



## ARC ACQUIRES ADVANCED STAGE COPPER PROJECT

### Highlights

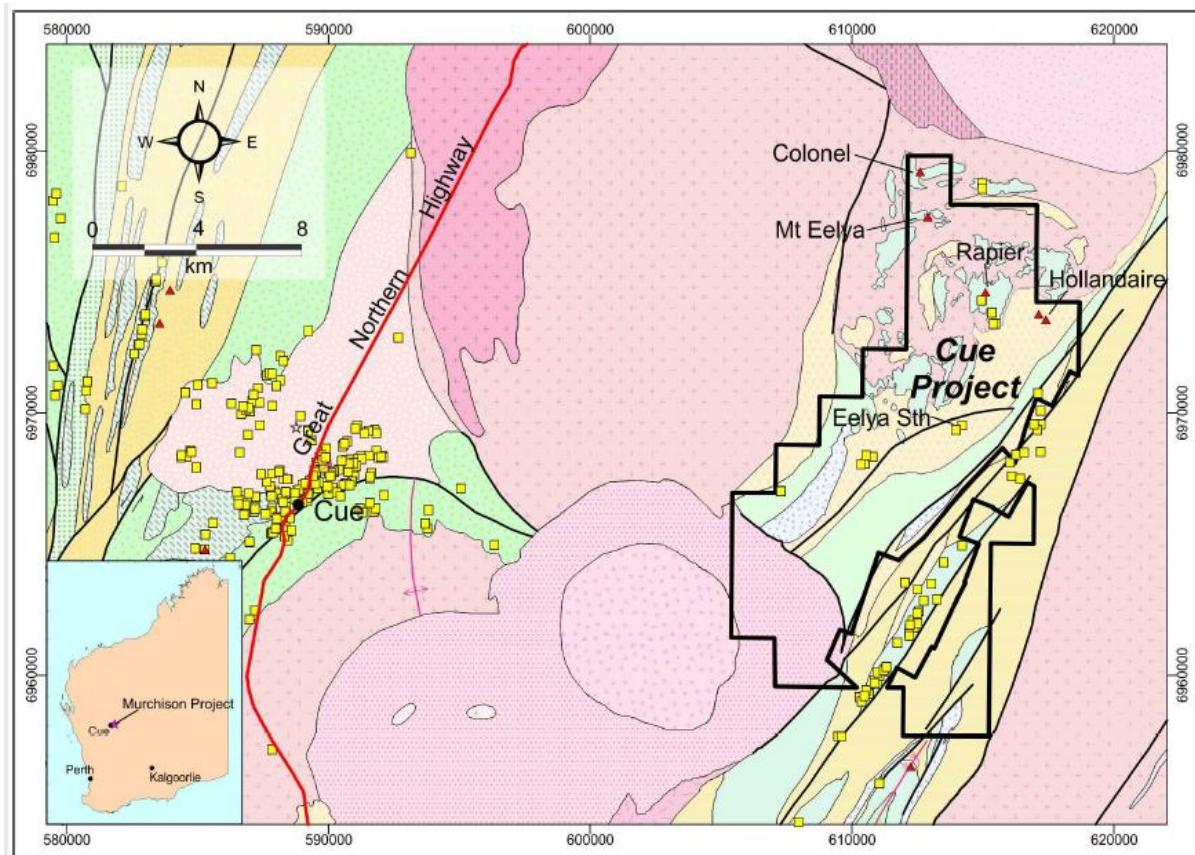
- **ARC Exploration executes a binding Heads of Agreement to acquire 100% of the issued capital of Cyprium Australia Pty Ltd ("Cyprium")**
- **Cyprium has an option to earn-in and joint venture for an 80% interest in the Cue Copper Project from Musgrave Minerals Limited (ASX: MGV)**
- **Cue Copper Project includes mineral resources at Hollandaire and other high priority drill ready targets**
- **Hollandaire has a JORC compliant Mineral Resource of 39kt of contained copper with significant upside potential**
- **Highly credentialed mining executives Gary Comb and Barry Cahill to join the Board as Non-Executive Chairman and Executive Director respectively**
- **ARC Exploration is aiming to build a mid-tier copper mining business and continues to assess other advanced stage projects in Australia**
- **Commitments from the new management team and other sophisticated investors for a \$2 million equity raising will leave the company in a strong financial position with approximately \$4 million cash**

ARC Exploration Limited ("ARX" or "the Company") is pleased to advise that it has executed a binding Heads of Agreement ("**Agreement**") to acquire 100% of the issued capital of Cyprium Australia Pty Ltd ("**Cyprium**") ("**the Transaction**"). Cyprium is a privately owned Australian mineral exploration company founded by Gary Comb, Barry Cahill, Wayne Apted, Peter van Luyt and their advisors. Pursuant to an agreement between Cyprium and Musgrave Minerals Limited (ASX: MGV) ("**MGV**"), MGV has granted Cyprium an option ("**Option**") to earn-in and joint venture for an 80% interest in the non-gold rights over the tenements at the Cue Copper Project ("**Project**") ("**Option Agreement**"). A summary of the material terms of the Agreement and the Option Agreement are set out below.

### The Cue Copper Project

The Project is located in the Murchison region of Western Australia which is host to a number of Volcanic Massive Sulphide ("**VMS**") deposits. VMS deposits are noted to occur in clusters when in favourable geological settings such as those in the Project area. The Exploration leases and Mining Licenses currently held by MGV are located approximately 20km to the east of Cue in Western Australia as detailed in Figure 1 below.

The Project contains the Hollandaire VMS copper resource. Hollandaire mineralisation is open to the south west and at depth. The preliminary exploration data has identified a number of high priority targets and drilling will be conducted (assuming the Option is exercised) at Hollandaire and Hollandaire West to determine the extent of the open mineralisation. In conjunction with the resource extension drilling, ARX (assuming the Option is exercised) will prioritise its other exploration drill targets and optimise feasibility study activities in order to maximise the project economics.



**Figure 1 | Hollandaire Copper Resource and location of the Cue Copper Project tenements**

## Technical Overview

The Hollandaire copper resource was discovered in 2011 by Silver Lake Resources Limited (ASX: SLR) and a maiden Mineral Resource estimate was estimated in 2013. ARX believes there is potential to upgrade the remaining inferred material to indicated and to identify further mineralisation as the sulphide lodes are open down dip/plunge as detailed in Figures 2 and 3 below.

A JORC compliant Mineral Resource and Mineral Reserve estimate using a 0.5% copper cut-off completed by Silver Lake Resources Ltd in 2013. The Hollandaire Mineral Resource as reported by MGV in June 2015 is detailed in Table 1 below and Appendix 1.

30 June 2015	Indicated Resources			Inferred Resources			Total Resources		
	Ore Tonnes '000s	Grade %	Total Tonnes Cu 000s	Ore Tonnes '000s	Grade %	Total Tonnes Cu 000s	Ore Tonnes '000s	Grade %	Total Tonnes Cu 000s
Hollandaire Copper	1,891.3	2.0	37.1	122.4	1.4	1.7	2,013.7	1.9	38.8

Table 1 | Hollandaire Copper Mineral Resource Estimate at 0.5% copper cutoff reported by Musgrave Minerals Ltd 30 June 2015

Hollandaire is a VMS deposit which is a style of base metal mineralisation associated with submarine volcanic hydrothermal systems. These frequently occur as clusters along favourable geological horizons as both modern and ancient polymetallic deposits. The Cue region has such favourable seafloor geological horizons consisting of felsic/mafic and metasedimentary sequences with the potential to host further VMS deposits related to or contemporaneous with the Hollandaire system.

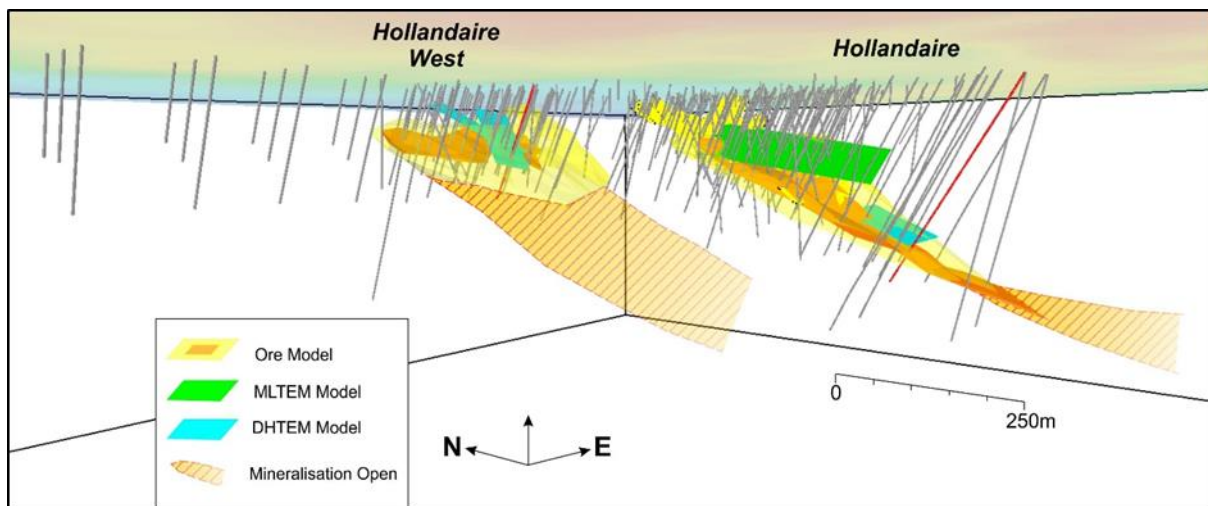


Figure 2 | Hollandaire 3d model showing mineralisation open at depth

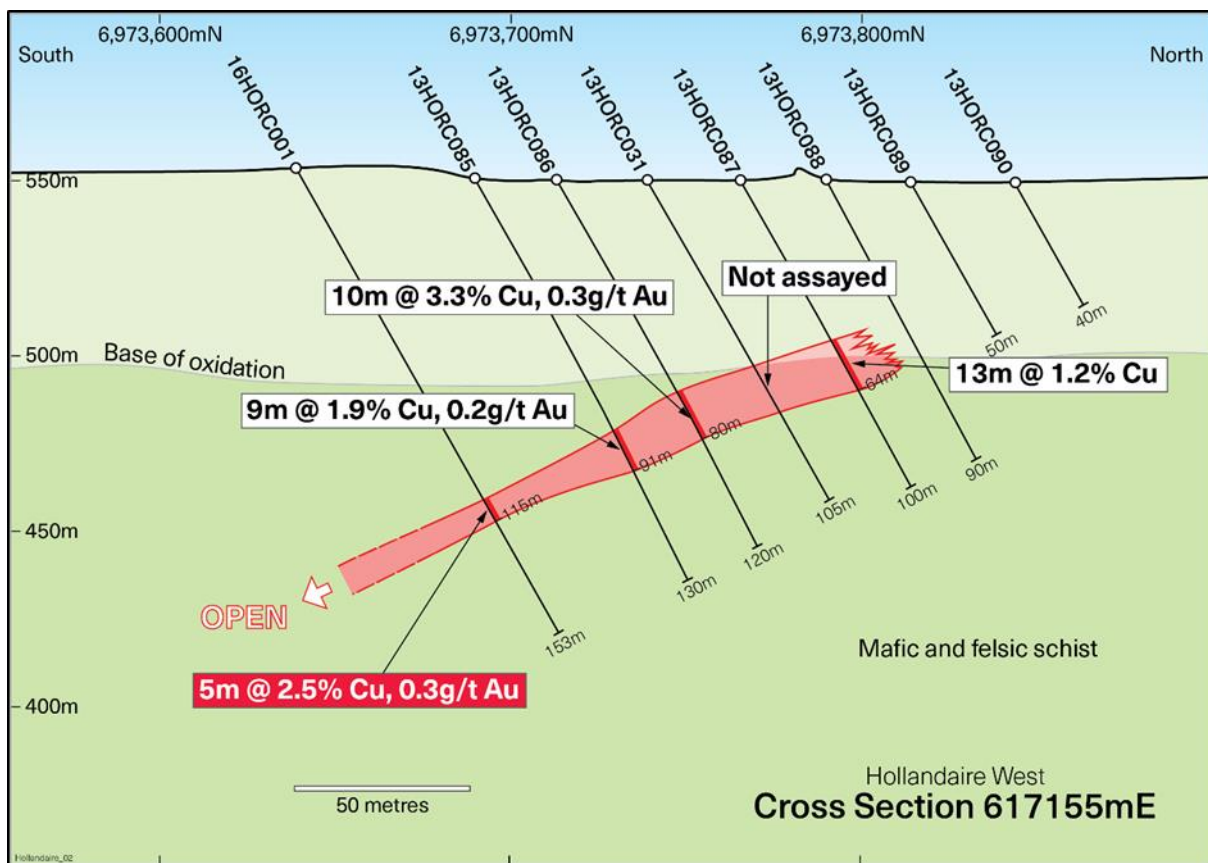
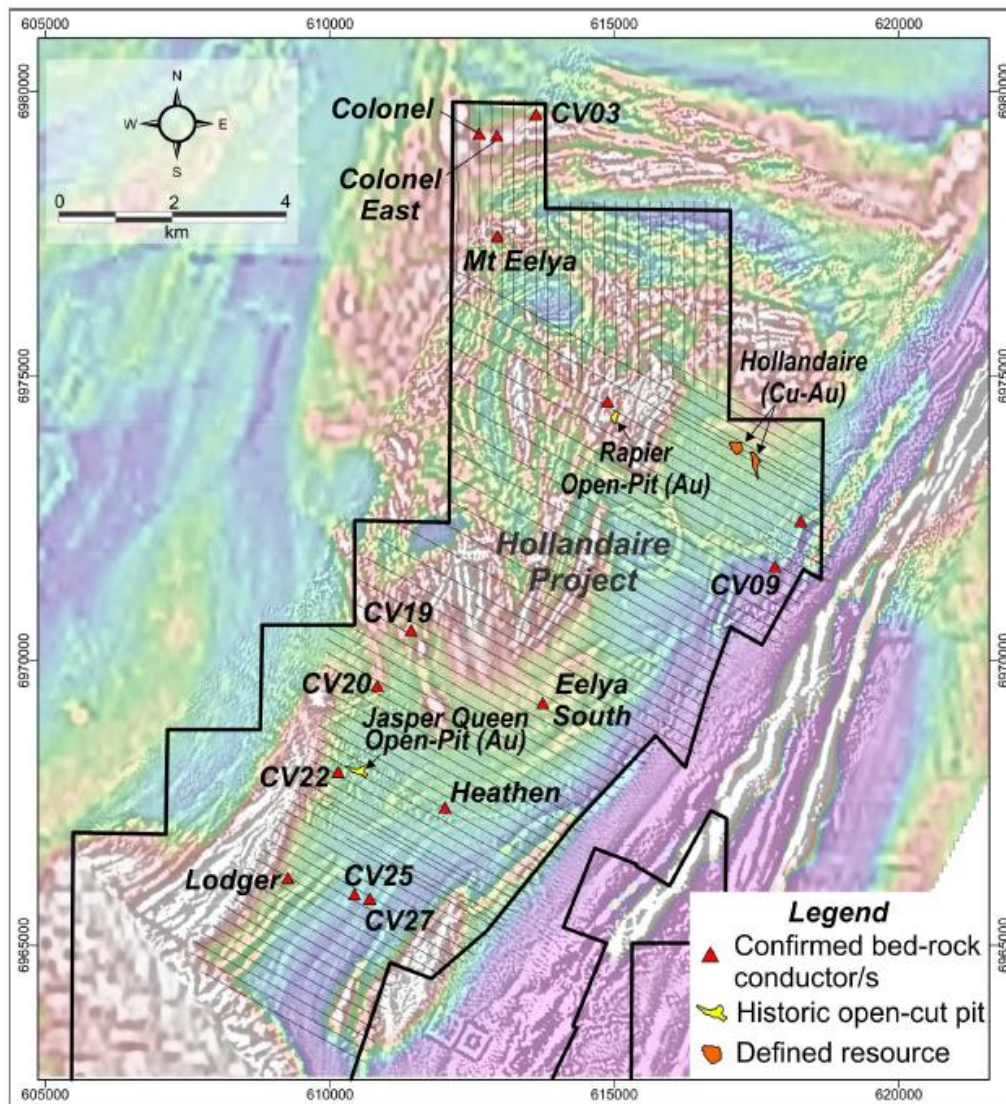


Figure 3 | Hollandaire West cross section 617155mE

Further exploration undertaken by MGV to identify further VMS base metal mineralisation in the project area included a Versatile Time Domain Electronic (“**VTEM**”) aerial geophysical survey in January 2016 which identified the bedrock conductors outlined in Figure 4.



**Figure 4 | Bedrock conductors identified by MGV using aerial VTEM geophysics in 2016**

The conductors identified by the 2016 VTEM survey had follow up drilling and downhole electromagnetic surveys (“**DHEM**”) undertaken by MGV in 2016 and 2017 which identified VMS associated sulphide mineralisation at Mt Eelya, Hollandaire East and West, Colonel and Colonel East all of which require further exploration work to:

- determine geological settings and relationships;
- identify alteration and sulphide mineral assemblages and their relationships to VMS mineralisation;
- conduct basement/bedrock geochemical testing; and
- Design second round drill and downhole geophysical testing programmes if appropriate.

Assuming the Option is exercised, it is anticipated that this work will commence in tandem with resource extension and definition work at the Hollandaire Mineral Resource. The programs will be aimed at immediately increasing the resource to a size to enable project scoping and subsequent feasibility studies to be undertaken. Metallurgical testwork will be aimed at determining the most efficient treatment method for the resource and final metal production at the mine site.



## Board and Management Changes

At completion of the Transaction, Mr Gary Comb will be joining the Company as Non-Executive Chairman and Mr Barry Cahill as Executive Director. Both Mr Comb and Mr Cahill are experienced mining industry professionals and the current board of ARX believes their appointment will be beneficial to the future growth and development of the Company with the aim to build a mid-tier copper business and continues to assess other copper projects in Australia.

- Mr Comb has over 35 years' experience in the mining industry, most recently as Non-Executive Chairman of Finders Resources Ltd ("**Finders**") (Mr Comb resigned in April 2018 following Eastern Field Developments Ltd ("**EFD**") attaining a majority shareholding in Finders) and was previously the Managing Director of Jabiru Metals Ltd where he oversaw the acquisition, feasibility study and construction of the Jaguar copper/zinc mine in Western Australia as well as the successful sale of the company to Independence Group NL.
- Mr Cahill is a mining engineer with over 30 years' experience in exploration, mining and management throughout Australia, most recently as Managing Director of Finders (Mr Cahill resigned in April 2018 following EFD attaining a majority shareholding in Finders). He has extensive experience in the management of all facets of mining, project development and construction. Mr Cahill has been an executive director of a number of public companies including Operations Director of Perilya Limited, Managing Director of Australian Mines Limited and Managing Director of Norseman Gold Plc. He is a member of the Australasian Institute of Mining & Metallurgy and a member of the Australian Institute of Company Directors.

Current Non-Executive Directors, Mr Nicholas Rowley and Mr Marcello Cardaci will remain on the board. Mr Wayne Apted will be appointed Chief Financial Officer and Company Secretary and Mr Peter van Luyt will be appointed as Chief Geologist. At completion of the Transaction it is anticipated that Mr Simon Taylor will resign from the ARX Board. As part of the Transaction and subject to shareholder approval, the incoming Board and Management will seek approval to participate in the Capital Raising, for a minimum of \$500,000.

It is also proposed to rename the Company "Cyprium Metals Limited".

## Material Terms of the Agreement to acquire Cyprium

Pursuant to the Agreement, ARX will, subject to satisfaction or waiver of conditions precedent, acquire 100% of the issued capital of Cyprium.

### **Conditions precedent**

Completion of the Transaction shall be subject to satisfaction or waiver of the following conditions precedent:

- ARX completing due diligence on Cyprium and its assets and being satisfied with the results of its due diligence investigations in its absolute discretion within 30 days;
- ARX completing a capital raising to raise a minimum of \$2,000,000 ("**Capital Raising**") (discussed further below);
- ARX obtaining all necessary shareholder approvals required by the Corporations Act 2001 (Cth), the Listing Rules of the Australian Securities Exchange ("**ASX**") and any other applicable laws or regulations in relation to the Transaction, including without limitation:
  - i. *ASX Listing Rule 7.1 approval for the issue of Shares pursuant to the Capital Raising and for the issue of the Consideration Shares, Introduction Fee Shares and the Option Consideration Shares (all as defined below); and*
  - ii. *any approvals as may be identified during due diligence.*
- there being no material adverse change to the assets or the business of Cyprium prior to completion of the Transaction; and
- Cyprium exercising the Option. Further details in relation to the Option are set out below.



## **Consideration**

The consideration to be provided by ARX for all of the issued capital of Cyprium is, in aggregate 5,750,000 fully paid ordinary shares in ARX (each a "**Share**") with an issue price of \$0.20 per Share ("**Consideration Shares**"). The Consideration Shares will be subject to voluntary escrow for a period of 24 months from the date of issue.

ARX and Cyprium acknowledge that should Cyprium exercise the Option, ARX will issue to MGV \$250,000 worth of Shares at a price equal to the 15 day VWAP per share ("**Option Consideration Shares**"). The Option Consideration Shares will be subject to voluntary escrow for a period of 12 months from the date of issue.

In addition, ARX will pay an introduction fee of 1,500,000 Shares with an issue price of \$0.001 per Share to corporate advisors in relation to the Transaction ("**Introduction Fee Shares**").

## **Exclusivity and maintenance of status quo**

Cyprium has agreed to exclusively deal with ARX in relation to the sale of the Cyprium shares from the date of the Agreement until 31 July 2019 ("**Exclusivity Period**"). During the Exclusivity Period, Cyprium will conduct its business in the ordinary course and will not enter into a material transaction, declare dividends or change its capital structure without ARX's prior written consent.

## **Termination**

Either party may terminate Agreement if the other party commits a material breach of any of its terms, and, if the breach is capable of being remedied, after being notified in writing by the aggrieved party, the other party fails to remedy such breach within 10 days thereafter.

## **Material Terms of the Option Agreement**

The principal terms of the Option Agreement are as follows:

- The Option period is 90 business days, capable of a 30 business day extension upon payment of a \$10,000. If Cyprium elects to exercise the Option, ARX must issue the Option Fee Consideration Shares to MGV.
- Cyprium must spend \$2,000,000 on development of the Project over two years from the date of exercise of the Option to earn an 80% interest in the Project ("**Earn In Period**"). At any time prior to Cyprium spending \$2,000,000 on development of the Project ("**Expenditure Condition**"), Cyprium may, for the balance of the \$2,000,000:
  - i. pay the balance in cash; or
  - ii. subject to ARX shareholder approval required under the applicable listing rules, issue the value of the balance in Shares at an issue price equal to the 15 day VWAP per Share, to MGV, with such payment or issue of Shares being deemed to constitute expenditure in order for Cyprium to earn its 80% interest in the Project.
- Cyprium will be the manager of the Project during the Earn In Period.
- Upon satisfaction of the Expenditure Condition ("**Earn In Date**"), Cyprium and MGV will form an 80:20 unincorporated joint venture.
- MGV will be free carried from the Earn In Date to the completion of a definitive feasibility study. Following the free carry period, each of Cyprium and MGV must contribute to expenditure in proportion to their respective participating interests at the relevant time and if they do not, their participating interests will be diluted in accordance with an agreed formula.
- MGV will be entitled to the following payments at satisfaction of the following hurdles:
  - i. upon the delineation of 80,000t of contained copper (within any Mineral Resource category), payment of \$200,000 cash or the issue of \$200,000 worth of Shares at an issue price equal to the 15 day VWAP per Share to MGV; and
  - ii. upon a decision to mine, payment of \$300,000 cash or the issue of \$300,000 worth of Shares at an issue price equal to the 15 day VWAP per Share to MGV,



in both cases, the payment of cash or issue of Shares (“Conditional Shares”) will be at Cyprrium’s election and the issue of Shares will be subject to ARX shareholder approval (if required).

- In the event that MGCV's participating interest is diluted to 10% or less, MGCV's participating interest will automatically convert into a 1% net smelter royalty (“NSR”). Cyprrium may at any time acquire or cancel the 1% NSR by paying MGCV \$1,000,000.

### Capital Raising

Subject to ARX shareholder approval and as a condition precedent to the Transaction, the Company intends to complete a placement to institutional and sophisticated investors of at least 10,000,000 Shares at an issue price of 20 cents per share, to raise at least \$2,000,000.

Ashanti Capital will act as Lead Manager of the Capital Raising.

### Capital Structure

The indicative effect of the Transaction on the capital structure of ARX is anticipated to be as follows:

Particulars	Currently on Issue	Agreement and Option exercise <sup>1</sup>	Capital Raising	Proforma at Completion
Ordinary Shares	25,250,732	8,500,000	10,000,000	43,750,732
Options (unquoted)	1,230,000		-	1,230,000

1. Note: this figure comprises 5,750,000 Consideration Shares, 1,250,000 Option Fee Consideration Shares (\$250,000 worth of Shares (assumed to be at \$0.20 per Share)) and 1,500,000 Introduction Fee Shares.

### Shareholder Approval

Shareholder approval will be sought for the issue of Consideration Shares and Option Consideration Shares, a Placement of at least \$2 million, appointment of Mr Gary Comb and Mr Barry Cahill as Directors and change of Company name to Cyprrium Metals Ltd.

A notice of meeting is to be dispatched to shareholders for their approval, ARX will keep shareholders updated on the timing of the implementation of the Transaction as it progresses.

#### For further information:

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 Non-Executive Director  
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## APPENDIX 1

### Notes relating to the Hollandaire 2013 Mineral Resource Inventory:

#### 1. Geology

The Hollandaire deposit is hosted within a sedimentary andesitic turbidite sequence, now metamorphosed to a chlorite muscovite schist. The footwall consists of a dacite/rhyolite porphyry now metamorphosed to a chlorite muscovite schist. Copper, gold and silver are within massive to matrix sulphides consisting of dominantly pyrite and chalcopyrite with minor chalcocite.

#### 2. Data Density

The majority of the deposit is drilled to a 25 x 25m drill spacing with only the lower 25% of the deposit drilled to a 50 x 50m spacing.

#### 3. Geological Interpretation

Resource outlines are generated by creating wireframes of interpreted zones of grade continuity. The wireframes are snapped to drill holes and converted in to an ore body solid model. This interpretation was carried out by Silver Lake Resources personnel. Mineralised outlines were prepared using a 0.5% Cu; 0.5 g/t Au; and 2 g/t Ag outline with a minimum width of 2m unless constrained by geological boundaries. Constrained 'high' grade domains were constructed inside the main boundaries where applicable where the outline cutoff is 7.5% Cu and 20 g/t Ag. Mineralisation was extended 7.5m or half way between the last mineralised cross section. Mineralisation was extended 10m down dip from the last mineralised intercept.

#### 4. Drilling Technique

Only RC and Diamond holes were used in the current resource update.

#### 5. Accuracy of Location of Sampling Points

Majority of drill collars have been accurately located by either a licensed surveyor using a total station or DGPS. The Hollandaire deposit is drilled on the National Grid system. The majority of drillholes completed surveyed down hole using either an Eastman camera, electronic multi-shot or gyroscopic device.

#### 6. Sampling Techniques

RC samples are collected every 1m. Diamond drillholes are subsampled down to geological intervals up to 20cm. Details of the sampling techniques from the historic drilling are not known.

#### 7. Drill Core Recovery

Drill core recovery was > 90% for 82% of drillhole samples.

#### 8. Specific Gravity

Specific Gravity has been assigned to oxide and transitional sections of the resource using interpreted weathering surfaces determined from drill hole logging. The following values were used for the respective zones.

- Oxide 1.8t/m<sup>3</sup>
- Transitional 2.1t/m<sup>3</sup>
- Fresh (waste) 2.80 t/m<sup>3</sup>

Values for the fresh zone were based on calculated densities using the combined analysed percentage of Copper, Iron and Sulphur. Actual measured densities replaced calculated densities where applicable and then inverse distance estimation density calculated for each mineralised block.

#### 9. Quality of Assay Data

Assay methods were 40g charge Fire Assay at Ultratrace laboratories, Perth with base metals analysed with a 4 acid digest and finished with ICPOES or ICPMS depending on specific elements. This this method has an Au detection limit of 0.01 ppm with an accuracy of +/- 10% for assays of greater than 0.5 ppm Au; Cu detection limit of 5 ppm; and Ag detection limit of 0.5 ppm.





#### 10. Quality of Data Description

All drill holes were logged by onsite geologists. Features relating to lithology, alteration type, alteration intensity, vein type are captured and stored in an electronic database.

#### 11. Estimation Techniques

A three dimension block model was created and copper, gold and silver grade estimated into the interpreted mineralised outlines using Ordinary Kriging grade estimation. Only RC and Diamond drill data was used and sample lengths were all composited to even 1m lengths before estimation.

#### 12. Cut-off Grades

Statistical analysis was used to determine high grade cuts to apply to the composite data. Top cuts varied from 4 to uncut g/t for Au domains; 2% to 27% for Cu; and from 6 to 60 g/t for Ag.

The resource was reported at a 0.5g/t cut off for Au; 0.5% for Cu; and 1 g/t for Ag.

#### 13. Metallurgical Considerations

Metallurgical testing of the Hollandaire core was undertaken in 2013. Recoveries of 95% for Cu; 66% for Au; and 91% for Ag were reported from test work.