



ASX ANNOUNCEMENT

27 February 2018

**ARC EXPLORATION EXECUTES BINDING TERM SHEET TO ACQUIRE
HIGHLY PROSPECTIVE GOLD PROJECT IN NORTH-WESTERN ONTARIO**

Highlights

- **Strategic gold acquisition:** ARC Exploration Limited (ASX:ARX) will acquire the strategic Manitou Gold Project comprising 112 claims totalling 245 km² located in North-western Ontario;
- **Along strike from past producing precious metal mining district of Gold Rock and interpreted to lay along same first order structure host to New Gold Inc.'s 6.4 million ounce Rainy River gold project which just achieved commercial production in October, 2017;**
- **High grade exploration potential:** Gold mineralisation in the Upper Manitou Lake Area is typical of the Archean Lode Gold deposit model;
- **Historic ownership and exploration previously fragmented, GNR has created a large contiguous land position through staking allowing for modern exploration techniques on a large, prospective land package which the Company believes greatly increases chance of a significant mineral discovery;**
- **Mr Nicholas Rowley and Mr Marcello Cardaci will join the Board of ARC Exploration Limited as Non-Executive Director's with a focus to begin exploration at the Manitou Gold Project**

ARC Exploration Limited ("ARX" or "the Company") is pleased to advise that it has executed a Binding Term Sheet ("Agreement") to acquire 100% of the issued capital of GNR Minerals Pty Ltd ("GNR") ("the Transaction"). GNR is a privately owned Australian mineral exploration company.

The Manitou Gold Project ("the Project") is located in North-western Ontario, which comprises 112 claims totalling 245 km² located in North-western Ontario.

The acquisition positions ARX strategically in the past producing Manitou Lake area in the Western Wabigoon geological sub-province of Ontario, Canada. The Project is a large contiguous land package along strike from the historic Gold Rock gold mining district and covers a portion of and is also adjacent to the major first order fault system that hosts most major gold deposits that are currently producing or under development in the Western Wabigoon.

GNR's current land position has not been assembled at this scale in the past and the Company believes that this large, well-positioned land package greatly increases GNR's chance of an economic mineral discovery through the application of systematic and modern exploration techniques.

Historic exploration was fragmented in the area because of the number of competing exploration companies holding small claim packages in the area.

Completion of the Transaction is subject to ARX shareholder approval, and ARX and the vendors of GNR each undertaking due diligence, within the period of 70 days from the date of the Agreement dated 27 February 2018.

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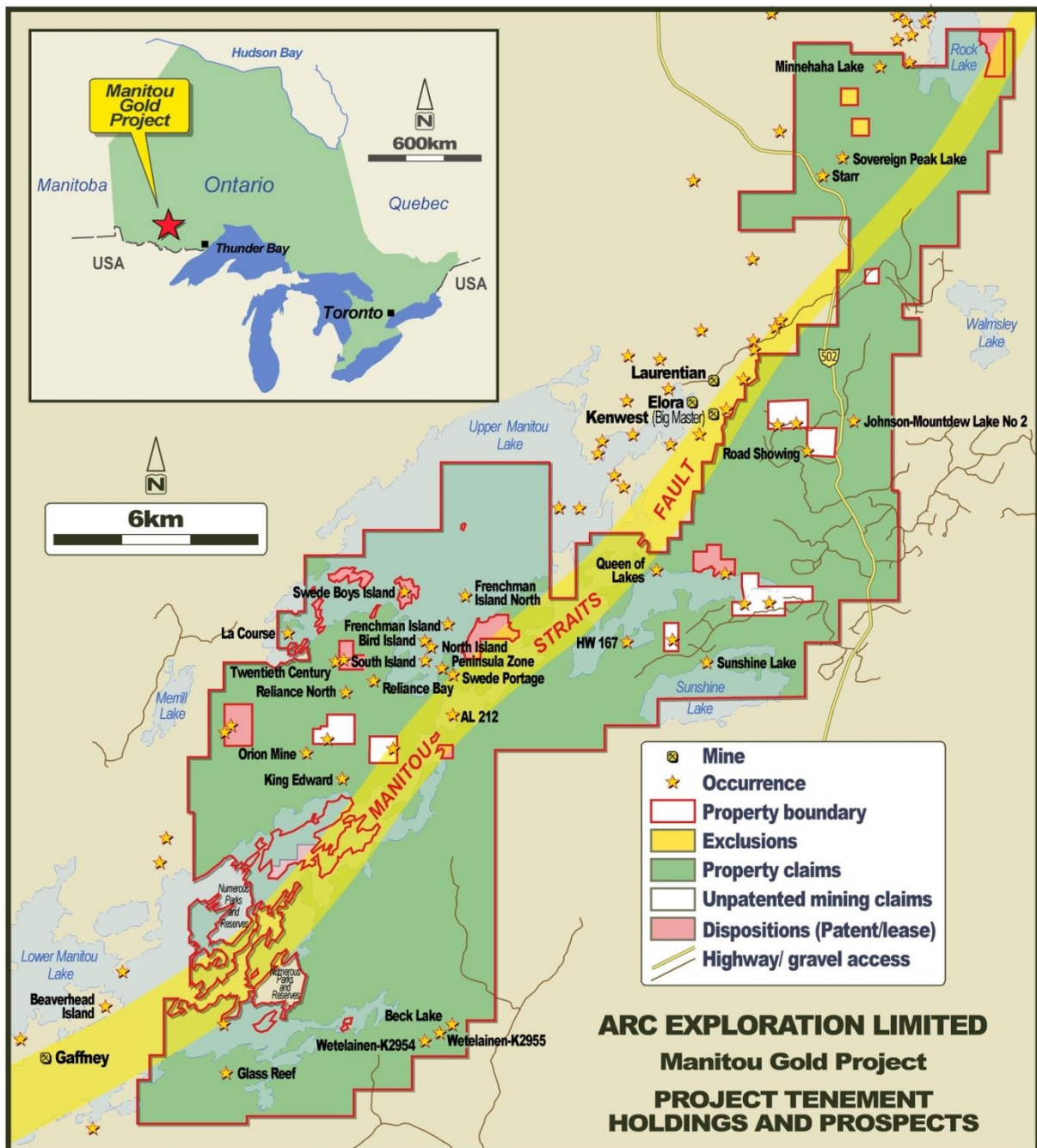


Figure 1 | Location of GNR's Manitou Project in Ontario, Canada

Manitou Gold Project (100%)

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 first order fault system host to these local gold prospects is also interpreted to be part of the same fault system host to (refer Figure 2):

- New Gold Inc.'s 6.4 million ounce Rainy River Project which is currently less than a year into commercial production¹;
- Treasury Metals Inc.'s 1.5 million ounce Goliath Gold Project currently undergoing a Feasibility Study¹; and
- First Mining Gold Corp.'s 2.3 million ounce Goldlund Project currently undergoing an updated mineral resource estimate from a large diamond drill program conducted in 2017¹

¹Sources of data from company websites, February 2018; mineral resources reported are gold only and represent totals of all categories of 43-101 compliant reserves and resources where applicable added together.

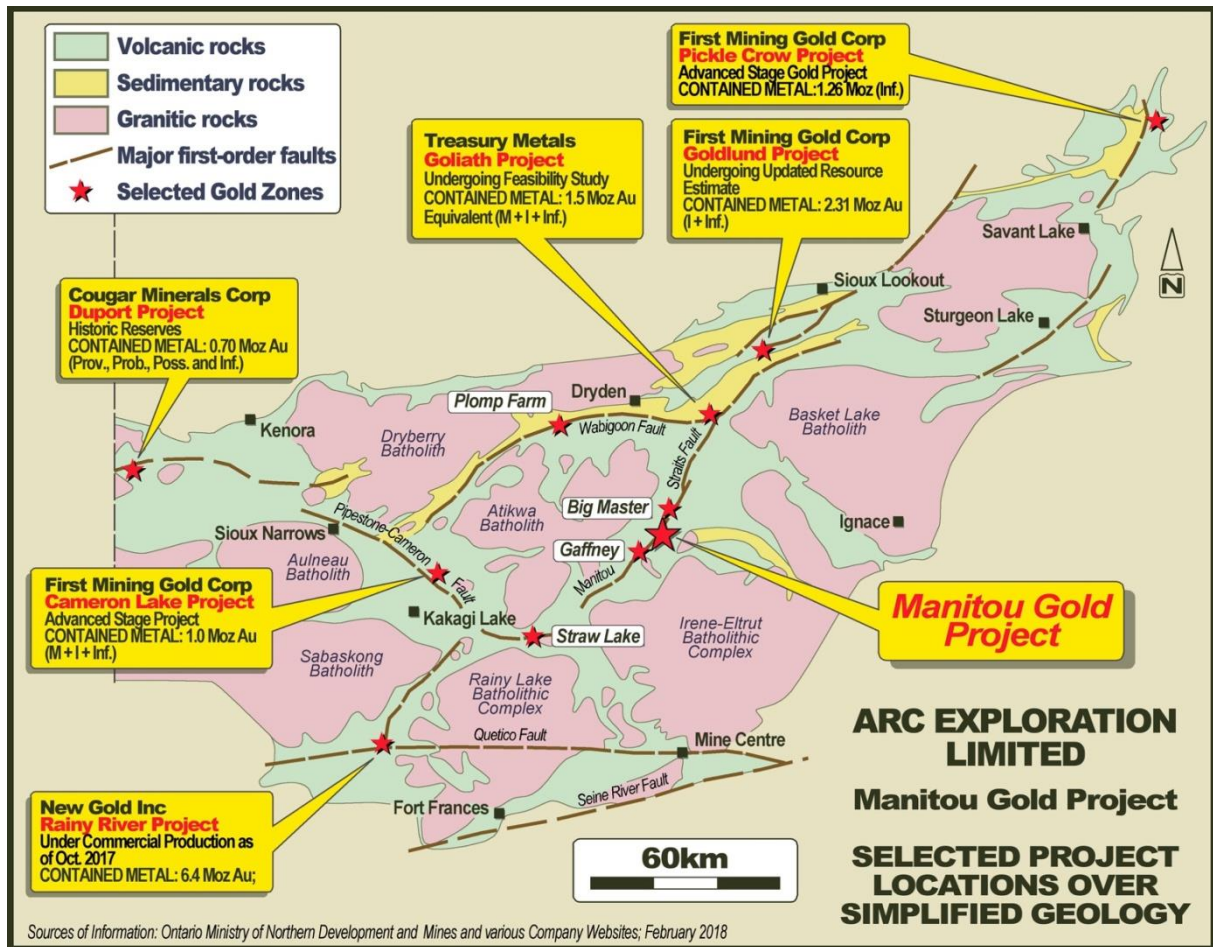


Figure 2 | Regional Location of the Manitou Project in Ontario, Canada (red star) within the Western Wabigoon Sub-province showing major structures and significant gold deposits or prospects

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. Mineralization varies locally but is typical of Archean lode-gold mineralization either as quartz-carbonate vein systems in or adjacent to faults/shears or broad disseminations in faults or shears indicative of widespread fluid flow, alteration and mineralization. Due to the large size of the land package there is also potential for discovery of other commodities typically found in greenstone belts.

Proposed exploration on the Project program would include a comprehensive digital compilation, airborne geophysics followed by mapping, sampling and prospecting. Line cutting and ground geophysics (magnetics, I.P. and possibly electromagnetics) would follow after target evaluation and selection then followed by diamond drilling. Mineralisation and anomalism extends well over 30 km of strike length along the Manitou-Straits Fault Zone that falls within GNR mineral claims.

Acquisition Consideration and Key Terms

Subject to the satisfaction of the conditions precedent referred to below, ARX will acquire a 100% interest in GNR. ARX shall, on the Completion Date, issue the following ARX securities to the vendors and/or their nominees:

1. 2,575,000 fully paid ordinary shares in ARX on a pre-share split basis ('Settlement Shares').
2. 515,000 performance shares deemed at issue price of \$0.01. The performance trigger will be the release of a 43-101 report or equivalent JORC Report announcing a minimum of 1moz inferred resource at minimum cut-off of 0.5 g/t.

The Majority Sellers with whom ARX has entered into the Agreement comprise Jet Capital Pty Ltd, Vonross Nominees Pty Ltd and Strata Nominees Pty Ltd and currently hold 64% of the current issued capital of GNR. None of the Majority Sellers are related parties of the Company.

Each of the Majority Sellers has provided ARX with standard representations and warranties in relation to the Transaction.

Conditions Precedent

Completion of the Transaction is subject to the satisfaction or waiver (in writing and agreed by all parties) of the following conditions precedent:

1. ARX conducting due diligence in respect of GNR and being satisfied in its absolute discretion with such due diligence;
2. the Sellers conducting due diligence in respect of ARX and being satisfied in their absolute discretion with such due diligence; and
3. ARX obtaining all regulatory and shareholder approvals required for the Transaction and the Share Placement referred to below.

Placement

On the Completion Date ARX shall undertake a Placement of 3,750,000 shares at \$0.40 per Share ("**Placement**") to raise a total of \$1,500,000 (before costs).

In addition, it is proposed that ARX will undertake a split of its share capital on a 20:1 basis at the General Meeting to approve the Transaction. All shares and options quoted in this announcement are on a pre-share split basis.

Board Changes

On Completion, Nicholas Rowley and Marcello Cardaci shall, subject to them consenting in writing to act, be appointed as Directors of ARX. Simon O'Loughlin will resign as a Director of ARX, disclaiming any right to compensation, damages or otherwise.

Application of Chapters 1 and 2 of the ASX listing rules

ARX has received advice from the ASX that the Transaction will not require ARX to re-comply with chapters 1 and 2 of the ASX Listing Rules, nor will shareholder approval be required under ASX Listing Rule 11.1.2.

The issue by ARX of the agreed equity securities as consideration for the Transaction and the Placement shares will, however, require Shareholder approval pursuant to Chapter 7 of the ASX Listing Rules.

Effect of the Proposed Transaction and Placement and use of funds

On completion of the proposed Transaction and the Placement the indicative capital structure of the Company will be as follows (on pre-split basis):

Indicative Capital Structure	Shares
Shares currently on issue	5,392,212
Proposed Placement of Rights Issue shortfall	908,154
Acquisition Consideration (excluding Performance Shares)	2,575,000
Placement to raise \$1,500,000 (before costs)	3,750,000
Total	12,625,366

Base on a preliminary review of reports and data made available to it, ARX considers that the acquisition of GNR

will attribute in the order of \$1,000,000 to ARX's Total Consolidated Assets based on a notional value of the claims held by GNR together comprising the Manitou Gold Project and subject to the ongoing review of values in accordance with relevant accounting standards with reference to carrying values and exploration success or otherwise.

Upon completion ARX will pursue exploration of the Manitou Gold Project, however there is no existing resource and accordingly the Transaction will only generate earnings for ARX if the Company has exploration success and is able to identify an economic resource in the future. In accordance with applicable accounting standards exploration expenditure will be capitalised to the Company's balance sheet where appropriate.

The funds raised pursuant to the Placement will be allocated as follows:

Use of funds	Amount
Exploration of the Manitou Gold Project located in North-western Ontario, Canada (being acquired pursuant to this transaction)	\$750,000
Exploration costs in Indonesia in respect of the Trenggalek Gold Project (currently being managed and funded by JV partner)	\$54,000
General ongoing working capital (including costs of issue)	\$696,000
Total	\$1,500,000

Indicative Timetable

The indicative timetable for completion of the Transaction is outlined below:

Activity	Date
Announcement of Transaction	27 February 2018
Completion of due diligence	29 March 2018
Notice of Meeting and Explanatory Memorandum dispatched to ARX shareholders (to approve equity securities to be issued pursuant to the Transaction and the Placement)	6 April 2018
Shareholder meeting	9 May 2018
Completion of Placement	16 May 2018
Completion of Transaction	16 May 2018

The above dates are indicative only and are subject to change. ARX will keep shareholders updated on the timing of the implementation of the Transaction as it progresses.

For further information: Simon O'Loughlin (Chairman) telephone +61 412 806 840

Competent Persons Statement:

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr. Steven Siemieniuk, who is a Competent Person, and a Member of the Association of Professional Geoscientists of Ontario. Mr. Siemieniuk is an independent geological consultant in Ontario, Canada and part time contractor to GNR Minerals Pty Ltd. Mr. Siemieniuk has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Siemieniuk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 1
JORC Code (2012) Edition Table 1
Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> ▪ Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. ▪ Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. ▪ Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> ▪ Historical drill hole geochemical data sourced from the Ontario Mineral Deposit Inventory, Ministry of Northern Development and Mines. The records contain no information on the nature and quality of the sampling.
Drilling techniques	<ul style="list-style-type: none"> ▪ Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> ▪ Diamond drilling methods were used for the historical drilling. Coring diameters are not always specified but are generally NQ to BQ in size for exploration.
Drill sample recovery	<ul style="list-style-type: none"> ▪ Method of recording and assessing core and chip sample recoveries and results assessed. ▪ Measures taken to maximise sample recovery and ensure representative nature of the samples. ▪ Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> ▪ No information is available.
Logging	<ul style="list-style-type: none"> ▪ Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. ▪ Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. ▪ The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> ▪ All drilling has been geologically logged to a good qualitative standard. No geotechnical drill log information has been located apart from the historical geochemical assay results.

Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> ▪ If core, whether cut or sawn and whether quarter, half or all core taken. ▪ If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. ▪ For all sample types, the nature, quality and appropriateness of the sample preparation technique. ▪ Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. ▪ Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. ▪ Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> ▪ No sampling information has been provided.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> ▪ The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. ▪ For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. ▪ Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<p>Historical geochemical data is reproduced from data presented within web accessible databases available from the Ontario Geological Survey. Geochemical information has been presented as it exists in those files and reports. The records contain no information on the nature and quality of the sampling.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> ▪ The verification of significant intersections by either independent or alternative company personnel. ▪ The use of twinned holes. ▪ Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. ▪ Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> ▪ No information has been provided on the independent variation of sampling and assaying. ▪ Assaying has been completed by industry accredited laboratories available at the time.
Location of data points	<ul style="list-style-type: none"> ▪ Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. ▪ Specification of the grid system used. ▪ Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> ▪ Drill hole locations based on coordinates provided by historical company drilling reports and maps. No field work has been undertaken to verify the accuracy of drill collar locations. ▪ Map reference – NAD 83, UTM Zone 15
Data spacing and distribution	<ul style="list-style-type: none"> ▪ Data spacing for reporting of Exploration Results. ▪ Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. 	<ul style="list-style-type: none"> ▪ Exploration targets are at an early stage and data spacing is variable. ▪ Additional infill and extensional drilling is required before resources estimations could be undertaken.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> ▪ Whether sample compositing has been applied. 	
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> ▪ Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. ▪ If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> ▪ Analysis of sample and data bias has yet to be undertaken. No information has been provided in the historical reporting regarding any bias.
Sample security	<ul style="list-style-type: none"> ▪ The measures taken to ensure sample security. 	<ul style="list-style-type: none"> ▪ No information has been provided in the historical reporting regarding sample security.
Audits or reviews	<ul style="list-style-type: none"> ▪ The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> ▪ No information has been provided in the historical reporting regarding audits of methodologies and results. Arc Exploration Limited is currently undertaking due diligence on past exploration activities and results.

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<p>The Manitou Gold Project consists of 112 unpatented mining claims in Ontario, Canada. GNR Minerals Pty Ltd owns 100% of all claims forming part of the Manitou Gold Project. 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.</p>
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> Historical exploration by other companies across the claim areas includes surface rock chip analyses, limited costeaning, geological mapping, airborne magnetic surveys, EM and IP geophysical surveys and diamond drilling.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> 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

Criteria	JORC Code explanation	Commentary
		<p>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. Mineralization varies locally but is typical of Archean lode-gold mineralization either as quartz-carbonate vein systems in or adjacent to faults/shears or broad disseminations in faults or shears indicative of widespread fluid flow, alteration and mineralization. Due to the large size of the land package there is also potential for discovery of other commodities typically found in greenstone belts.</p>
<p>Drill hole Information</p>	<ul style="list-style-type: none"> ▪ A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. ▪ If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> ▪ Due to the historic nature of the diamond drilling and the inability to accurately place the drill holes it is felt that no results represent drill holes that are Material. Historic values from the mid-1980's are narrow in reported width and generally low in sporadic in assay values. At the current understanding of the limited exploration drill holes it is felt that the results will neither add to nor detract from an investors assessment of the potential mineralization on such a large land package.
<p>Data aggregation methods</p>	<ul style="list-style-type: none"> ▪ In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. ▪ Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations 	<ul style="list-style-type: none"> ▪ Not applicable to this report.

Criteria	JORC Code explanation	Commentary
	<p>should be shown in detail.</p> <ul style="list-style-type: none"> ▪ The assumptions used for any reporting of metal equivalent values should be clearly stated. 	
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> ▪ These relationships are particularly important in the reporting of Exploration Results. ▪ If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. ▪ If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> ▪ Where located in historical data only down hold lengths have been reported and true widths are not known.
Diagrams	<ul style="list-style-type: none"> ▪ Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> ▪ Where located in historical data only down hold lengths have been reported and true widths are not known.
Balanced reporting	<ul style="list-style-type: none"> ▪ Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> ▪ All results that are considered Material have been included in this Report.
Other substantive exploration data	<ul style="list-style-type: none"> ▪ Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> ▪ No significant exploration data has been omitted.
Further work	<ul style="list-style-type: none"> ▪ The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). ▪ Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> ▪ GNR Minerals Pty Ltd. Is currently undertaking a further review of historical exploration data as part of its exploration targeting on the Manitou Gold Project. ▪ See Figure 1 of this Report.