



**Arc Exploration Limited**

**A.B.N. 48 002 678 640**

**INTERIM REPORT**

**FOR THE HALF YEAR ENDED 30 JUNE 2015**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Arc Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Arc Exploration Limited and its Controlled Entities**  
**A.B.N. 48 002 678 640**

**Interim Consolidated Financial Report**  
**For The Half Year Ended 30 June 2015**

**DIRECTORS' REPORT**

The directors present their report together with the financial statements of the consolidated entity (the 'Group') consisting of Arc Exploration Limited (the 'Company') and the entities it controlled at the end of, or during, the half-year ended 30 June 2015.

**DIRECTORS**

The following persons were directors of the Company during the half-year and until the date of this report. Directors were in office for this entire period unless otherwise stated.

Name	Period of Directorship
<b>Executive</b>	
Mr Jeffrey Malaihollo (Managing Director, CEO)	Managing Director October 2013
<b>Non-Executive</b>	
Mr. Bruce J. Watson (Chairman of the Board and the Audit Committee)	Appointed Chairman (Board and Audit Committee) 2005 Director 1998-2001, Director since 2005
Mr John Carille	Retired as Managing Director remained as Non-Executive Director October 2013 Appointed Managing Director January 2008 Director since 1998
Mr. Robert M. Willcocks	Director since July 2008
Mr Liem Max Ramajaya (Mr Max Ramajaya)	Director since September 2014

**PRINCIPAL ACTIVITIES**

During the year the principal activities of Arc Exploration Limited and its controlled entities were copper-gold exploration in Asia Pacific region concentrating on high impact gold and porphyry copper-gold deposits with existing operations in both Indonesia and Australia.

**REVIEW OF OPERATIONS**

The Group is focused on gold and base metal exploration in Indonesia and Australia.

**INDONESIA**

**Trenggalek Project, East Java**

The Group has a joint venture with PT. Sumber Mineral Nusantara ("SMN"), an Indonesian company which holds the Trenggalek Exploration IUP tenement that covers an area of approximately 300 km<sup>2</sup> in the Southern Mountains of East Java.

The IUP is valid until November 2016 and SMN holds a *Pinjam-Pakai* ("Borrow Use") Forestry Permit, valid until the 3 November 2015, which allows the company to conduct exploration work on several targets in production forestry areas within the tenement. The Company has started the process of applying for an extension for this permit.

Early exploration work by ARX concentrated on the testing of multiple epithermal gold targets identified on the Trenggalek IUP. Initial drill testing was conducted on several vein prospects during 2010-11 and produced significant gold-silver intercepts including 9 m at 4.5 g/t Au & 8 g/t Ag at Sentul, 13.7 m at 3.2 g/t Au & 60 g/t Ag at Buluroto, and 6.6 m at 4.9 g/t Au & 149 g/t Ag at Kojan, highlighting potential for high-grade gold discoveries in the project area.

Potential for major porphyry copper-gold deposits in the region is highlighted by the discovery of the Tumpangpitu deposit in the Tujuh Bukit district, located some 200 km to the east of Trenggalek. Tumpangpitu is in the same belt of rocks hosting the giant Batu Hijau and Elang copper-gold deposits on Sumbawa within the Sunda-Banda magmatic arc. Trenggalek contains a similar package of rocks to those hosting these three major porphyry deposits.

A Joint Venture with Anglo American from late 2012 until late 2014 was focused on exploring for porphyry copper-gold on the Trenggalek IUP. This partnership identified several significant targets that had advanced surface evaluations and some initial drill testing and generated an extensive geophysical and geochemical database for porphyry targeting in the project area.

A low-level of exploration activity was conducted at Trenggalek during the first half of this financial year. This included some initial preliminary bottle-roll cyanide-gold leaching test work done on drill core material resampled from the West Sentul epithermal gold vein. The results supported that the gold vein at West Sentul may be amenable to processing by conventional CIP processing methods if a significant gold resource is defined.

The Company is considering its options to move this project forward, including identifying a major joint venture partner.

**Arc Exploration Limited and its Controlled Entities**  
**A.B.N. 48 002 678 640**

**Interim Consolidated Financial Report**  
**For The Half Year Ended 30 June 2015**

**DIRECTORS' REPORT (Continued)**

**REVIEW OF OPERATIONS (CONTINUED)**

**AUSTRALIA**

ARX holds agreements with New South Resources Pty Ltd ("NSR") to farm-in to their Junee and Oberon projects located in New South Wales (see ASX announcements of 3<sup>rd</sup> July 2013 and 30<sup>th</sup> June 2014). These two projects occur within the Lachlan Orogen, a complex geological terrane endowed with world-class gold and gold-copper deposits.

ARX held an option to farm-in to a gold property owned by Snowmist Pty Ltd ("Snowmist") located in the Mount Garnet mining district of Far North Queensland. This option was exercised to proceed into a formalised joint venture in July 2015 (see ASX announcements of 28<sup>th</sup> July 2015). This project occurs in the Hodgkinson Province, another complex geological terrane endowed with world-class gold-breccia deposits.

All three projects contain drill-indicated gold resources with potential to expand through further exploration and also show potential for the discovery of base metal deposits.

**The Junee Project, NSW**

The Junee Project is located close to existing mine operations and development infrastructure near the major regional centre of Wagga Wagga. It comprises three Exploration Licences (EL's 6516, 6768 & 8152). The total area of this tenement package is about 73 square-kilometres.

A low-level of exploration activity was conducted at Junee during the first half of this financial year. This included a petrographic analysis of some historical RC chip samples. The Company is considering its options to move this project forward, including identifying a major joint venture partner.

**The Oberon Project, NSW**

The Oberon Project is located close to existing mine operations and development infrastructure near the major regional centre of Bathurst. It comprises two Exploration Licences (EL's 6525 & 8349). The total area of this tenement package is about 188 square-kilometres.

A low-level of exploration activity was conducted at Oberon during the first half of this financial year. A new exploration licence (EL 8349) was granted to ARX and covers Ordovician volcanic rocks that are prospective for copper and gold. The Company is considering its options to move this project forward, including identifying a major joint venture partner.

**The Mount Garnet Project, QLD**

The Mount Garnet Project is located near the major regional centre of Cairns and comprises three Mining Leases (ML's 4363, 4390, 20018) covering about 150 hectares and an exploration tenement (EPM 25343) covering about 17 km<sup>2</sup>.

Rock geochemical sampling and a petrographic analysis on some of the rock samples were undertaken during the first half of the financial year. The main focus was on a large area of strong base metal anomalism highlighted by soil sampling done by ARX in late 2014 at Stockies prospect within the exploration tenement. The rock results supported potential for high-grade base metal targets in the project area within rocks that are similar to those hosting the nearby zinc-copper skarn previously mined at Mount Garnet.

**Net Loss After Tax**

The net loss after tax for the half-year was \$715,737 (2014: loss \$791,645).

**Financial**

Following shareholder approval at the AGM on 22 May 2015, 41,804,446 Shares were issued in lieu of Directors Fees and Salaries to preserve existing cash resources.

During the half year no dividends has been declared or paid.

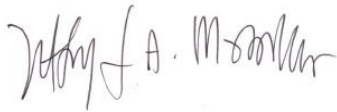
**Arc Exploration Limited and its Controlled Entities**  
**A.B.N. 48 002 678 640**

**Interim Consolidated Financial Report**  
**For The Half Year Ended 30 June 2015**

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration is set out on Page 5 and forms part of the Directors' report for the half-year ended 30 June 2015.

Signed at Sydney this 11 September 2015 in accordance with a resolution of the directors.



**Jeffrey Malaihollo**  
**Managing Director**



**Bruce J Watson**  
**Non-Executive Chairman**

The Board of Directors  
Arc Exploration Limited  
Level 8, 65 York Street,  
Sydney NSW 2000

11 September 2015

Dear Board Members

**Lead Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit partner for the review of the financial report of Arc Exploration Limited and its Controlled Entities for the half year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



**Nexia Court & Co**  
Chartered Accountants



**Joseph Santangelo**  
Partner

Sydney

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Independent member of Nexia International



Arc Exploration Limited and its Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2015

	30 June 2015 \$	Half-year 30 June 2014 \$
<b>Continuing operations</b>		
Other income	174,239	481,113
Employee expenses	(488,756)	(559,723)
Depreciation expenses	(2,480)	(9,743)
Management, administrative and occupancy expenses	(306,460)	(342,849)
Exploration expenditure	(86,322)	(355,783)
Unrealised foreign exchange gain/(loss)	(18,613)	(30,047)
<b>Loss before financing costs</b>	<u>(728,392)</u>	<u>(817,032)</u>
Interest income	12,655	25,387
<b>Loss before income tax</b>	<u>(715,737)</u>	<u>(791,645)</u>
Income tax (expense)/benefit	-	-
<b>Loss after tax</b>	<u>(715,737)</u>	<u>(791,645)</u>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit and loss</b>	-	-
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation differences for foreign operations	(385)	17,527
<b>Other comprehensive income for the period, net of tax</b>	<u>(385)</u>	<u>17,527</u>
<b>Total comprehensive income for the period</b>	<u>(716,122)</u>	<u>(774,118)</u>
<b>Earnings per share</b>		
Basic and diluted earnings/(loss) per share (cents per share)	(0.07)	(0.09)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Arc Exploration Limited and its Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015

	Notes	30 June 2015 \$	31 December 2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		442,841	1,506,317
Receivables		219,232	61,615
Other		140,796	192,885
<b>TOTAL CURRENT ASSETS</b>		<b>802,869</b>	<b>1,760,817</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		198,627	189,083
Plant and equipment		1,604	3,825
Exploration and evaluation expenditure		5,759,231	5,522,719
Intangible asset		-	33,864
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,959,462</b>	<b>5,749,491</b>
<b>TOTAL ASSETS</b>		<b>6,762,331</b>	<b>7,510,308</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		152,493	296,191
Other		34,861	34,861
<b>TOTAL CURRENT LIABILITIES</b>		<b>187,354</b>	<b>331,052</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		244,141	254,629
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>244,141</b>	<b>254,629</b>
<b>TOTAL LIABILITIES</b>		<b>431,495</b>	<b>585,681</b>
<b>NET ASSETS</b>		<b>6,330,836</b>	<b>6,924,627</b>
<b>EQUITY</b>			
Contributed equity	8	149,252,759	149,130,428
Reserves		1,856,825	1,857,210
Accumulated losses		(144,778,748)	(144,063,011)
Total equity attributable to equity holders of the Company		6,330,836	6,924,627
<b>TOTAL EQUITY</b>		<b>6,330,836</b>	<b>6,924,627</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Arc Exploration Limited and its Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2015

		Share Capital	Translation Reserve	Share-Based Payment Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$	\$
<b>Balance at 1 January 2015</b>	Notes	<b>149,130,428</b>	<b>734,668</b>	<b>1,122,542</b>	<b>(144,063,011)</b>	<b>6,924,627</b>
<b>Total comprehensive income for period</b>						
Profit/(loss)		-	-	-	(715,737)	(715,737)
<b>Other comprehensive income</b>						
Foreign currency translation differences		-	(385)	-	-	(385)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(385)</b>	<b>-</b>	<b>(715,737)</b>	<b>(716,122)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>						
Employee share options expense		-	-	-	-	-
Shares issued	8	122,331	-	-	-	122,331
Total transactions with equity holders		122,331	-	-	-	122,331
<b>Total equity at the end of period 30 June 2015</b>		<b>149,252,759</b>	<b>734,283</b>	<b>1,122,542</b>	<b>(144,778,748)</b>	<b>6,330,836</b>
<b>Balance at 1 January 2014</b>		<b>148,387,790</b>	<b>734,875</b>	<b>902,573</b>	<b>(142,446,602)</b>	<b>7,578,636</b>
<b>Total comprehensive income for period</b>						
Profit/(loss)		-	-	-	(791,645)	(791,645)
<b>Other comprehensive income</b>						
Foreign currency translation differences		-	17,527	-	-	17,527
Total comprehensive income for the period		-	17,527	-	(791,645)	(774,118)
<b>Transactions with equity holders in their capacity as equity holders</b>						
Employee share options expense		-	-	125,697	-	125,697
Shares issued	8	50,138	-	-	-	50,138
Total transactions with equity holders		50,138	-	125,697	-	175,835
<b>Total equity at the end of period 30 June 2014</b>		<b>148,437,928</b>	<b>752,402</b>	<b>1,028,270</b>	<b>(143,238,247)</b>	<b>6,980,353</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



Arc Exploration Limited and its Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Notes	Half-year
	30 June 2015	30 June 2014
	\$	\$
<b>Cash flows from operating activities</b>		
Consulting fees	163,625	61,925
Partner Contribution	-	364,098
Payments to suppliers and employees	(799,023)	(665,199)
Exploration and evaluation expenditure	(83,785)	(119,905)
Interest received	18,449	26,812
Finance costs	-	-
<b>Net cash used in operating activities</b>	<b>(700,734)</b>	<b>(332,269)</b>
<b>Cash flows from investing activities</b>		
Payments for office furniture, equipment and vehicles	-	-
Payments for exploration and evaluation expenditure	(266,502)	(199,271)
Payments for Security Deposits	(10,000)	-
<b>Net cash used in investing activities</b>	<b>(276,502)</b>	<b>(199,271)</b>
<b>Cash flows from financing activities</b>		
Payments for capital raisings	(28,083)	-
<b>Net cash from financing activities</b>	<b>(28,083)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,005,319)</b>	<b>(531,540)</b>
Cash and cash equivalents at beginning of the period	1,506,317	2,205,476
Effects of exchange rate changes on balances of cash held in foreign currencies	(58,157)	(6,176)
<b>Cash and cash equivalents at the end of the period</b>	<b>442,841</b>	<b>1,667,760</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**Arc Exploration Limited and its Controlled Entities**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2015**

**1 Reporting Entity**

Arc Exploration Limited (the "Company") is a publicly listed company that is incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the period ended 30 June 2015 comprise the Company and its controlled entities (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 31 December 2014 is available upon request from the Company's registered office at Level 8, 65 York Street, Sydney NSW 2000, or at [www.arcexploration.com.au](http://www.arcexploration.com.au).

**2 Statement of Compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

This consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2014.

The consolidated interim financial statements were approved by the Board of Directors on 11 September 2015.

**3 Significant accounting policies**

Except as described below the accounting policies applied by the Group in this consolidated interim report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2014.

**4 Estimates**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2014.

**5 Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 December 2014.

**6 Going concern**

The financial report is prepared on a going concern basis which reflects the Directors' expectation that the Group will be able to realise its assets and settle its obligations in the normal course of business. In making this assessment the Directors have prepared cash flows forecasts until 30 September 2016, taking the following into consideration:

- The Group has recently commenced a cost reduction program to conserve cash across all of its operations in both Australia and Indonesia. Directors and senior management of the Company have elected to forgo 50% of their remuneration with the remaining 50% of their remuneration which they are to receive will be paid by the issue of shares in the Company rather than in cash and as a result no cash remuneration will be paid to Directors or senior management for the remainder of this year and into 2016 if necessary. In the case of Directors these arrangements are subject to shareholder approval which will be pursued at the next general or annual general meeting of the Company;
- The strategy of the Group is to attract joint venture partners to farm-in and fund development of properties which the Group considers is the most appropriate way for junior exploration companies to advance their projects in difficult markets where their own access to equity funding may be constrained;
- For the second half of 2015 the Group will continue to conserve cash by undertaking only such work on its existing projects which is essential or involves minimal cash outlay while it pursues joint venture interest for their longer term development. There is no guarantee that joint venture partners will be secured within any particular time frame but seeking partners will be the Group's key focus over this period. Until market conditions improve, the work program will primarily involve further analysis of existing data;
- The Group will fund minimum holding costs in respect of the Trenggalek tenement in order to keep the project in good standing while it looks for a new joint venture partner/funding to continue the exploration program;
- The Group, having exercised options to earn an interest in three projects in Australia, is expecting a modest level of expenditure during the initial earn in period while the Group assesses the technical merit of these projects and seeks to identify potential joint venture partners to fund project expenditure and earn an equity interest in each project;
- The Group completed a Share Purchase Plan in August 2015 and may raise additional new capital before the end of 2015, subject to suitable market conditions and/or deal with group assets to raise funds. These funds will be applied to meet the Group's cash burn rate and committed obligations;
- The Board may also pursue appropriate corporate opportunities where they are complimentary to the Company's existing projects or have the potential to add value for the benefit of existing shareholders.

**Arc Exploration Limited and its Controlled Entities**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2015**

**6 Going concern (continued)**

If additional funding cannot be obtained, there is a material uncertainty whether the Group will be able to continue as a going concern. However, it should be noted that if additional funding is not obtained, the Company would take further steps to reduce its operating expenditures and would likely operate on a basis such that it would not incur liabilities that it was not in a position to pay from available cash resources.

If the Group is unable to continue as a going concern in the future, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

**7 Segment reporting**

The Group has two operating segments, being exploration activities in Indonesia and Australia. The Managing Director only reviews the expenses, profit or loss, assets and liabilities relating to exploration activities separately. The disclosures set out below have been prepared on this basis.

<b>Segment assets and liabilities</b>	<b>June 2015</b>	<b>December 2014</b>
<b>Information about reportable segments</b>	<b>\$</b>	<b>\$</b>

The segment assets and liabilities as reported to the Managing Director are as follows:

<b>Assets</b>		
Australia exploration	673,683	597,791
Indonesia exploration	5,085,548	4,958,792
Corporate	<u>1,003,100</u>	<u>1,953,725</u>
	<b><u>6,762,331</u></b>	<b><u>7,510,308</u></b>
<b>Liabilities</b>		
Australia exploration	-	33,864
Indonesia exploration	-	-
Corporate	<u>431,495</u>	<u>551,817</u>
	<b><u>431,495</u></b>	<b><u>585,681</u></b>

**2015 - June**

	<b>Australia</b>	<b>Indonesia</b>	<b>Corporate</b>	<b>Total</b>
<b>Revenue from continuing operations</b>				
Other income	-	-	174,239	<b>174,239</b>
Employee expenses	-	-	(488,756)	<b>(488,756)</b>
Depreciation expenses	-	-	(2,480)	<b>(2,480)</b>
Other expenses	-	-	(306,460)	<b>(306,460)</b>
Exploration expenses	-	(86,322)	-	<b>(86,322)</b>
Foreign exchange losses	-	-	(18,613)	<b>(18,613)</b>
<b>Loss before financing costs</b>	<b>-</b>	<b>(86,322)</b>	<b>(642,070)</b>	<b>(728,392)</b>
Interest income	-	-	12,655	<b>12,655</b>
<b>Loss before income tax</b>	<b>-</b>	<b>(86,322)</b>	<b>(629,415)</b>	<b>(715,737)</b>
Income tax (expense)/benefit	-	-	-	-
<b>Loss after tax</b>	<b>-</b>	<b>(86,322)</b>	<b>(629,415)</b>	<b>(715,737)</b>

**2014 - June**

	<b>Australia</b>	<b>Indonesia</b>	<b>Corporate</b>	<b>Total</b>
<b>Revenue from continuing operations</b>				
Other income	-	-	481,113	<b>481,113</b>
Employee expenses	-	-	(559,723)	<b>(559,723)</b>
Depreciation expenses	-	-	(9,743)	<b>(9,743)</b>
Other expenses	-	-	(342,849)	<b>(342,849)</b>
Exploration expenses	-	(355,783)	-	<b>(355,783)</b>
Foreign exchange losses	-	-	(30,047)	<b>(30,047)</b>
<b>Loss before financing costs</b>	<b>-</b>	<b>(355,783)</b>	<b>(461,249)</b>	<b>(817,032)</b>
Interest income	-	-	25,387	<b>25,387</b>
<b>Loss before income tax</b>	<b>-</b>	<b>(355,783)</b>	<b>(435,862)</b>	<b>(791,645)</b>
Income tax (expense)/benefit	-	-	-	-
<b>Loss after tax</b>	<b>-</b>	<b>(355,783)</b>	<b>(435,862)</b>	<b>(791,645)</b>

**Arc Exploration Limited and its Controlled Entities**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2015**

**8 Contributed Equity**

The company issued 41,804,446 shares during the half year to settle part of Directors Fees / Salary to preserve existing cash resources.

	30-06-15 Number	31-12-14 Number	30-06-15 \$	31-12-14 \$
<b>Fully paid ordinary shares</b>				
At the beginning of the period	1,063,390,131	916,533,798	149,130,428	148,387,790
Shares issued to settle part of Directors Fees / Salary	41,804,446	8,356,333	150,414	50,138
Shares issued under share placement @ \$0.005 per share		138,500,000		692,500
Transaction costs relating to share issues			(28,083)	-
	<b>1,105,194,577</b>	<b>1,063,390,131</b>	<b>149,252,759</b>	<b>149,130,428</b>

**9 Subsequent events**

The Company exercised its option to farm-in to the Mt Garnet gold project in northeast Queensland in July 2015 based on the view that there is a significant potential to increase the known gold resource at Triple Crown and additional potential to identify new gold-breccia targets and other deposit styles, including base metal skarn similar to that exploited at the nearby Mount Garnet zinc-copper mine. At its election the Company can earn a 51% interest in the project by sole funding A\$500,000 within two years and may then earn up to an 80% interest by sole funding a further A\$580,000 within a further one year.

On 18 August 2015, the Company applied for renewal of exploration licence EL 8152, which forms part of the Junee project, for a period of 2 years.

The Company also completed a Share Purchase Plan in August 2015 which raised \$106,000 before costs. The strategy of the Group is to attract joint venture partners to farm-in and fund development of properties. For the second half of 2015 the Group will continue to conserve cash by undertaking only such work on its existing projects which is essential or involves minimal cash outlay while it pursues joint venture interest for their longer term development. There is no guarantee that joint venture partners will be secured within any particular time frame but seeking partners will be the Group's key focus over this period.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**10 Investments in Controlled Entities**

Name of controlled entity	Country of Incorporation	Class of Shares	Equity Holdings	
			June	December
			2015	2014
PT Indonusa Mining Services	Indonesia	Ord	%	%
PT Sumber Mineral Nusantara	Indonesia	Ord	100	100
			0	0

Arc Exploration Limited ("ARX") entered into a joint venture agreement on 24 February 2015 with PT Sumber Mineral Nusantara ("SMN"). SMN is a single asset entity which owns the Trenggalek tenement. Under the joint venture agreement, SMN assigns 95% of the rights of the Trenggalek tenement to ARX and ARX is required to fund all costs in relation to the day to day operations of the tenement and will receive 95% of the returns produced from the commercialisation of the tenement. Furthermore, ARX controls the Management Committee which is responsible for the decision making in relation to the tenement. As the only operation permitted in SMN is the tenement and ARX has the present ability to direct the relevant activities of SMN, the directors have therefore determined that they have control of SMN. All costs associated with the exploration of Trenggalek have been capitalised in ARX. SMN has no other assets, liabilities, revenues or expenses.

**Arc Exploration Limited and its Controlled Entities**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2015**

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Arc Exploration Limited ("the Company")

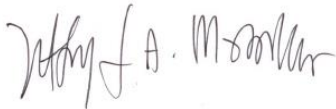
1. The financial statements and notes set out in this report are in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the six month period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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.

Signed in accordance with a resolution of the directors:

Dated 11 September 2015



**Jeffrey Malaihollo**  
**Managing Director**



**Bruce J Watson**  
**Non-Executive Chairman**

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ARC EXPLORATION LIMITED

We have reviewed the accompanying half-year financial report of Arc Exploration Limited (the 'Company') and Consolidated Entities (the 'Group'), which comprises the consolidated statement of financial position as at 30 June 2015 the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Arc Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Arc Exploration Limited.

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF ARC EXPLORATION LIMITED  
(CONT'D)**

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Arc Exploration Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Emphasis of Matter**

Without modifying our conclusion, we draw your attention to Note 6 'Going concern' of the financial report, which indicates the Group has incurred net losses after income tax of \$715,737 for the period ended 30 June 2015 (30 June 2014: \$791,645) and experienced net cash outflows from operating, investing and financing activities of \$1,005,319 (30 June 2014: \$531,540) for the period ended 30 June 2015.

The financial report had been prepared on a going concern basis which assumes continuity of normal business activities, the realization of assets and the settlement of liabilities in the ordinary courses of business.

In note 6, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, if the equity raisings does not occur, there are material uncertainties as to whether the Company and the Group will be able to continue as a going concern and therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.



**Nexia Court & Co**  
Chartered Accountants



**Joseph Santangelo**  
Partner

11 September 2015  
Sydney