

March 2017 Quarter Activities Report

ABOUT ARC EXPLORATION LIMITED

Arc Exploration Limited (**ASX Code: ARX**) is an Australian-listed company focused on gold and base metal exploration in Indonesia and Australia.

The Company has a joint venture interest with PT Sumber Mineral Nusantara on the Trenggalek Project in East Java. The project lies on the highly prospective Sunda-Banda magmatic arc, which is host to several known high-grade epithermal gold and porphyry copper-gold deposits.

The Company also has an interest in Australia. It is farming-in on a gold-base metal property located in the Mount Garnet mineral district of northeast Queensland. The project contains a drill-delineated gold resource at Triple Crown and has potential for expansion through further exploration.

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INDONESIA

Trenggalek Project, East Java

- PT Danusa Tambang Nusantara is currently managing and funding exploration work at Trenggalek.
- Further ground reconnaissance and mapping were undertaken by Danusa in the area of porphyry style mineralisation previously exposed at surface in Singgahan.
- Ongoing preparations for Stage 2 Exploration work program with emphasis on community and local government consultation.

AUSTRALIA

Mount Garnet Project, Queensland

- No field activity to report for the Quarter. Independent consulting Geologist to undertake site visit.

CORPORATE

- Annual General Meeting to be held Monday 29 May 2017.

INDONESIA

ARX is exploring for gold and base metal deposits along Indonesia's highly prospective magmatic arcs and associated geological terranes (See Figure 1). The primary exploration targets are high-grade epithermal gold-silver veins and porphyry-related copper-gold deposits.



Figure 1. Trenggalek Project location & major gold and base metal deposits in Indonesia

Trenggalek Project, East Java (farming out up to 80%)

ARX operates a joint venture in respect of the Trenggalek Exploration IUP tenement, located in the Southern Mountains of East Java (See Figure 1). The Southern Mountains is composed of an older segment of the Sunda-Banda magmatic arc, which hosts several known large porphyry copper-gold deposits; *Tumpangpitu* located about 200 kilometres to the east of Trenggalek, and *Batu Hijau* and *Elang* located on Sumbawa. Trenggalek contains a similar package of rocks to those hosting these three major porphyry deposits.

The Trenggalek Exploration IUP tenement is held by ARX's Indonesian partner, PT Sumber Mineral Nusantara ("SMN"). The tenement, covering an area of 29,969 ha or about 300 km², is valid until November 2018. The Company is in the process of renewing a forestry permit affecting 3,393 ha within the tenement area.

PT Danusa Tambang Nusantara (Danusa), a subsidiary of one of the largest contract miners in Indonesia, is currently managing and funding exploration work at Trenggalek.

A total of 2,745 metres in a 20 hole diamond drilling program was completed in the first half of 2016. These holes have tested for mineralised extensions within the large Sentul and Buluroto epithermal gold veins (See Figure 2), which were previously tested with scout diamond drilling by ARX in 2010/11. Review and interpretation of these results in conjunction with historic data is ongoing.

Gold results from the drilling in 2016 were reported in April 2016 (See ASX announcement Update on Drilling at Trenggalek, Indonesia dated 18 April 2016), in the June 2016 quarterly activities report (See ASX announcement June 2016 Quarter Activities Report dated 29 July 2016) and in September 2016 (See ASX announcement Update on Drilling at Trenggalek, Indonesia dated 1 September 2016).

Danusa has agreed to continue with Stage 2 Exploration with a budget of US\$ 1 million which will be implemented at the earliest opportunity following the conclusion of consultations with local communities.

Singgahan Prospect

Previous petrological studies on selected core samples indicated the occurrence of porphyry-style veining and alteration, with copper and molybdenum minerals and recent mapping in the area has identified porphyry style mineralisation at the surface. A Ground Magnetic survey consisting of 25.5 line km covering an area 1.5km x 1.6km was completed during the December 2016 quarter. Further geological mapping and ground reconnaissance was undertaken during the quarter. These results combined with existing aeromagnetic data and detailed geological mapping will be used to define drill targets at Singgahan for the next phase of exploration to be undertaken at Trenggalek by Danusa after consultation with the local community.

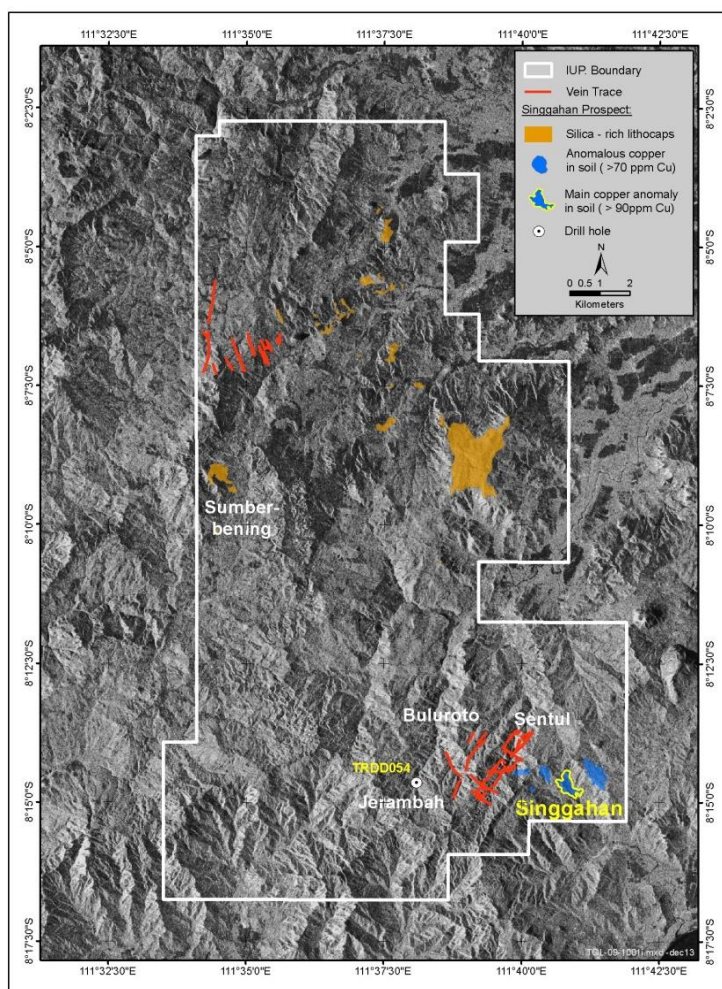


Figure 2. Trenggalek Exploration IUP

Exploration expenditure at Trenggalek by Danusa for the quarter totalled US\$ 106,759.

AUSTRALIA

ARX holds a joint venture to explore for gold and base metals on the Mount Garnet Project located in northeast Queensland.

Mount Garnet Project, Queensland (100% Snowmist, ARX earning up to 80%)

The **Mount Garnet Project**, located near the major regional centre of Cairns, comprises three Mining Leases (ML's 4363, 4390, 20018) covering about 150 hectares that are 100% held by Snowmist Pty Ltd ("Snowmist"), and an exploration tenement (EPM 25343) covering about 17 km² that is held by Arc Exploration Limited ("ARX").

The package of mining tenements held by Snowmist contains the *Triple Crown* gold deposit, which has a drill-indicated gold resource estimated to be 69,000 ounces and includes a small oxide resource of about 25,000 ounces gold (see ASX announcement of 21st August 2013). Historic drilling at Triple Crown has produced some broad low-grade gold intercepts including 22m at 2.33 g/t gold, 51m at 1.73 g/t gold and 35m at 1.39 g/t gold (see ARX Announcement dated 21 August 2013).

No material field activities were undertaken during the quarter. There is some potential to discover additional gold resources and possibly high-grade base metal mineralisation in the project area. ARX may earn 51% of the project by spending \$500,000 by July 2017. The company is evaluating its position in respect of this project. An independent geologist has been engaged to undertake a site visit and report to the Board in the current quarter.

ARX expenditure on the Mount Garnet Project for the quarter totalled A\$497.00.

This report is dated 27 April 2017.

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Competent Person Statement

The information in this report that relates to the following were created and reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves:

- The exploration results in this report that relate to the Trenggalek Project is extracted from the report entitled Update on Exploration at Trenggalek, Indonesia created and released to the ASX on 1 September 2016;
- The information in this report that relates to the Triple Crown gold resource is extracted from the report entitled Mount Garnet Project - Statement of Resources created and released to the ASX on 21 August 2013.

The reports referred to above are available to view on the Company's website: www.arcexploration.com.au The Company confirms that it is not aware of any new information or data that materially affects the information included in these original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

**Table 3. Details of Tenements & ARX Interest
At 30 September 2016**

Project	Location	Tenement	Area (km²)	ARX Interest
Trenggalek	East Java, INDONESIA	Exploration IUP	299.7 km ²	95%
Mount Garnet	Queensland, AUSTRALIA	ML 4363	129 ha	Farming-in
		ML 20018	21 ha	Farming-in
		ML 4390	1 ha	Farming-in
		EPM 25343	17 km ²	100%

Table 4. Exploration/Mining Tenements Acquired/Disposed of during the Quarter

Project	Location	Tenement	ARX Interest	Comment
-	-	-	-	-