



**Arc Exploration Limited**

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

**INTERIM REPORT**

**FOR THE HALF YEAR ENDED 30 JUNE 2013**

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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 2012 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 2013**

**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 2013.

**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.

<b>Name</b>	<b>Period of Directorship</b>
<b>Executive</b>	
Mr. John C. Carlile (Managing Director)	Director since 1998 Appointed Managing Director January 2008
<b>Non-Executive</b>	
Mr. Bruce J. Watson (Chairman of the Board and the Audit Committee)	Director 1998-2001, Director since 2005 Appointed Chairman (Board and Audit Committee) 2005
Mr. George S. Tahija	Director since 1998
Mr. Robert M. Willcocks	Director since July 2008

**PRINCIPAL ACTIVITIES**

During the period, the principal activities of the Group and its controlled entities were:

- the undertaking of gold exploration in Indonesia at Trenggalek (East Java);
- providing support to Anglo American Group ('Anglo America') to undertake copper/gold exploration on the Strategic Alliance project area in West Papua; and
- exploring opportunities in Australia.

**REVIEW OF OPERATIONS**

The Group is exploring for gold, silver and associated base metal deposits in both Australia and Indonesia. During the period the Group entered into agreements to secure options over two gold projects in New South Wales and one in Queensland. These agreements provide an opportunity to establish a foothold in major gold and copper producing provinces in Australia that have excellent potential for further discoveries and growth.

**Trenggalek Project - East Java, Indonesia (ARX - 95%)**

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. In December 2012, the Group announced that Anglo American had elected to enter into an agreement with the Group and SMN to farm into the Trenggalek Project. Exploration activities at Trenggalek are currently managed by ARX but fully funded by Anglo American.

The expiry date on the Trenggalek exploration IUP was amended by the Regent of Trenggalek from November 2013 to November 2016.

Work during the period identified a large high-sulphidation epithermal alteration system at Sumber Bening and this was confirmed by TerraSpec analysis of altered outcrops. This and other possible high-sulphidation systems have since been identified which may be linked to porphyry gold-copper targets at depth. The potential of the region for major porphyry copper-gold deposits is highlighted by the discovery of Tumpangpitu copper-gold deposit by Intrepid Mines Limited at Tujuh Bukit, located some 200 km to the east of Trenggalek. Tumpangpitu is in the same belt of rocks hosting the giant Batu Hijau and Elang porphyry 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. The joint venture with Anglo American provides an opportunity to test this potential.

**Anglo American Strategic Alliance - Papua and West Papua, Indonesia (ARX -20%)**

The Group has a 20% interest in a strategic alliance with the Anglo American Group to explore for large porphyry copper-gold deposits in the Papua and West Papua provinces. The interest is fully funded by Anglo American through to a development decision. The Alliance currently operates three Exploration IUP tenements held by Indonesian parties pursuant to the strategic alliance. These cover nearly 3,000 km<sup>2</sup> at the centre of the Bird's Head peninsula in West Papua Province which cover prospective ground in the same region that hosts Grasberg - Indonesia's largest porphyry copper-gold deposit. No ground work is planned until the necessary permissions are obtained to work within the forestry areas.

**New South Wales - Australia**

During the period the Group signed Option to Farm-in Term Sheets on two gold projects in New South Wales, Australia. The projects are located in the Junee and Oberon districts and are held 100% under exploration licences (ELs) by New South Resources Limited (NSR). Each project contains an advanced gold target, shows potential to increase in size through the discovery of new gold and gold-copper resources, and occurs near major mine operations and development infrastructure. The key commercial terms are:

- The Group has a 1 year Option Period on one or both projects for a minimum expenditure of A\$ 100,000 on Junee and A\$ 135,000 on Oberon;
- The Group may then earn a 51% interest, in one or both projects, by sole funding A\$ 500,000 within two years on each project it elects to progress; and
- The Group may then earn up to an 80% interest, in one or both projects, by sole funding a further A\$ 580,000 within a further one year on each project it elects to progress.

Interim Consolidated Financial Report  
For The Half Year Ended 30 June 2013

DIRECTORS' REPORT (Continued)

REVIEW OF OPERATIONS (CONTINUED)

New South Wales - Australia (continued)

The two projects occur in the Lachlan Orogen, a complex geological province endowed with world-class gold and gold-copper deposits.

The Junee Project, which contains the Dobroyde gold deposit, comprises three exploration licences covering about 70 km<sup>2</sup>. Dobroyde is a high-sulphidation epithermal gold deposit discovered in outcrop by Getty Oil in the early 1980's. It occurs in structurally controlled zones of siliceous alteration and cross-cutting baryte veins surrounded by clay-rich alteration zones in andesitic volcanic host rocks. Initial mineralogical and metallurgical studies indicate that the gold is largely free milling.

The Oberon Project, which contains the Murphys gold deposit, comprises one exploration licence covering about 254 km<sup>2</sup>. Murphys is a VMS-related or orogenic gold deposit discovered by Newmont Mining in the late 1970's. It occurs in sulphidic quartz stockwork and quartz-muscovite-sulphide altered rhyodacitic volcanoclastic rocks.

The due diligence work confirmed that Dobroyde and Murphys each contain a JORC-compliant gold resource.

Subsequent to the period end, the Group announced that it had completed its due diligence and has elected to proceed with the option to farm-in to earn up to 80% of the Junee and Oberon projects.

Mount Garnet Project - Far North Queensland - Australia

During the period the Group also announced that it had signed an Option to Farm-in Term Sheet on a gold project in the Mount Garnet district of Far North Queensland.

The project currently comprises three small mining leases that are 100% held by Snowmist Pty Ltd ("Snowmist") and located in the highly prospective Hodgkinson Province. The project area is underlain by metasedimentary rocks and limestone intruded by Carboniferous granites and related volcanic rocks of the highly mineralised Kennedy Igneous Association.

Information supplied by Snowmist indicates that one of the mining leases contains a modest-sized, low-grade gold-silver deposit, Triple Crown. Triple Crown and the potential of the surrounding project area will be assessed during the due diligence process. The project is located near existing mine operations and development infrastructure. The key commercial terms are:

- Subject to a 90 day exclusive due diligence period the Group may enter a 2 year option period for a payment of \$50,000 to Snowmist and minimum expenditure of A\$150,000 during the option period;
- The Group may then earn a 51% interest by sole funding A\$500,000 within two years;
- The Group may then earn up to an 80% interest by sole funding a further A\$580,000 within a further one year.

Subsequent to the period end, the Group announced that it had completed its due diligence and has elected to proceed with the option to farm-in to earn up to 80% of the Mount Garnet Project (refer to the attached ASX announcement dated 21 August 2013).

Net Loss After Tax

The net loss after tax for the half-year was \$79,224 (2012: loss \$661,876). The net loss of \$79,224 is net of a foreign exchange gain of \$603,222 which arose primarily on an intercompany loan dominated in AUD which is held by PT Indonusa Mining Services. The foreign exchange gain is largely offset by foreign currency translation losses for foreign operations recognised in Other Comprehensive Income.

Financial

The company made no share issues and no dividend has been declared or paid during the half year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on Page 4 and forms part of the Directors' report for the half-year ended 30 June 2013.

Signed at Sydney this 4 September 2013 in accordance with a resolution of the directors.



John C. Carlile  
Managing Director



Bruce J. Watson  
Non-Executive Chairman



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

To: the directors of Arc Exploration Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

*Caoimhe Toouli*

Caoimhe Toouli  
*Partner*

Sydney

4 September 2013

Arc Exploration Limited and its Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2013

	2013	Half-year	2012
	\$		\$
<b>Continuing operations</b>			
Other income	419,813		364,716
Employee expenses	(340,890)		(399,341)
Depreciation expenses	(13,813)		(17,054)
Management, administrative and occupancy expenses	(339,665)		(390,604)
Exploration expenditure	(463,124)		(310,844)
Unrealised foreign exchange gain/(loss)	603,222		(4,631)
<b>Profit/(loss) before financing costs</b>	<b>(134,457)</b>		<b>(757,758)</b>
Interest income	55,233		113,532
Finance expenses	-		(17,650)
<b>Profit/(loss) before income tax</b>	<b>(79,224)</b>		<b>(661,876)</b>
Income tax (expense)/benefit	-		-
<b>Profit/(loss) after tax</b>	<b>(79,224)</b>		<b>(661,876)</b>
<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	(564,678)		8,980
Tax on items that may be reclassified subsequently to profit or loss	-		-
Income tax on other comprehensive income	-		-
<b>Other comprehensive income for the period after tax</b>	<b>(564,678)</b>		<b>8,980</b>
Total comprehensive income for the period	<u>(643,902)</u>		<u>(652,896)</u>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company	(79,224)		(661,876)
Non controlling interests	-		-
Profit/(loss) for the period	<u>(79,224)</u>		<u>(661,876)</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	(643,902)		(652,896)
Non controlling interests	-		-
<b>Total comprehensive income for the period</b>	<b>(643,902)</b>		<b>(652,896)</b>
<b>Earnings per share</b>			
Basic earnings/(loss) per share (cents per share)	(0.09)		(0.08)
Diluted earnings/(loss) per share (cents per share)	(0.09)		(0.08)

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 2013

	Notes	30 June 2013 \$	31 December 2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,147,066	3,771,887
Receivables		462,604	309,651
Other		87,870	96,896
<b>TOTAL CURRENT ASSETS</b>		<b><u>3,697,540</u></b>	<b><u>4,178,434</u></b>
<b>NON-CURRENT ASSETS</b>			
Receivables		198,415	182,554
Plant and equipment		29,382	37,431
Exploration and evaluation expenditure		4,958,792	4,958,792
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>5,186,589</u></b>	<b><u>5,178,777</u></b>
<b>TOTAL ASSETS</b>		<b><u>8,884,129</u></b>	<b><u>9,357,211</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		296,658	165,898
Other		34,861	34,861
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>331,519</u></b>	<b><u>200,759</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		194,760	154,700
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>194,760</u></b>	<b><u>154,700</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>526,279</u></b>	<b><u>355,459</u></b>
<b>NET ASSETS</b>		<b><u>8,357,850</u></b>	<b><u>9,001,752</u></b>
<b>EQUITY</b>			
Contributed equity		148,387,790	148,387,790
Reserves		1,029,869	1,594,547
Accumulated losses		(141,059,809)	(140,980,585)
Total equity attributable to equity holders of the Company		<u>8,357,850</u>	<u>9,001,752</u>
Non controlling interest		-	-
<b>TOTAL EQUITY</b>		<b><u>8,357,850</u></b>	<b><u>9,001,752</u></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 2013

	Share Capital	Translation Reserve	Share-Based Payment Reserve	Accumulated Losses	Total	Non- controlling interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2013</b>	<b>148,387,790</b>	<b>691,974</b>	<b>902,573</b>	<b>(140,980,585)</b>	<b>9,001,752</b>	<b>-</b>	<b>9,001,752</b>
<b>Total comprehensive income for period</b>							
Profit/(loss)	-	-	-	(79,224)	(79,224)	-	(79,224)
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	(564,678)	-	-	(564,678)	-	(564,678)
Total other comprehensive income	-	(564,678)	-	-	(564,678)	-	(564,678)
Total comprehensive income for the period	-	(564,678)	-	(79,224)	(643,902)	-	(643,902)
<b>Transactions with equity holders in their capacity as equity holders</b>							
Employee share options expense	-	-	-	-	-	-	-
Contribution of equity, net of transaction costs	-	-	-	-	-	-	-
Total transactions with equity holders	-	-	-	-	-	-	-
<b>Total equity at the end of period 30 June 2013</b>	<b>148,387,790</b>	<b>127,296</b>	<b>902,573</b>	<b>(141,059,809)</b>	<b>8,357,850</b>	<b>-</b>	<b>8,357,850</b>

	Share Capital	Translation Reserve	Share-Based Payment Reserve	Accumulated Losses	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2012</b>	<b>147,765,528</b>	<b>595,647</b>	<b>760,924</b>	<b>(139,782,281)</b>	<b>9,339,818</b>	<b>-</b>	<b>9,339,818</b>
<b>Total comprehensive income for period</b>							
Profit/(loss)	-	-	-	(661,876)	(661,876)	-	(661,876)
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	8,980	-	-	8,980	-	8,980
Total other comprehensive income	-	8,980	-	-	8,980	-	8,980
Total comprehensive income for the period	-	8,980	-	(661,876)	(652,896)	-	(652,896)
<b>Transactions with equity holders in their capacity as equity holders</b>							
Employee share options expense	-	-	70,838	-	70,838	-	70,838
Contribution of equity, net of transaction costs	622,262	-	-	-	622,262	-	622,262
Total transactions with equity holders	622,262	-	70,838	-	693,100	-	693,100
<b>Total equity at the end of period 30 June 2012</b>	<b>148,387,790</b>	<b>604,627</b>	<b>831,762</b>	<b>(140,444,157)</b>	<b>9,380,022</b>	<b>-</b>	<b>9,380,022</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 2013

Notes	30 June 2013 \$	Half-year 30 June 2012 \$
<b>Cash flows from operating activities</b>		
Consulting fees	136,824	198,694
Partner Contribution	236,772	-
Payments to suppliers and employees	(589,576)	(718,811)
Exploration and evaluation expenditure	(463,964)	(310,844)
Interest received	61,950	123,956
Finance costs	-	(13,888)
	<u>(617,994)</u>	<u>(720,893)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments for office furniture, equipment and vehicles	(1,288)	-
Exploration and evaluation expenditure	-	(322,067)
Net proceeds from sale of asset	-	13,926
	<u>(1,288)</u>	<u>(308,141)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayment of loans	-	(651,186)
	<u>-</u>	<u>(651,186)</u>
<b>Net cash from financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	(619,282)	(1,680,220)
Cash and cash equivalents at beginning of the period	3,771,887	5,851,354
Effects of exchange rate changes on balances of cash held in foreign currencies	(5,539)	13,443
	<u>3,147,066</u>	<u>4,184,577</u>
<b>Cash and cash equivalents at the end of the period</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 2013**

**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 2013 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 2012 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 2012.

The consolidated interim financial statements were approved by the Board of Directors on 4 September 2013.

**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 2012.

Certain comparative amounts including exploration expenditure have been reclassified to conform to the current period's presentation and align items of a similar nature.

*Presentation of transactions recognised in other comprehensive income*

From 1 January 2013 the Group applied amendments to AASB 134 Interim Financial Reporting outlined in AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive income. The change in accounting policy only relates to disclosures and has no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit and loss.

**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 2012.

**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 2012.

**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 taken the following into consideration

- The Group is in a strong financial position with \$3,147,066 in cash as at 30 June 2013;
- The Group's cash burn rate in respect of the Trenggalek Project has been reduced as a result of its joint venture with Anglo American;
- Based on a cash flow forecast for the period 1 July 2013 to 30 September 2014, the Group has sufficient funds to continue its planned exploration programs in both Indonesia and Australia during this period. In addition, whilst not reflected in the current budgets or forecasts, management have the ability to reduce expenditure in certain areas (if required by unforeseen events) to further preserve the Group's cash.

If a company, is unable to continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. In addition, the functional currency of the Indonesian subsidiary may also need to be reassessed if the Group is not a going concern which would impact the translation of foreign currency denominated transactions and balances.

**7 Segment reporting**

The results and financial position of the Company's single operating segment exploration activities in Indonesia, are prepared for the Managing Director on a basis consistent with Australian Accounting Standards and are consistent to that presented in the last annual financial report, thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made.

**8 Share-based payment reserve**

Cost of options issued to directors and key management personnel charged to the statement of comprehensive income for 30 June 2013 was nil (30 June 2012: \$70,838 ).

**9 Capital and Reserves**

The company made no share issues during the half year.

**Arc Exploration Limited and its Controlled Entities**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2013**

**10 Subsequent events**

During the interval between the end of the financial half year and the date of this report the following matters have arisen:

- The Group completed its due diligence and elected to proceed with an option to farm-in to earn up to 80% of two gold-copper properties, Junee and Oberon, held by New South Resources Limited under exploration licences in New South Wales; and
  - The Group completed its due diligence and elected to proceed with an option to farm-in to earn up to 80% of the Mount Garnet gold project located in Northeast Queensland.
- a) The Group entered into formal joint venture documentation with Anglo American Exploration Luxemburg Sarl in respect of the Trenggalek gold project located in East Java, Indonesia.

There has not arisen in the interval between the end of the financial half year and the date of this report any other item, transaction or event of a material and unusual nature likely, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

**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 2013 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 4 September 2013



**Mr. John C. Carlile**  
Managing Director



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



## **Independent auditor's review report to the members of Arc Exploration Limited**

### **Report on the financial report**

We have reviewed the accompanying interim financial report Arc Exploration Limited, which comprises the consolidated statement of financial position as at 30 June 2013, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 10 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 interim period end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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 an interim 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*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Arc Exploration Limited is not 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 2013 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli  
*Partner*

Sydney

4 September 2013