

Appendix 5B

Mining exploration entity quarterly report

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

ARC EXPLORATION LIMITED

ABN

48 002 678 640

Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a)exploration and evaluation	(96)	(267)
(b)development	(6,498)	(24,204)
(c)production	-	-
(d)administration	(600)	(1,581)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	57	283
1.5 Interest and other costs of finance paid	(136)	(771)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(7,273)	(26,540)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(153)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	-	(153)
1.13 Total operating and investing cash flows (carried forward)	(7,273)	(26,693)

Notes: 1. Development expenditure in relation to the Cibaliung Gold Project in Banten Province, Indonesia.

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1.13	Total operating and investing cash flows (brought forward)	(7,273)	(26,693)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	13,109
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	4,028	11,053
1.17	Repayment of borrowings	-	(5,259)
1.18	Dividends paid	-	-
1.19	Cost of Capital Raising	-	(82)
	Net financing cash flows	4,028	18,821
	Net increase (decrease) in cash held	(3,245)	(7,872)
1.20	Cash at beginning of quarter/year to date	7,308	12,229
1.21	Exchange rate adjustments to item 1.20	644	350
1.22	Cash at end of quarter	4,707	4,707

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	203
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

Nil

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 Loan facility –ANZ Project Facility Loan (This facility comprises a Project Loan Facility of US\$13m.)	16,258	16,258
3.1b Loan facility –ANZ Project Cost Overrun Facility (This facility comprises a Cost Overrun Facility of US\$2m.)	2,501	2,501
3.1c Loan facility –ANZ Project Second Cost Overrun Facility (This facility comprises a Second Cost Overrun Facility of US\$5m.)	6,253	6,253
3.1d Loan facility –ANZ Project Third Cost Overrun Facility (This facility comprises a Third Cost Overrun Facility of US\$4m.)	5,003	-
3.1e Bridging Loan facility (This facility comprises a short-term facility of US\$2.5m.)	3,127	3,127
3.2 Credit standby arrangements	-	-

(i) The Group also has access to a further US\$2m as a Working Capital Facility with the ANZ. Drawdown on this facility is available with the commencement of production.

(ii) Subsequent to the end of the September 2008 quarter, Arc Exploration Limited reached an agreement with the ANZ Bank to close out its hedge book, with Project debt increasing by a further US\$40.3m.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	4,918
4.3 Production	-
4.4 Administration	387
Total	5,405

Note: expenditure to date for the Quarter commencing 1 October 2008 has been from the drawdown of the Third Cost Overrun facility and existing cash balances. Expenditure actually being incurred from 31 October is dependent upon the Company securing further funding. Negotiations in relation to this continue but it should not be assumed.

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	4,707	7,308
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,707	7,308

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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	-	-	-
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	Preference ⁺ securities (description)	-	-	-
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities	147,761,688	147,761,688	
7.4	Changes during quarter			
	(a) Increases through exercising of options	129	75	75
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities- Convertible Notes	666,667	Nil	300
7.6	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through securities matured	-	-	-

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Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)	
7.7 Options (<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>
Options -ARXO	7,940,752	-	75	30/06/2012
Employee Options	160,00	-	350	31/07/2010
Employee Options	2,640,000	-	50	12/03/2013
Director Options	1,280,000	-	50	12/03/2013
7.8 Issued during quarter:	-	-	-	-
7.9 Exercised during quarter:				
Options - ARXO	129	75	75	-
7.10 Lapsed during quarter	-	-	-	-
7.11 Debentures (<i>totals only</i>)	-	-		
7.12 Unsecured notes (<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.

Sign here:  Date: 27 October 2008
(Company Secretary)

Print name: Andrew 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.

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