ARC EXPLORATION LIMITED

Annual Report

31 December 2018

ABN 48 002 678 640

arcexploration.com.au

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CORPORATE DIRECTORY

Directors
Marcello Cardaci (Non-Executive Director)
Nicholas Rowley (Non-Executive Director)
Simon Taylor (Non-Executive Director)

Company Secretary
Aaron Bertolatti

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WEST PERTH WA 6005
Telephone: +61 8 6117 0452

Share Registry
Advanced Share Registry Limited
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Auditors
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Stock Exchange
Australian Securities Exchange
(Home Exchange: Sydney, NSW)
ASX Code: ARX

Website
arcexploration.com.au

The Directors present their report for ARC Exploration Limited ("ARX", "ARC Exploration" or "the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018.

DIRECTORS

The names of the Directors of ARC Exploration during the financial year and to the date of this report are:

- Marcello Cardaci (Non-Executive Director) – appointed 31 May 2018
- Nicholas Rowley (Non-Executive Director) – appointed 31 May 2018
- Simon Taylor (Non-Executive Director) – appointed 11 October 2016
- Simon O'Loughlin (Non-Executive Chairman) – appointed 11 October 2016, resigned 31 May 2018
- Andrew Cooke (Executive Director) – appointed 11 October 2016, resigned 30 June 2018

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIRECTORS' INFORMATION

Nicholas Rowley – appointed 31 May 2018
Non-Executive Director
Nicholas Rowley is an experienced corporate executive with a strong financial background and over 15 years' specialising in corporate advisory, M&A transactions and equities markets. He has advised on the equity financings of numerous ASX and TSX listed companies predominantly in the mining and resources sector. Mr Rowley currently serves as an executive at Galaxy Resources Ltd (ASX:GXY) and as a Non-Executive Director of Titan Minerals Limited (ASX:TTM). He previously served as Non-Executive Director of Cobalt One Ltd (ASX:CO1) which was acquired by Canadian listed First Cobalt Corporation (TSX:FCC) in 2017.

Marcello Cardaci – appointed 31 May 2018
Non-Executive Director
Marcello Cardaci is a partner in the Australian legal practice of Gilbert & Tobin. Mr. Cardaci holds degrees in law and commerce and is experienced in a wide range of corporate and commercial matters with a particular emphasis on public and private equity raisings and mergers and acquisitions. Gilbert & Tobin specialises in the provision of legal advice to companies involved in various industries including resources and manufacturing.

Simon Taylor
Non-Executive Director
Simon Taylor is a geologist with over 25 years' experience in exploration, project assessment and development in the resources sector. He has had a diversified international career as a resources professional at both a technical and corporate level. His experience spans a range of commodities including gold, fertilisers (phosphate and potash), base metals, nickel, uranium, coal and coal seam methane. He is currently Managing Director of Oklo Resources Limited and a non-executive director with Chesser Resources Limited. He is a member of the Australian Institute of Geoscientists and a graduate of Sydney University.

Andrew Cooke – resigned 30 June 2018
Non-Executive Director
Andrew Cooke holds a law degree from the University of Sydney and has over 20 years' involvement in the corporate arena primarily engaged in the resource, biotech and property sectors. He has worked throughout the Australasian region and in North America and acquired extensive experience in capital raising, joint ventures, strategic alliances, project financing, corporate governance and listing requirements. He was been the Company Secretary of ARC Exploration Limited from 1992 up to 31 May 2018 and was extensively involved in the Company's operations in both Australia and Indonesia.

Simon O'Loughlin – resigned 31 May 2018
Non-Executive Chairman
Simon O'Loughlin is a Partner of O'Loughlins Lawyers Real Estate and Corporate & Commercial Groups. Simon holds a Law Society (SA) Certificate in Law as well as a Bachelor of Arts (Accounting) from the University of South Australia. He is admitted to the South Australian and New South Wales Supreme Courts and High Court of Australia. Simon was a Partner at O'Loughlin Robertson, and also Minter Ellison Baker O'Loughlin, where he was a member of the Executive Committee and the Finance Partner.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by current directors in the 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship
Marcello Cardaci	Manhattan Corporation Limited Alta Zinc Limited	Director since December 2006 Director since October 2014
Nicholas Rowley	Cobalt One Ltd Titan Minerals Limited	Director from September 2014 to December 2017 Director since August 2016
Simon Taylor	Bod Australia Ltd Chesser Resources Ltd Oklo Resources Ltd Xref Ltd AUSCANN Group Holdings Ltd	Director since November 2016 Director since March 2006 Director since April 2014 Director from October 2014 to January 2016 Director from December 2014 to January 2017

COMPANY SECRETARY

Aaron Bertolatti – appointed 31 May 2018
Aaron Bertolatti is a qualified Chartered Accountant and Company Secretary with over 15 years' experience in the mining industry and accounting profession.

INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of ARC Exploration Limited are:

Director	Ordinary Shares
Marcello Cardaci	250,000
Nicholas Rowley	1,100,000
Simon Taylor	500,000

RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of ARC Exploration Limited for the year to 31 December 2018 was $5,892,371 (2017: $894,116). The current year loss includes an impairment of $5,158,046 in respect of the Group's Indonesian assets.

DIVIDENDS

No dividends were paid or declared. The directors do not recommend the payment of a dividend.

CORPORATE STRUCTURE

ARC Exploration is a company limited by shares, which is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was identifying and evaluating new opportunities in the resources sector and mineral exploration.

REVIEW OF OPERATIONS

Completion of the Acquisition of GNR Minerals Pty Ltd

ARX completed the acquisition of 100% of the issued capital of GNR Minerals Pty Ltd ("GNR") on 31 May 2018. GNR holds the Manitou Gold Project ("the Project") which is located in North-western Ontario and comprises 112 claims totalling 245 km^2 located in North-western Ontario.

The acquisition positioned ARX strategically in the past producing Manitou Lake area in the Western Wabigoon geological sub-province of Ontario, Canada. The Project is a large contiguous land package along strike from the historic Gold Rock gold mining district and covers a portion of, and is also adjacent to, the major first order fault system that hosts most major gold deposits that are currently producing or under development in the Western Wabigoon.

The Company believes that this large, well-positioned land package greatly increases its chance of an economic mineral discovery through the application of systematic and modern exploration techniques.

Acquisition Consideration

As consideration for the acquisition of GNR, the Company issued the following securities (on a pre-share split basis) to the vendors of GNR and/or their nominees:

1. 2,575,000 fully paid ordinary shares in ARX.
2. 515,000 performance shares.

The Performance Shares will convert to ordinary shares if the Company is able to release a Canadian National Instrument 43-101 report or equivalent JORC Report announcing a minimum of 1moz inferred resource at minimum cut-off of 0.5 g/t within the next 5 years, in relation to the Company's Manitou gold project in Canada.

Placement

On 18 June 2018, ARX successfully raised $1.5 million through an oversubscribed placement ("Placement") of 7.5 million new fully paid ordinary shares at $0.20 per share to institutional and sophisticated investors. The Placement was approved by shareholders at an Extraordinary General Meeting held on 30 May 2018.

Board Changes

Nicholas Rowley and Marcello Cardaci were appointed as Directors of the Company and Simon O'Loughlin retired from the Board on 31 May 2018.

Andrew Cooke retired as Company Secretary on 31 May 2018 and Aaron Bertolatti was appointed as his replacement. On 2 July 2018 the Company announced that Mr. Cooke had resigned as a Director of the Company, effective 30 June 2018.

Corporate - Other

- The Company placed the Rights Issue shortfall in the amount of $463,159 in March 2018.
- The Company's Registered Office and Principal Place of Business changed to Level 2, 18 Kings Park Road, West Perth, WA 6005.
- ARX completed a split of its share capital on a 2:1 basis as approved by shareholders at the Extraordinary General Meeting held on 30 May 2018.
- Following the acquisition of GNR, the Company's focus shifted away from the existing Indonesian asset (Trenggalek Project) and on to its flagship Manitou Gold Project in Ontario, Canada. As a result of this the Board has assessed the fair value of the Indonesian assets to be nil at the end of the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year, other than as set out in this report.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 25 March 2019, the Company announced that it had executed a binding Heads of Agreement to acquire 100% of the issued capital of Cyprium Australia Pty Ltd ("Cyprium"). Pursuant to an agreement between Cyprium and Musgrave Minerals Limited (ASX: MGV) ("MGV"), MGV has granted Cyprium an option ("Option") to earn-in and form a joint venture for an 80% interest in the non-gold rights over the tenements at the Cue Copper Project.

The Cue Copper Project is located in the Murchison region of Western Australia which is host to a number of Volcanic Massive Sulphide ("VMS") deposits. The Exploration leases and Mining Licenses currently held by MGV are located approximately 20km to the east of Cue in Western Australia.

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. The Hollandaire copper resource was discovered in 2011 by Silver Lake Resources Limited 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.

Acquisition Terms:
Subject to various conditions precedent, 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 with an issue price of $0.20 per share. The 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 Cue Copper option, ARX will issue to Musgrave Minerals Limited $250,000 worth of shares at a price equal to the 15-day VWAP per share (subject to voluntary escrow for a period of 12 months from the date of issue). In addition, ARX will pay an introduction fee by way of the issue of 1,500,000 shares with an issue price of $0.001 per share to corporate advisors in relation to the transaction.

Equity Placement:
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 $0.20 per share, to raise at least $2,000,000.

Board and Management Changes:
It is proposed that on completion of the transaction, Mr Gary Comb will be joining the Company as Non-Executive Chairman and Mr Barry Cahill as Executive Director. 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.

There are no other significant events subsequent to the end of the financial year to the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the Indonesia and Canada. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licences.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

In accordance with the Constitution of the Company, to the extent permitted by law, the Company indemnifies every director, officer and employee of the Company and each officer of a related body Corporate of the Company against any liability incurred by that person:

a) in his or her capacity as a director, officer or employee of the Company; and
b) to a person other than the Company or a related body corporate of the Company.

ARC Exploration during the financial year, paid an insurance premium in respect of a policy for the benefit the Directors of the Company, Company Secretary, executive officers and employees of the Company and any subsidiary bodies corporate as defined in the insurance policy, against a liability incurred as such a director, company secretary, executive officer or employee to the extent permitted by the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

INDEMNIFICATION OF THE AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

SHARE OPTIONS

As at the date of this report there were 500,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
500,000	$0.375	10-Oct-2019

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. 219,090 options exercisable at $2.25 each expired unexercised on 31 December 2018. No options were exercised during or since the year ended 31 December 2018.

PERFORMANCE SHARES

As at the date of this report there were 1,030,000 performance shares on issue (post share split). The details of the performance shares are as follows:

Number	Conversion Milestone	Expiry Date
1,030,000	The Performance Shares will convert to ordinary shares if the Company is able to release a Canadian National Instrument 43-101 report or equivalent JORC Report announcing a minimum of 1moz inferred resource at minimum cut-off of 0.5 g/t within the next 5 years, in relation to the Company's Manitou gold project in Canada.	31-May-2023

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the Directors met regularly to discuss all matters associated with investment strategy, review of opportunities, and other Company matters on an informal basis. Circular resolutions were passed as necessary to execute formal Board decisions in lieu of formal Board meetings.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of ARC Exploration support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that ARC Exploration complies to the extent possible with those guidelines, which are of importance and add value to the commercial operation of an ASX listed resources company. The Company has established a set of corporate governance policies and procedures and these can be found on the Company's website: arcexploration.com.au.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of ARC Exploration with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within the annual report.

During the year the Company's auditors performed certain other services in addition to their statutory audit duties. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards. Details of the amounts paid to the auditors of the Company, and its related practices for audit and non-audit services provided during the year are set out in note 18 to the financial statements.

AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of ARC Exploration for the financial year ended 31 December 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Details of Directors and KMP

- Marcello Cardaci
- Nicholas Rowley
- Simon Taylor
- Simon O'Loughlin
- Andrew Cooke

Remuneration Policy

The Company's policy in respect of senior executives is to remunerate them on the basis of their job function, taking into account their qualifications and experience. The level of remuneration is determined by the Executive Management in consultation with the Board taking into account the position and responsibilities for which each senior executive is charged. The Group's remuneration policy is not based on the Group's earnings as the Group to date has no earnings from its exploration activities.

The objective of the Board has been to minimise the number of senior executives it employs to maintain the total remuneration of such executives at a level that is commensurate with the resources of the Group and the level of activity undertaken. From time to time, the Board considers the issue of options to employees and contractors as an additional incentive for them to generate shareholder wealth and for them to participate in the success of the Company. In the past, options have been priced at a premium above market at the time of grant. No Directors have entered into hedging strategies with regard to the options.

Level	Cash Remuneration
Chairman	Up to $40,000
Non-Executive Director	$30,000

Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed $250,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Loans to Directors and Executives

There were no loans to Directors and KMP during the financial year ended 31 December 2018.

Additional Fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Company for the year ended 31 December 2018 are as follows:

2018	Short term			Options			
	Base Salary $	Directors' Fees $	Consulting Fees $	Share Based Payments $	Other Benefits[4] $	Total $	Performance related %
Directors							
Marcello Cardaci[1]	-	15,982	-	-	1,652	17,634	-
Nicholas Rowley[1]	-	-	17,500	-	-	17,500	-
Simon Taylor	-	30,137	-	-	2,877	33,014	-
Simon O'Loughlin[2]	-	-	16,666	-	-	16,666	-
Andrew Cooke[3]	-	17,409	25,000	-	-	42,409	-
	-	**63,528**	**59,166**	**-**	**4,529**	**127,223**	**-**

[1] Nicholas Rowley and Marcello Cardaci were appointed on 31 May 2018.
[2] Simon O'Loughlin resigned on 31 May 2018.
[3] Andrew Cooke resigned on 30 June 2018.
[4] Other benefit payments related to statutory superannuation.

There were no other executive officers of the Company during the financial year ended 31 December 2018. Details of the nature and amount of each element of the remuneration of each Director of the Company for the year ended 31 December 2017 are as follows:

2017	Short term			Options			
	Base Salary $	Directors' Fees $	Consulting Fees $	Share Based Payments $	Other Benefits $	Total $	Performance related %
Directors							
Simon O'Loughlin	-	40,000	-	-	-	40,000	-
Andrew Cooke	-	36,000	60,000	-	-	96,000	-
Simon Taylor	-	36,000	-	-	-	36,000	-
Robert Willcocks[1]	-	45,000	-	-	-	45,000	-
Executives							
Cahyono Halim	60,000	-	-	-	2,872	62,872	
Jeffrey Malaihollo	24,000	-	-	-	4,040	28,040	
	84,000	**157,000**	**60,000**	**-**	**6,912**	**307,912**	**-**

[1] Robert Willcocks resigned on 13 September 2017.

Shareholdings of Directors

The number of shares in the Company held during the financial year by Directors of the Company, either directly or indirectly, is set out below. There were no shares granted during the reporting year as compensation.

2018	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Marcello Cardaci[1]	-	-	-	250,000	250,000
Nicholas Rowley[1]	-	-	-	1,100,000	1,100,000
Simon Taylor	150,000	-	-	350,000	500,000
Simon O'Loughlin[2]	150,000	-	-	(150,000)	-
Andrew Cooke[3]	60,003	-	-	(60,003)	-

[1] Nicholas Rowley and Marcello Cardaci were appointed on 31 May 2018.
[2] Simon O'Loughlin resigned on 31 May 2018.
[3] Andrew Cooke resigned on 30 June 2018.

All equity transactions with Directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Option Holdings of Directors

The numbers of options over ordinary shares in the Company held during the financial year by each Director of ARC Exploration, including their personally related parties, are set out below:

2018	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Marcello Cardaci[1]	-	-	-	-	-	-	-
Nicholas Rowley[1]	-	-	-	-	-	-	-
Simon Taylor	-	-	-	-	-	-	-
Simon O'Loughlin[2]	-	-	-	-	-	-	-
Andrew Cooke[3]	8,649	-	-	(8,649)	-	-	-

[1] Nicholas Rowley and Marcello Cardaci were appointed on 31 May 2018.
[2] Simon O'Loughlin resigned on 31 May 2018.
[3] Andrew Cooke resigned on 30 June 2018.

Options Affecting Remuneration

There were no options affecting remuneration in the current reporting year.

Other transactions with key management personnel

Oscrow Capital Pty Ltd, a company in which Mr. Nicholas Rowley is a director, charged the Company consulting fees of $17,500. The consulting fee is included in note 16(a) "Compensation of key management personnel". Nil was outstanding at year end.

AJC Corporation Pty Ltd, a company in which Mr. Andrew Cooke is a director, charged the Company consulting fees of $42,409. The consulting fee is included in note 16(a) "Compensation of key management personnel". Nil was outstanding at year end.

O'Loughlin's Lawyers, of which Simon O'Loughlin is a partner received professional service fees of $25,918 during the year ended 31 December 2018 (2017: $10,043).

Gilbert + Tobin Lawyers, of which Marcello Cardaci is a partner received professional service fees of $3,666 during the year ended 31 December 2018 (2017: nil).

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms.

Additional Information

The factors that are considered to affect total shareholders return are summarised below:

2018	2018	2017	2016	2015	2014
Loss attributable to owners of the company ($)	(5,892,371)	(894,116)	(722,652)	(1,292,920)	(1,616,409)
Dividends paid	-	-	-	-	-
Share price at financial year end ($)	0.1850	0.2650	0.2683	0.2439	0.9758
Return on capital employed	-	-	-	-	-

Total shareholders return is not used to determine the nature and amount of remuneration as the Board does not consider that this indicator is particularly relevant in the junior resource sector which is generally speculative in nature and where exploration success cannot be assured.

While the Group's main activities relate to early stage exploration the nature and amount of remuneration cannot be related to traditional financial measures or to share price performance and shareholder value. If the Group does in due course have exploration success and prove up an economic resource and ultimately develop an economically viable mining project then it is likely that some component of the remuneration of key management personnel would relate to financial performance measures that would be expected to enhance share performance and shareholder wealth.

Voting and comments made at the company's 2017 Annual General Meeting

ARC Exploration received 98.2% of "yes" votes on its remuneration report for the 2017 financial year. The Group did not receive specific feedback on its remuneration report at the AGM.

END OF AUDITED REMUNERATION REPORT

Signed on behalf of the Board in accordance with a resolution of the Directors.

Nicholas Rowley
Non-Executive Director

Perth, WA
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Continuing Operations			
Interest received		6,948	10,744
Other income		-	633
Expenses			
Employee expenses		(187,416)	(259,723)
Depreciation expenses		-	(427)
Management, administrative and occupancy expenses		(380,336)	(343,563)
Exploration expenditure		-	(39,212)
Exploration expenditure impairment	9	(5,158,046)	(246,680)
Impairment of loans receivable	7	(172,163)	-
Unrealised foreign exchange loss		(1,358)	(15,888)
Loss before income tax		**(5,892,371)**	**(894,116)**
Income tax expense	3	-	-
Net loss for the year		**(5,892,371)**	**(894,116)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(7,947)	(5,343)
Other comprehensive loss for the year, net of tax		**(7,947)**	**(5,343)**
Total comprehensive loss for the year		**(5,900,318)**	**(899,459)**
Loss per share			
Basic and diluted loss per share (cents per share)	18	(34.68)	(20.96)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Current Assets			
Cash and cash equivalents	4	1,910,897	739,618
Other	5	61,030	102,900
Receivables	6	9,070	8,446
Total Current Assets		1,980,997	850,964
Non-Current Assets			
Receivables	7	-	172,816
Plant and equipment	8	-	-
Deferred exploration and evaluation expenditure	9	946,030	5,158,046
Total Non-Current Assets		946,030	5,330,862
Total Assets		2,927,027	6,181,826
Current Liabilities			
Trade and other payables	10	89,911	168,208
Other	11	37,230	37,230
Provisions	12 a)	71,104	-
Total Current Liabilities		198,245	205,438
Non-Current Liabilities			
Provisions	12 b)	-	59,983
Total Non-Current Liabilities		-	59,983
Total Liabilities		198,245	265,421
Net Assets		**2,728,782**	**5,916,405**
Equity			
Issued capital	13	153,680,857	150,979,294
Reserves	14	1,912,995	1,909,810
Accumulated losses	15	(152,865,070)	(146,972,699)
Total Equity		**2,728,782**	**5,916,405**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Issued capital $	Accumulated losses $	Share-based payment reserve $	Foreign exchange translation reserve $	Total $
Balance at 1 January 2017	**150,443,876**	**(146,078,583)**	**1,137,623**	**777,530**	**-**
Total comprehensive loss for the year					
Loss for the year	-	(894,116)	-	-	(894,116)
Foreign currency translation	-	-	-	(5,343)	(5,343)
Total comprehensive loss for the year	-	(894,116)	-	(5,343)	(899,459)
Transactions with owners in their capacity as owners					
Shares issued during the year	607,904	-	-	-	607,904
Costs of issue	(72,486)	-	-	-	(72,486)
Balance at 31 December 2017	**150,979,294**	**(146,972,699)**	**1,137,623**	**772,187**	**5,916,405**
Balance at 1 January 2018	**150,979,294**	**(146,972,699)**	**1,137,623**	**772,187**	**5,916,405**
Total comprehensive loss for the year					
Loss for the year	-	(5,892,371)	-	-	(5,892,371)
Foreign currency translation	-	-	-	(7,947)	(7,947)
Total comprehensive loss for the year	-	(5,892,371)	-	(7,947)	(5,900,318)
Transactions with owners in their capacity as owners					
Shares issued during the year	1,963,159	-	-	-	1,963,159
Shares issued as consideration for acquisition	798,250	-	-	-	798,250
Costs of issue	(48,714)	-	-	-	(48,714)
Share based payment	(11,132)	-	11,132	-	-
Balance at 31 December 2018	**153,680,857**	**(152,865,070)**	**1,148,755**	**764,240**	**2,728,782**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(601,629)	(605,266)
Interest received		6,948	10,744
Net cash used in operating activities	4	**(594,681)**	**(594,522)**
Cash flows from investing activities			
Cash acquired on acquisition of GNR Minerals Pty Ltd	9	4,688	-
Payments for exploration expenditure		(152,468)	(40,865)
Net cash used in investing activities		**(147,780)**	**(40,865)**
Cash flows from financing activities			
Proceeds from issue of shares		1,963,159	607,904
Payments for share issue costs		(48,714)	(27,925)
Net cash provided by financing activities		**1,914,445**	**579,979**
Net increase/(decrease) in cash and cash equivalents		739,618	(55,408)
Cash and cash equivalents at the beginning of the year		1,171,984	800,131
Effect of exchange rate fluctuations on cash		(705)	(5,105)
Cash and cash equivalents at the end of the year	4	**1,910,897**	**739,618**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Corporate Information

The financial report of ARC Exploration Limited ("ARC Exploration" or "the Company") for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 29 March 2019. ARC Exploration is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 21.

(b) Compliance Statement

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of ARC Exploration Limited ('the Company') and its subsidiaries as at 31 December each year ('the Group'). Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position respectively.

(d) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's controlled entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of ARC Exploration is Australian dollars. The functional currency of the Indonesian subsidiary is the US Dollar and the functional currency of the Canadian subsidiary is the Canadian Dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable.

(e) Segment Reporting

The Group determines and presents operating segments based on the information that is internally provided to the Board of Directors who are the Group's chief operating decision makers. An operating segment is a component of the Group that engages in business activities whose operating results are reviewed regularly by the Board and for which discrete financial information is available.

The Group is involved in exploration activities in Indonesia, Canada and Australia and has three geographical operating segments, that its Board reviews to make decisions about resources to be allocated to the segment and to assess its performance. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and exploration and evaluation expenditure.

(f) Changes in accounting policies and disclosures

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for future reporting years, including AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with customers. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and therefore, no change will be necessary to Group accounting policies.

(g) Exploration and evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:
  (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

(h) Income Tax

Income tax expense or benefit for the year is the tax payable on the current year's taxable income or loss based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Impairment of non-financial assets other than goodwill

The Company assesses at each balance 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 Company 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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group 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, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the 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 balance 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 profit or loss 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 years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(k) Trade Receivables

Trade receivables, which generally have 30-60-day terms, are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(l) Goods and Services Tax (GST) and Value Added Tax (VAT)

(i) Goods and services taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated inclusive of the amount of GST receivable and recoverable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(ii) Value added taxes

VAT applies to goods and services in Indonesia. In 2004, upon request by the Group, the Directorate General of Taxation issued a confirmation letter stating that gold mining companies will not have their revenues subject to VAT.

(m) Intangible assets

Intangible assets relate to the option right to farm-in on exploration projects measured at cost. As costs are being incurred with respect to the option commitment, it is capitalised and recognised in exploration and evaluation expenditure asset.

(n) Trade and other payables

Trade and other payable amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are non-interest bearing, unsecured and generally paid within 30 days of recognition. They are recognised initially at fair value less directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method.

(o) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(p) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds.

(q) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and any accumulated impairment losses. The cost of self- constructed assets includes the costs of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the initial estimate, where relevant, of the costs of dismantling and removing items, restoring the site and an appropriate proportion of production overheads. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

For the Indonesian entities, when assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resultant gain or loss is credited or charged to capitalised exploration expenditures or development expenditures. For non-exploration or asset items, gains and losses on disposal are determined by comparing proceeds with asset carrying amounts. These are included in the statement of profit or loss and comprehensive income.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

Depreciation
Plant and equipment, motor vehicles, office equipment, and furniture are recorded at cost and are depreciated over their estimated useful economic lives to their estimated residual values using either straight line or diminishing value methods. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(r) Leases
Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The Group has not entered into any finance leases. Other leases are operating leases and the leased assets are not recognised on the Group's Statement of Financial Position. Rental payments are charged against profits in equal instalments over the term of the lease.

(s) Current and Non-Current Classification
Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(t) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Sundry income
Sundry income predominantly relates to consulting income earned by providing consulting services for other exploration entities in Indonesia.

(u) Earnings per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Employee Benefits

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. The amount is measured at the amount expected to be paid, including expected on-costs, when liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave is recognised, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, plus expected on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Post-employment benefits

The Group provides post-employment benefits for its employees in Indonesia in accordance with Indonesian Labor Law NO 13/2003. This benefit program is deemed a defined benefit plan and is unfunded by the Group. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are recognised immediately in the profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss immediately. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income.

(w) Share based payment transactions

(i) Equity settled transactions:

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share-based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

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 Exploration ('market conditions'). The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a year represents the movement in cumulative expense recognised at the beginning and end of the year. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 19).

(ii) Cash settled transactions:

The Company may also provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company. The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the year until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(x) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the year in which the estimate is revised if it affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Restoration, Rehabilitation and Environmental Expenditure:
Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during a mine's development/operations up to reporting date but not yet rehabilitated. Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. If this occurs prior to commencement of production, the costs are included in capitalised tenement and infrastructure acquisition expenditure. The provision is the best estimate of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future costs are reviewed annually and any changes are reflected in the restoration provision at the end of the reporting period.

Deferred Tax
In accordance with the Group's accounting policies for deferred taxes, a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, ore reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

The Group has not recognised a net deferred tax asset for temporary differences and tax losses as at 31 December 2018 on the basis that the ability to utilise these temporary differences and tax losses cannot yet be regarded as probable.

Acquisition of GNR Minerals Pty Ltd
Key estimates and judgments are applied in the acquisition accounting including determining the type of acquisition, the fair value of the assets and liabilities acquired and the fair value of the consideration paid. The acquisition was determined by the directors to be an asset acquisition as detailed in note 9.

Deferred Exploration and Evaluation Expenditure
Deferred exploration and evaluation expenditure has been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the year in which this determination is made.

(y) New standards and interpretations not yet adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact of the new leases standard is that leased assets will be capitalised in the Statement of Financial Position, measured as the present value of the unavoidable future lease payments to be made over the lease term and a liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The Group will adopt this standard from 1 January 2019, however as the Group does not currently have any operating leases, the standard will have no effect on the Group as at the date of initial application.

	2018 $	2017 $
3. Income Tax		
(a) Income tax expense		
Numerical reconciliation of income tax expense to prima facie tax payable:		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(5,892,371)	(894,116)
Tax at the Australian rate of 30% (2017: 27.5%)	(1,767,711)	(245,882)
Share issue costs	(16,911)	(12,490)
Non-deductible impairment of exploration	1,547,414	67,837
Non-deductible expenses	159,775	(4,599)
Income tax benefit not brought to account	70,981	195,134
Adjustment for different tax rates	6,452	-
Income tax expense	-	-

(b) Recognised tax assets and liabilities

	2018 $	2017 $
Deferred tax assets and liabilities are attributable to the following:		
Exploration and evaluation expenditure	35,054	1,418,463
Tax losses recognised	(35,054)	(1,418,463)
Net deferred tax liability/(asset)	-	-

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:		
Provisions	-	14,996
Accruals and other payables	6,316	-
Share issue costs	41,014	-
Tax losses PT Indonusa Mining Services (IMS)	-	328,779
Tax losses Arc Exploration Limited (Arc)	10,232,413	10,069,350
Capital tax losses Arc	13,792,873	13,792,873
Net deferred tax asset not recognised	**24,072,616**	**24,205,998**

The deductible temporary differences and tax losses relating to Arc do not expire under current tax legislation. The tax losses relating to IMS can be carried forward for a maximum of 5 years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

4. Cash and Cash Equivalents

Cash comprises:		
Cash at bank and on hand	1,910,897	664,618
Short term deposits	-	75,000
	1,910,897	**739,618**
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(5,892,371)	(894,116)
Non-cash and non-operating items		
Exploration expenditure impairment and written off	5,158,046	287,545
Impairment of loans receivable	172,163	-
Non-cash expenses	-	9,741
Net exchange differences	(6,590)	5,105
Employee provisions	11,121	554
Depreciation	-	427
Capital raising costs	-	(44,561)
Change in assets and liabilities		
Decrease / (increase) in receivables	12,448	81
Decrease / (increase) other assets	28,799	10,524
Increase / (decrease) in trade and other payables	(78,297)	30,178
Net cash flow used in operating activities	**(594,681)**	**(594,522)**

Non-cash investing and financing activities

During the year ended 31 December 2018, the Company issued 2,575,000 ordinary shares as consideration for the acquisition of GNR Minerals Pty Ltd. Refer to note 9 for details of the identifiable assets/liabilities acquired.

		2018 $	2017 $
5.	**Other Current Assets**		
	Prepayments	16,871	45,670
	Security deposits	6,929	20,000
	Monies held in trust (refer note 11)	37,230	37,230
		61,030	**102,900**
6.	**Receivables - Current**		
	Other debtors	1,590	568
	GST receivable	7,480	7,878
		9,070	**8,446**

Debtors, other debtors and GST receivable are non-interest bearing and generally receivable on 30-day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

		2018 $	2017 $
7.	**Receivables – Non-Current**		
	Other debtors	-	172,816
		-	**172,816**
8.	**Plant and Equipment**		
	Office furniture and equipment at cost	-	-
		-	**-**
	Movements in plant and equipment:		
	Office furniture and equipment		
	Opening balance	-	461
	Depreciation for the year	-	(427)
	Net exchange differences on translation	-	(34)
	Closing balance	**-**	**-**
9.	**Deferred Exploration and Evaluation Expenditure**		
	Exploration and Evaluation phase - at cost		
	Opening balance	5,158,046	5,404,726
	Acquisition of exploration tenements[1]	818,561	-
	Exploration expenditure written off	(5,158,046)[2]	(246,680)[3]
	Exploration and evaluation expenditure incurred during the year	127,469	-
	Closing balance	**946,030**	**5,158,046**

[1] During the year, the Group acquired 100% of the share capital of GNR Minerals Pty Limited which holds 112 exploration tenements in Canada. This acquisition did not constitute a business combination and the cost of the acquisitions have been allocated to the individual identifiable assets and liabilities on the basis of their respective fair values. The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

The deferred exploration and evaluation balance includes an amount of $818,561 being the identifiable exploration assets acquired upon the acquisition of GNR Mineral's Canadian project, refer below:

	$
Purchase consideration:	
2,575,000 Ordinary shares (pre-share split)	798,250
Identifiable assets/(liabilities) acquired:	
Cash	4,688
Exploration tenements	818,561
Trade and other payables	(24,999)
	798,250

[2] Following the acquisition of GNR Minerals, the Company's focus shifted away from the existing Indonesian asset (Trenggalek Project) and on to its flagship Manitou Gold Project in Ontario, Canada. As a result of this the Board has impaired the fair value of the Indonesian assets to nil at the end of the year. An amount of $5,158,046 relating to previously capitalised exploration expenditure was written off to the Statement of Profit or Loss and Other Comprehensive Income.

[3] The Group relinquished its option to earn up to 80% of the Mount Garnet gold project located in Northeast Queensland and agreed to assign its interest in associated tenements held by the Group to Snowmist Pty Ltd resulting in a full writedown of the value of capitalised exploration expenditure associated with this project in the amount of $246,680.

	2018 $	2017 $
10. Trade and Other Payables		
Trade payables and accrued expenses	85,651	164,270
Other consumption taxes payable	4,260	3,938
	89,911	**168,208**

Trade creditors and other creditors are non-interest bearing and generally payable on 30-day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

11. Other Current Liabilities		
Amounts payable to other persons	37,230	37,230
	37,230	**37,230**
12. Provisions		
a) Current Liabilities		
Post-employment benefits	71,104	-
	71,104	**-**
b) Non-Current Liabilities		
Post-employment benefits	-	59,983
	-	**59,983**

The above post-employment benefits relate to a defined benefit scheme operating for employees in the subsidiary of the Group, PT Indonusa Mining Services.

	2018 $	2017 $

13. Issued Capital

(a) Issued and paid up capital

	2018 $	2017 $
Issued and fully paid	153,680,857	150,979,294

	31 December 2018 Number of shares	$	31 December 2017 Number of shares	$
Movements in ordinary shares on issue				
Opening Balance	5,392,212	150,979,294	4,200,244	150,443,876
Shares issued and fully paid	908,154	463,159	1,191,968	607,904
Shares issued as consideration for acquisition[1]	2,575,000	798,250	-	-
Shares split on a 2:1 basis[3]	8,875,366	-	-	-
Shares issued and fully paid	7,500,000	1,500,000		
Transaction costs on share issue	-	(59,846)[2]	-	(72,486)
	25,250,732	**153,680,857**	**5,392,212**	**150,979,294**

[1] 2,575,000 fully paid ordinary shares were issued to the vendors of GNR Minerals Limited for the acquisition of the Company's Canadian project at a deemed issue price of $0.31 per share. Refer to note 9.

[2] The transaction costs on share issue of $59,846 includes an amount of $11,132 being the value of 150,000 options (pre-share split) exercisable at $0.75 on or before 10 October 2019 issued pursuant to a Lead Manager Mandate dated 8 November 2017.

[3] The share split approved by shareholders on 30 May 2018, was completed on 12 June 2018.

Performance Shares

As at 31 December 2018 there were 1,030,000 Performance Shares on issue. The Performance Shares will convert to ordinary shares if the Company is able to release a Canadian National Instrument 43-101 report or equivalent JORC Report announcing a minimum of 1moz inferred resource at minimum cut-off of 0.5 g/t within the next 5 years, in relation to the Company's Manitou gold project in Canada.

The fair value of the Performance Shares issued is based on the directors' assessment of those shares that are likely to convert to ordinary shares. Given the early stage nature of the Group's projects and the limited exploration actives undertaken to date, the performance shares are considered less likely than likely to convert to ordinary shares. As a result, the fair value of the performance shares to be brought to account is considered to be nil. The Directors will continue to reassess this position at each reporting period.

(b) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(c) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of $2,728,782 at 31 December 2018. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 20 for further information on the Company's financial risk management policies.

(d) Share Options

As at the date of this report there were 500,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
500,000	$0.375	10-Oct-2019

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. 219,090 options exercisable at $2.25 each expired unexercised on 31 December 2018. No options were exercised during or since the year ended 31 December 2018.

	2018 $	2017 $
14. Reserves		
Foreign exchange translation reserve	764,240	772,187
Share-based payment reserve	1,148,755	1,137,623
	1,912,995	**1,909,810**
Movements in Reserves		
Foreign exchange translation reserve		
Opening balance	772,187	777,530
Foreign exchange translation difference	(7,947)	(5,343)
Closing balance	**764,240**	**772,187**

The foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Share-based payment reserve		
Opening balance	1,137,623	1,137,623
Share based payments expense	11,132	-
Closing balance	**1,148,755**	**1,137,623**

The share-based payments reserve relates to the cumulative expense for share options granted to directors, employees and contractors. Upon the exercise of the options, the balance of the options reserve relating to those options is transferred to issued capital.

15. Accumulated Losses

Movements in accumulated losses were as follows:

Opening balance	(146,972,699)	(146,078,583)
Loss for the year	(5,892,371)	(894,116)
Closing balance	**(152,865,070)**	**(146,972,699)**

16. Directors and Key Management Personnel Disclosures

(a) Remuneration of Directors and Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and key management personnel of the Company for the financial year are as follows:

Short term employee benefits	122,694	301,000
Other benefits	4,529	6,912
Total remuneration	**127,223**	**307,912**

(b) Other transactions with key management personnel

Oscrow Capital Pty Ltd, a company in which Mr. Nicholas Rowley is a director, charged the Company consulting fees of $17,500. The consulting fee is included in note 16(a) "Compensation of key management personnel". Nil was outstanding at year end.

AJC Corporation Pty Ltd, a company in which Mr. Andrew Cooke is a director, charged the Company consulting fees of $42,409. The consulting fee is included in note 16(a) "Compensation of key management personnel". Nil was outstanding at year end.

O'Loughlin's Lawyers, of which Simon O'Loughlin is a partner received professional service fees of $25,918 during the year ended 31 December 2018 (2017: $10,043).

Gilbert + Tobin Lawyers, of which Marcello Cardaci is a partner received professional service fees of $3,666 during the year ended 31 December 2018 (2017: nil).

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms.

17. Related Party Disclosures

(a) Key management personnel

For Director related party transactions please refer to note 16 "Key Management Personnel Disclosures".

(b) Subsidiaries

The consolidated financial statements include the financial statements of ARC Exploration Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		2018	2017
GNR Minerals Pty Ltd	Australia	100%	-
PT Indonusa Mining Services.	Indonesia	100%	100%

	2018 $	2017 $
18. Auditor's Remuneration		
Audit services:		
Amounts received or due and receivable by the auditors of the parent company		
Nexia – Australia:		
- Audit and review of financial reports	25,000	40,588
HLB Mann Judd:		
- Audit of financial reports	20,000	-
Amounts received or due and receivable by the subsidiary auditor:		
Persek. Kanaka Puradiredja, Suhartono – Indonesia:		
- Audit and review of financial reports	3,959	12,821
	48,959	**53,409**
Other services:		
Nexia - Australia		
- Tax compliance and consulting services	4,500	4,500
	4,500	**4,500**
	53,459	**57,909**

	2018 $	2017 $
19. Loss per Share		
Loss used in calculating basic and dilutive EPS	(5,892,371)	(894,116)

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic loss per share:	16,988,326	4,265,557
Basic and diluted loss per share (cents per share)	(34.68)	(20.96)

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

20. Financial Risk Management

Exposure to foreign currency risk, credit risk, liquidity risk and interest rate risk arises in the normal course of the Company's business. The Company uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments. The responsibility for liquidity risk management rests with the Board of Directors. Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Directors expect that present levels of liquidity along with future capital raising will be adequate to meet expected capital needs.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Company manages the risk by investing in short term deposits.

	2018 $	2017 $
Cash and cash equivalents	1,910,897	739,618

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss ($) 2018	Effect on equity including accumulated losses ($) Increase/(Decrease) 2018	Effect on Post Tax Loss ($) 2017	Effect on equity including accumulated losses ($) Increase/(Decrease) 2017
Increase 75 basis points	14,332	14,332	5,547	5,547
Decrease 75 basis points	(14,332)	(14,332)	(5,547)	(5,547)

A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long-term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts on the statement of financial position. The Company holds financial instruments with credit worthy third parties. At 31 December 2018, the Company held cash at bank with 99.2% of the Company's cash being held in financial institutions with a rating from Standard & Poors of AA or above (long term). The Company has no past due or impaired debtors as 31 December 2018.

(d) Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

2018	Liabilities $	Assets $
US Dollar	75,784	29,038

(e) Fair value measurement

The Directors consider that the carrying value of current receivables and current payables approximate their fair values.

21. Parent Entity Information

The following details information related to the parent entity, ARC Exploration Limited, at 31 December 2018. The information presented here has been prepared using consistent accounting policies with those presented in note 2.

	2018 $	2017 $
Current assets	1,947,948	778,237
Total assets	2,898,666	6,109,099
Current liabilities	(122,461)	(197,538)
Total liabilities	(122,461)	(197,538)
Net assets	**2,776,205**	**5,911,561**
Issued capital	153,680,857	150,979,294
Reserves	1,148,756	1,137,623
Accumulated losses	(152,053,408)	(146,205,356)
	2,776,205	**5,911,561**
Loss of the parent entity	(5,848,052)	(785,810)
Total comprehensive loss of the parent entity	**(5,848,052)**	**(785,810)**

Other Commitments

The Company had no commitments as at 31 December 2018.

Contingent Liabilities

The Company had no contingent liabilities as at 31 December 2018.

22. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 31 December 2018 (2017: nil).

23. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2018 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2018.

24. Significant Events after the Reporting Date

On 25 March 2019, the Company announced that it had executed a binding Heads of Agreement to acquire 100% of the issued capital of Cyprium Australia Pty Ltd ("Cyprium"). Pursuant to an agreement between Cyprium and Musgrave Minerals Limited (ASX: MGV) ("MGV"), MGV has granted Cyprium an option ("Option") to earn-in and form a joint venture for an 80% interest in the non-gold rights over the tenements at the Cue Copper Project.

The Cue Copper Project is located in the Murchison region of Western Australia which is host to a number of Volcanic Massive Sulphide ("VMS") deposits. The Exploration leases and Mining Licenses currently held by MGV are located approximately 20km to the east of Cue in Western Australia.

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. The Hollandaire copper resource was discovered in 2011 by Silver Lake Resources Limited 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.

<u>Acquisition Terms</u>:
Subject to various conditions precedent, 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 with an issue price of $0.20 per share. The 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 Cue Copper option, ARX will issue to Musgrave Minerals Limited $250,000 worth of shares at a price equal to the 15-day VWAP per share (subject to voluntary escrow for a period of 12 months from the date of issue). In addition, ARX will pay an introduction fee by way of the issue of 1,500,000 shares with an issue price of $0.001 per share to corporate advisors in relation to the transaction.

<u>Equity Placement:</u>
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 $0.20 per share, to raise at least $2,000,000.

<u>Board and Management Changes:</u>
It is proposed that on completion of the transaction, Mr Gary Comb will be joining the Company as Non-Executive Chairman and Mr Barry Cahill as Executive Director. 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.

There are no other significant events subsequent to the end of the financial year to the date of this report.

25. Segment Information

The Group has identified its operating segments based on the internal reports that are reported to the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group operates predominately in one industry, being the exploration of mineral resources. The main geographic areas that the entity operates in are Australia, Canada and Indonesia. The parent entity is registered in Australia. The Group's exploration assets are located in both Indonesia and Canada.

The following table present revenue, expenditure and certain asset and liability information regarding geographical segments for the year ended 31 December 2018 and 31 December 2017:

31 December 2018	Australia / Corporate $	Canada $	Indonesia $	Total $
Interest income	6,948	-	-	6,948
Segment revenue	**6,948**	-	-	**6,948**
Employee expenses	(187,416)	-	-	(187,416)
Other expenses	(380,336)	-	-	(380,336)
Impairment of loans receivable	-	-	(172,163)	(172,163)
Exploration asset impairment	-	-	(5,158,046)	(5,158,046)
Unrealised foreign exchange loss	(1,358)	-	-	(1,358)
Income tax expense	-	-	-	-
Loss for the year after tax	**(562,162)**	-	**(5,330,209)**	**(5,892,371)**
Asset and liabilities				
Segment assets	1,980,997	946,030	-	2,927,027
Segment liabilities	(198,245)	-	-	(198,245)
Other Information				
Acquisition of non-current assets:				
Exploration and evaluation expenditure	-	946,030	-	946,030

31 December 2017				
Other income	633	-	-	633
Interest income	10,744	-	-	10,744
Segment revenue	**11,377**	-	-	**11,377**
Employee expenses	(259,723)	-	-	(259,723)
Depreciation expenses	(427)	-	-	(427)
Other expenses	(343,563)	-	-	(343,563)
Exploration expenditure	(7,060)	-	(32,152)	(39,212)
Exploration asset impairment	(246,680)	-	-	(246,680)
Unrealised foreign exchange loss	(15,888)	-	-	(15,888)
Income tax expense	-	-	-	-
Loss for the year after tax	**(861,964)**	-	**(32,152)**	**(894,116)**
Asset and liabilities				
Segment assets	1,023,780	-	5,158,046	6,181,826
Segment liabilities	(265,421)	-	-	(265,421)

Directors' Declaration

In accordance with a resolution of the Directors of ARC Exploration Limited, I state that:

1. In the opinion of the Directors:

   a) the financial statements and notes of ARC Exploration Limited for the year ended 31 December 2018 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

On behalf of the Board

Nicholas Rowley
Non-Executive Director

Perth, WA
29 March 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of ARC Exploration Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
29 March 2019

L Di Giallonardo
Partner

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INDEPENDENT AUDITOR'S REPORT
To the members of ARC Exploration Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ARC Exploration Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Carrying value of deferred exploration and evaluation expenditure Refer to Note 9 in the financial statements	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises acquisition costs of rights to explore as well as subsequent exploration and evaluation expenditure and applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the deferred exploration and evaluation expenditure, because this is a significant asset of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of the deferred exploration and evaluation expenditure may exceed its recoverable amount.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the carrying values of deferred exploration and evaluation expenditure; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for the year ending 31 December 2019 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; • We reviewed the Directors' reasoning to support the decision to impair the carried forward expenditure relating to the Indonesian assets; and • We examined the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of ARC Exploration Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
29 March 2019

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 20 March 2019.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	2,818	237,777
1,001 - 5,000	188	440,826
5,001 - 10,000	35	270,260
10,001 - 100,000	89	4,010,721
100,001 - and over	50	20,291,148
TOTAL	**3,180**	**25,250,732**

There were 2,973 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Shares	%
ARALAD MANAGEMENT PTY LTD <TRK SUPERANNUATION FUND A/C>	2,406,946	9.53
CLIPPER GROUP LIMITED	1,250,000	4.95
STRATA NOMINEES PTY LTD <THE C & C BONTEMPO S/F A/C>	1,150,000	4.55
JET CAPITAL PTY LTD <THE JET CAPITAL A/C>	1,100,000	4.36
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	775,000	3.07
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	724,404	2.87
CLARKSON'S BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C>	697,000	2.76
OCTIFIL PTY LTD	626,676	2.48
CORPORATE PROPERTY SERVICES PTY LTD <K W SHARE A/C>	571,428	2.26
TREASURE KEY INVESTMENTS LTD	554,000	2.19
SOUTTAR SUPERANNUATION PTY LTD <GREENSLADE SUPER FUND A/C>	540,000	2.14
CPO SUPERANNUATION FUND PTY LTD <C & P O'CONNOR S/F A/C>	540,000	2.14
TALMETAL PTY LTD <TALMETAL TRUST>	500,000	1.98
WEXFORD RISE PTY LTD <WEXFORD RISE PENSION A/C>	500,000	1.98
JIMZBAL PTY LTD <JIMZBAL SUPER A/C>	500,000	1.98
FERNLAND HOLDINGS PTY LTD <THE CELATO A/C>	472,114	1.87
MR JASON BONTEMPO + MRS TIZIANA BATTISTA <MORRISTON SUPER FUND A/C>	404,800	1.6
PUNTERO PTY LTD	373,530	1.48
SYMINGTON PTY LTD	345,000	1.37
DR JEFFREY FRANCIS A MALAIHOLLO	322,424	1.28
	14,353,322	**56.84**

Substantial Shareholders

There are no substantial shareholders of ARC Exploration Limited.

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 31 December 2018.

Unlisted Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at $0.375 on or before 10 October 2019.	500,000	- Taycol Nominees Pty Ltd - <211 A/C> 400,000 options - Aglub Investments Pty Ltd <Aglub Investments A/C> 100,000 options

Performance Shares

Class	Number	Holders with more than 20%
The Performance Shares will convert to ordinary shares if the Company is able to release a Canadian National Instrument 43-101 report or equivalent JORC Report announcing a minimum of 1moz inferred resource at minimum cut-off of 0.5 g/t within the next 5 years, in relation to the Company's Manitou gold project in Canada.	1,030,000	- Steven Edward Daniel Siemieniuk 772,000 Performance Shares - Christian Frederick Jagd Carl 258,000 Performance Shares

ARC Exploration Limited (ASX: 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^2. 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.

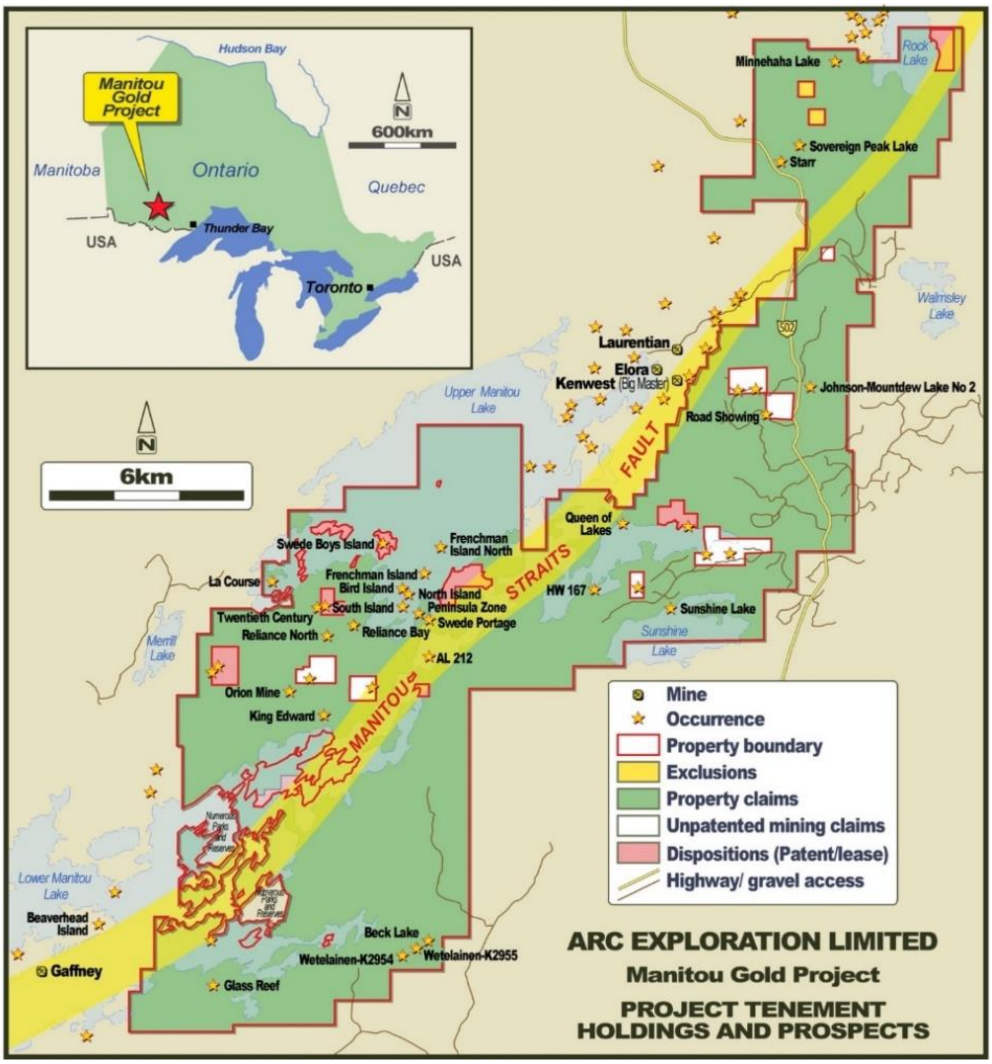

Figure 1 | Location of Manitou Project in Ontario, Canada

The Company also has a joint venture interest with PT Sumber Mineral Nusantara on the Trenggalek Project in East Java. The Project lies on the prospective Sunda-Banda magmatic arc, which is host to several known high-grade epithermal gold and porphyry copper-gold deposits.

ARC Exploration Limited Tenements

Tenement	Location	Area	Structure
CANADA			
The Manitou Gold Project consists of 112 unpatented mining claims. GNR Minerals Pty Ltd owns 100% of all claims. Claim numbers are as follows: 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	Ontario, CANADA	245 km^2 in total	100%
INDONESIA			
Trenggalek	East Java, INDONESIA	299.7 km^2	95%