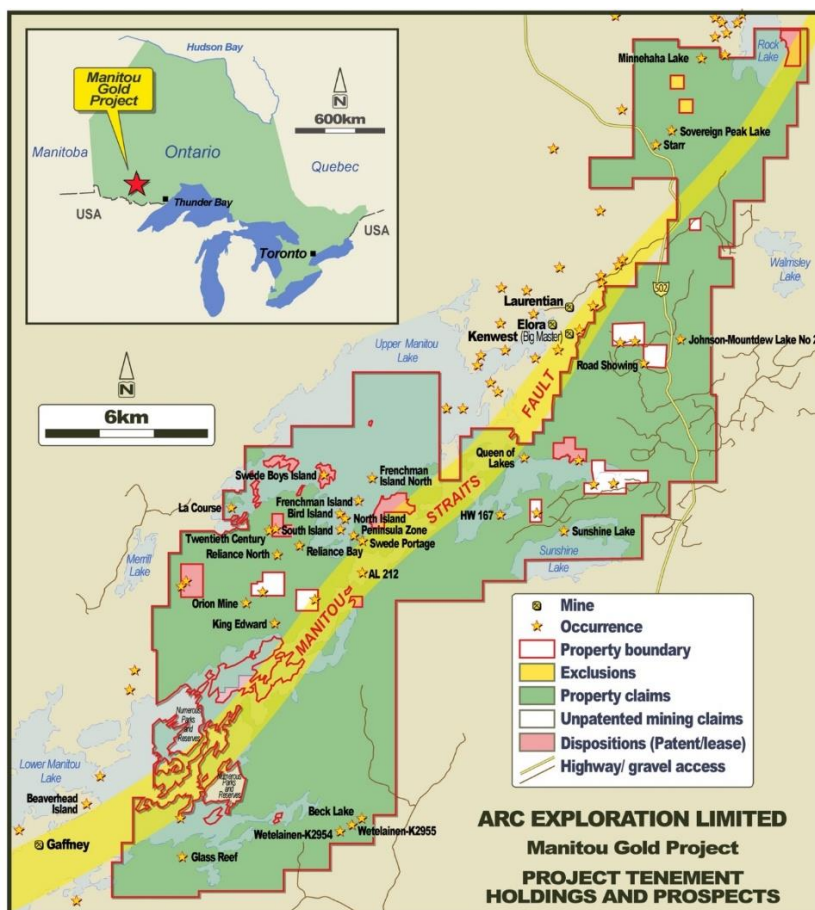


Figure 1 | Location of Manitou Project in Ontario, Canada

## Appendix 1 | ARC Exploration Limited Tenements

Tenement	Location	Area	Structure
<b>CANADA</b>			
<p>The Manitou Gold Project consists of 112 unpatented mining claims. GNR Minerals Pty Ltd owns 100% of all claims.</p> <p>Claim numbers are as follows:</p> <p>4276785, 4276786, 4276787, 4281403, 4281404, 4281405, 4281406, 4281407, 4281408, 4281409, 4281410, 4281411, 4281412, 4281413, 4281414, 4281415, 4281416, 4281417, 4281418, 4281419, 4281420, 4281421, 4281422, 4281423, 4281424, 4281425, 4281426, 4281427, 4281428, 4281429, 4281430, 4284701, 4284702, 4284703, 4284704, 4284705, 4284706, 4284708, 4284709, 4284710, 4284711, 4284712, 4284713, 4284714, 4284715, 4284716, 4284717, 4284718, 4284719, 4284720, 4284721, 4284722, 4284723, 4284724, 4284725, 4284726, 4284727, 4284728, 4284729, 4284730, 4284731, 4284732, 4284735, 4284736, 4284737, 4284738, 4284739, 4284740, 4284741, 4284742, 4284743, 4284744, 4284746, 4284747, 4284748, 4284749, 4284750, 4284751, 4284752, 4284753, 4284754, 4284755, 4284756, 4284757, 4284758, 4284759, 4284760, 4284761, 4284762, 4284763, 4284764, 4284765, 4284766, 4284767, 4284768, 4284769, 4284770, 4284771, 4284772, 4284773, 4284774, 4284775, 4284776, 4284780, 4284781, 4284784, 4284800, 4284815, 4284816, 4284817, 4284818, 4286148</p>	Ontario, Canada.	245 km <sup>2</sup> in total	100%
<b>INDONESIA</b>			
Trenggalek	East Java, INDONESIA	299.7 km <sup>2</sup>	95%

*Km<sup>2</sup> – Square kilometres*

**Changes during the September Quarter:** N/A

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

ARC EXPLORATION LIMITED

### ABN

48 002 678 640

### Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(67)	(146)
(b) development	-	-
(c) production	-	-
(d) staff costs	(48)	(67)
(e) administration and corporate costs	(112)	(418)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(224)</b>	<b>(625)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Cash on acquisition of subsidiary	-	5
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>5</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	1,963
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(49)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material):	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,914</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,260	740
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(224)	(625)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	5
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,914
4.5	Effect of movement in exchange rates on cash held	1	3
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,037</b>	<b>2,037</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,037	1,861
5.2 Call deposits	-	400
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,037</b>	<b>2,261</b>

**6. Payments to directors of the entity and their associates****Current quarter  
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

30

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payment of Directors Fees and Remuneration - \$30k

**7. Payments to related entities of the entity and their associates****Current quarter  
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	16
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	85
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>101</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter %</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 26 October 2018

Print name: Aaron Bertolatti

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.