

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

<b>ARC EXPLORATION LIMITED</b>
--------------------------------

ABN

48 002 678 640
----------------

Quarter ended

30 September 2009
-------------------

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a)exploration and evaluation	(45)	(255)
(b)development (see Note 1)	-	(1,903)
(c)production	-	-
(d)administration	(343)	(1,027)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	27
1.5 Interest and other costs of finance paid	(8)	(33)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(392)</b>	<b>(3,191)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	56
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>56</b>
1.13 Total operating and investing cash flows (carried forward)	-	(3,135)

Note: 1. Development expenditure related to the Cibaliung Gold Project in Indonesia. On 6 July 2009 the Company completed the sale of the subsidiary PT Cibaliung Sumberdaya which was the holder of the Cibaliung Gold Project assets and associated debt. The cash sale price was US\$1. The sale relieved the Company of its significant obligations to fund the Project and to service the associated project debt obligations to the ANZ Bank. The completion of the sale, as well as the settlement of the convertible notes and the forgiveness of outstanding underwriting fees have materially changed the financial position of the Group from that which existed at the half-year 30 June 2009. After the completion of these transactions the net asset position of the Group improved by around \$17.8 million to a negative net asset position of around \$0.9 million as at 6 July 2009.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(392)	(3,135)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (PT Aneka Tambang Tbk )	109	1,257
1.17	Repayment of borrowings (Settlement of convertible notes)	(221)	(221)
1.18	Dividends paid	-	-
1.19	Cost of Capital Raising	-	-
	<b>Net financing cash flows</b>	<b>(112)</b>	<b>1,036</b>
	<b>Net increase (decrease) in cash held</b>	<b>(504)</b>	<b>(2,099)</b>
1.20	Cash at beginning of quarter/year to date	1,892	3,515
1.21a	Cash balance of subsidiary sold	*(853)	*(853)
1.21b	Exchange rate adjustments to item 1.20	(3)	(31)
1.22	<b>Cash at end of quarter</b>	<b>532</b>	<b>532</b>

\*Cash balance of the subsidiary PT Cibaliung Sumberdaya. The sale transaction for this subsidiary was completed on 6 July 2009, with the cash balances held by this subsidiary being acquired by the purchaser, PT Aneka Tambang Tbk, as part of the sale.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	36
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Nil

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter outstanding underwriting fees of \$536,852 were forgiven by the ANZ Banking Group.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1a Unsecured Loan facility (This facility comprises a loan facility of US\$2.829m.)	3,214	3,214
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60
4.2 Development	-
4.3 Production	-
4.4 Administration	400
<b>Total</b>	<b>*460</b>

\* Total outflows exclude payments that may be made during the next quarter for capital raising costs in relation to the share placement, the options placement and the rights issue as announced on 7 October 2009.

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank (see note below)	532	1,892
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>532</b>	<b>1,892</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Cibaliung	Joint venture interest held by former subsidiary PT Cibaliung Sumberdaya. The Company completed the sale of this subsidiary on 6 July 2009.	95% 0%
6.2	Interests in mining tenements acquired or increased	-	-	-

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference +securities</b> <i>(description)</i>	-	-	-
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	<b>+Ordinary securities</b>	149,761,711	149,761,711	
7.4	Changes during quarter			
	(a) Increases through exercising of options	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	<b>+Convertible debt securities-</b> Convertible Notes	-	-	-
7.6	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through securities settled (2,084,210 notes which were convertible into 694,770 ordinary shares)	694,770*	Nil	300

\*On 6 July 2009 the convertible notes were redeemed with a cash payment of \$221,117 and the issuing of 17,775,000 July 2012 Options.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.7 <b>Options</b> ( <i>description and conversion factor</i> )	each to subscribe for one ordinary share in the capital of the Company		<i>Exercise price</i>	<i>Expiry date</i>
Listed options -ARXO	7,940,729	7,940,729	75	30/06/2012
Unlisted options	17,775,000	-	2.5	6/07/2012
7.8 Issued during quarter:	-	-	-	-
Unlisted options	17,775,000	-	2.5	6/07/2012
7.9 Exercised during quarter:	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> ( <i>totals only</i> )	-	-		
7.12 <b>Unsecured notes</b> ( <i>totals only</i> )	-	-		

+ See chapter 19 for defined terms.

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

*Andrew J. Cooke*

Sign here: ..... Date: 23 October 2009  
(Company Secretary)

Print name: Andrew J. Cooke

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statements* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

---

+ See chapter 19 for defined terms.