

MARCH 2019 QUARTERLY REPORT

ARC Exploration Limited (“**ARX**” or “the **Company**”) provides the following commentary and Appendix 5B for the March 2019 Quarter.

Arc Acquires Advanced Stage Copper Project

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.

Shareholder Approval

Shareholder approval will be sought for the issue of the consideration shares and options, the equity placement of at least \$2 million, appointment of Mr Gary Comb and Mr Barry Cahill as Directors and the change of Company name to Cyprium Metals Ltd. A notice of meeting is to be dispatched to shareholders for their approval in due course.

Manitou Project – Canada

ARX is the 100% owner of the Manitou Gold Project, a 260km² land package in northwest Ontario covering over 40km of strike extent on the Manitou gold belt. No exploration activity occurred in the reporting period. At the time of reporting, the Company has completed compilation of historical data and anticipates rationalising its land position at the Manitou Gold Project during the coming quarter, while the Company waits for conditions at the project site to improve to assess prioritised targets for possible surface mapping and sampling programmes in the 2019 summer months with the purpose of defining potential drill targets.

Trenggalek Project - Indonesia

No exploration activity occurred in the reporting period.

Corporate - Other

At the end of the March Quarter the Company had cash at bank of \$1.7m. Refer to the attached Appendix 5B for further details.

For further information:

Nicholas Rowley

Non-Executive Director

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ABOUT ARC EXPLORATION LIMITED

Arc Exploration Limited (ASX Code: 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 km². 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.

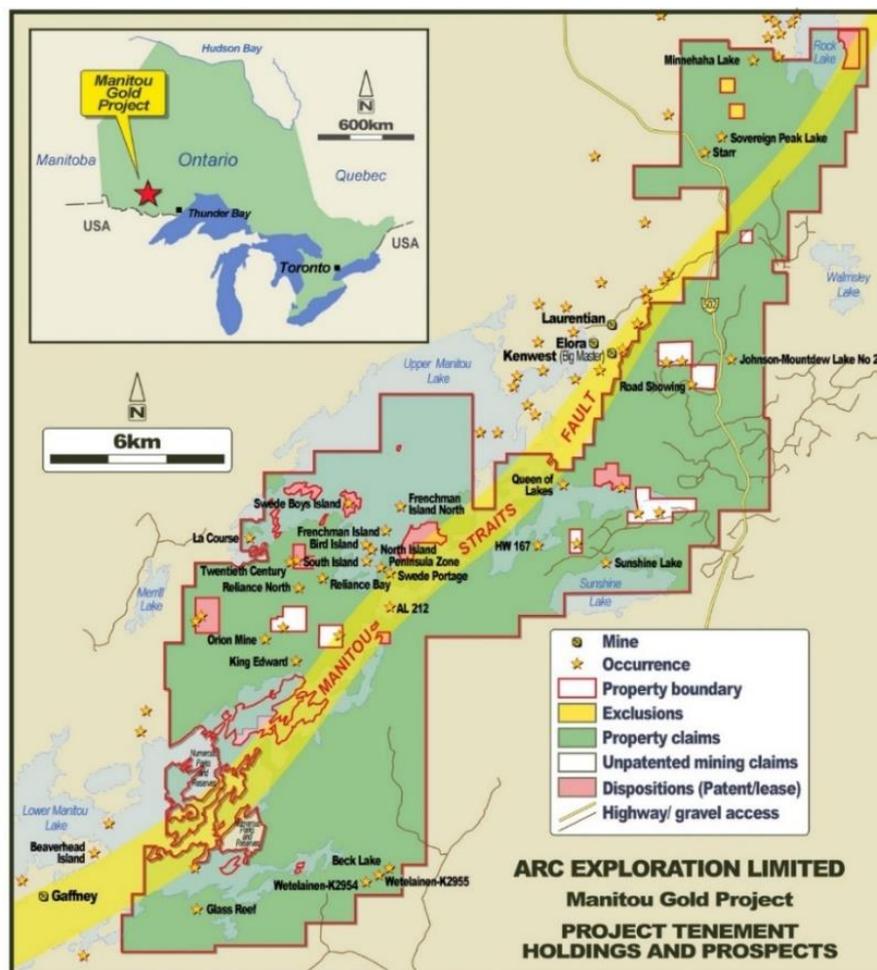


Figure 1 | Location of Manitou Project in Ontario, Canada

Appendix 1 | 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% |

Km² – Square kilometres

Changes during the March 2019 Quarter: N/A

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ARC EXPLORATION LIMITED

ABN

48 002 678 640

Quarter ended ("current quarter")

31 March 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (9) | (9) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (85) | (85) |
| (e) administration and corporate costs | (101) | (101) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other | - | - |
| 1.9 Net cash from / (used in) operating activities | (194) | (194) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other – Cash on acquisition of subsidiary | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material): | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,911 | 1,911 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (194) | (194) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 1 | 1 |
| 4.6 | Cash and cash equivalents at end of period | 1,718 | 1,718 |

Mining exploration entity and oil and gas exploration entity quarterly report

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances | 1,718 | 1,911 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,718 | 1,911 |

6. Payments to directors of the entity and their associates

| | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 25 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Payment of Directors Fees and Remuneration - \$25k

7. Payments to related entities of the entity and their associates

| | Current quarter \$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | 7 |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

Gilbert + Tobin Lawyers, of which Marcello Cardaci is a partner, received professional service fees of approx. \$7k

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

N/A

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 20 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | 75 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 95 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter % |
|--|--|---------------------------|---|-------------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | N/A | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | N/A | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 26 April 2019

Print name: Aaron Bertolatti

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.