

ARC EXPLORATION LIMITED
ACN 002 678 640

NOTICE OF EXTRAORDINARY GENERAL MEETING
EXPLANATORY STATEMENT
PROXY FORM

Date of Meeting

Wednesday 30 May 2018

Time of Meeting

11.00 am (Sydney time)

Place of Meeting

Nexia Australia
Level 16
1 Market Street
SYDNEY NSW 2000

NOTICE OF EXTRAORDINARY GENERAL MEETING

ARC EXPLORATION LIMITED

ACN 002 678 640

Notice is hereby given that an Extraordinary General Meeting of Shareholders of ARC Exploration Limited (**Company**) will be held at 11.00 am (Sydney time) on Wednesday 30 May 2018 at Nexia Australia, Level 16, 1 Market Street, Sydney NSW 2000.

RESOLUTION 1 – ISSUE OF NEW CLASS OF SECURITIES (PERFORMANCE SHARES)

To consider and, if thought fit, pass the following resolution as a **special resolution**:

‘That, subject to the passing of Resolution 2, for the purpose of section 246B(2) of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to issue performance shares on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 2 – ISSUE OF CONSIDERATION SECURITIES

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolution 1, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 2,575,000 fully paid ordinary shares (pre-Share Split) and 515,000 performance shares (pre-Share Split) in consideration for the acquisition of all of the issued share capital of GNR Minerals Pty Ltd on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 3 – ISSUE OF PLACEMENT SHARES

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

‘That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 3,750,000 fully paid ordinary shares (pre-Share Split) at an issue price of \$0.40 per share to raise \$1,500,000 on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 4 - ISSUE OF PLACEMENT SHARES TO MARCELLO CARDACI

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolution 3, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of up to 250,000 fully paid ordinary shares (pre-Share Split) to Mr Marcello Cardaci (or his nominee) at an issue price of \$0.40 per share to raise up to \$100,000 on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 5 – SHARE SPLIT

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

‘That, for the purpose of section 254H of the Corporations Act 2001 (Cth), ASX Listing Rule 7.22 and for all other purposes, approval is given for the Company to subdivide the issued capital of the Company on the basis that:

- (a) every one fully paid ordinary share be subdivided into two fully paid ordinary shares;*
- (b) every one option be subdivided into two options with the exercise price amended in inverse proportion to that ratio; and*
- (c) every one performance share be subdivided into two performance shares,*

on the terms and conditions set out in the Explanatory Statement.’

DATED 19 APRIL 2018

**BY ORDER OF THE BOARD
ARC EXPLORATION LIMITED**



**ANDREW J. COOKE
COMPANY SECRETARY
& NON-EXECUTIVE DIRECTOR**

NOTES:

1. Explanatory Statement

The Explanatory Statement accompanying this Notice of Extraordinary General Meeting is incorporated in and comprises part of this Notice of Extraordinary General Meeting and should be read in conjunction with this Notice of Extraordinary General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in both this Notice of Extraordinary General Meeting and the Explanatory Statement.

2. Voting Exclusion Statements

(a) Resolution 2

The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of the vendors of GNR and/or their nominees including:

Vonross Nominees Pty Ltd
Strata Nominees Pty Ltd
Jet Capital Pty Ltd
Ninety Three Pty Ltd
2428 Pty Ltd
Waterox Pty Ltd
Seventy Three Pty Ltd
J & J Bandy Nominees Pty Ltd
Surf Coast Capital Pty Ltd
Justin & Sasha Tremain
Steven Edward Daniel Siemieniuk
Aaron Dean Bertolatti
Travis Schwertfeger
Garry Clark
Christian Fredrick Jagd Carl

(and their associates) or a person (and their associates) who will obtain a material benefit as a result of the proposed issue, except a benefit solely by reason of being a holder of ordinary securities in the Company, if Resolution 2 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(b) **Resolution 3**

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person (and their associates) who is expected to participate in the proposed issue or a person (and their associates) who will obtain a material benefit as a result of the proposed issue, except a benefit solely by reason of being a holder of ordinary securities in the Company, if Resolution 3 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(c) **Resolution 4**

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mr Marcello Cardaci (and his associates).

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. **Proxies**

A Shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a Shareholder will need to take the following steps:

3.1 cast the shareholder's vote online by visiting

www.advancedshare.com.au/investors.aspx; or

3.2 complete and lodge a validly completed and signed paper proxy form at the share registry of the Company, Advanced Share Registry Services:

(a) in person at the following address:

Advanced Share Registry
110 Stirling Highway
NEDLANDS WA 6009

OR

(b) by post at the following address:

Advanced Share Registry
PO Box 1156
NEDLANDS WA 6909

OR

(c) by facsimile on (08) 9262 3723 (within Australia) or +61 8 9262 3723 (outside Australia); or

3.3 for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.advancedshare.com.au/investors.aspx,

so that it is received no later than 11.00 am (Sydney time) on 28 May 2018.

The chair intends to vote undirected proxies in favour of each item of business.

4. 'Snap Shot' Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap shot' of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting. The Directors have determined that all Shares of the Company that are quoted on ASX as at 7.00 pm (Sydney time) on 28 May 2018 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

5. Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY STATEMENT

This Explanatory Statement forms part of a Notice convening an Extraordinary General Meeting of Shareholders of ARC Exploration Limited to be held on 16 May 2018. This Explanatory Statement is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Statement, the Directors believe that there is no other information that could reasonably be required by Shareholders to consider Resolutions 1 to 5 (inclusive).

BACKGROUND

As announced to ASX on 27 February 2018, the Company has entered into a legally binding Term Sheet to acquire all the issued share capital of GNR in consideration for the issue of 2,575,000 Shares (pre-Share Split) and 515,000 Performance Shares (pre-Share Split).

Settlement of the Acquisition will deliver to the Company the Manitou Gold Project located in Ontario, Canada. Details of the project are contained in the Company's announcement to ASX on 27 February 2018, a copy of which is contained in Annexure A to this Explanatory Statement.

Upon completion of the Acquisition, Mr Nicholas Rowley and Mr Marcello Cardaci will, subject to them consenting in writing to act, be appointed as directors of the Company, and Mr Simon O'Loughlin will resign as a director of the Company.

The conditions precedent to completion of the Acquisition are:

- (a) the Company conducting due diligence in respect of GNR and being satisfied in its absolute discretion with such due diligence;
- (b) the vendors of GNR conducting due diligence in respect of the Company and being satisfied in their absolute discretion with such due diligence; and
- (c) the Company obtaining all regulatory and shareholder approvals required for the Acquisition and the share placement referred to below.

As at the date of lodgement of this Notice with ASX, none of the conditions precedent have been satisfied. However, one of the purposes of the Meeting is to seek Shareholder approval for the issue of the Consideration Securities in order for the Company to satisfy the condition precedent referred to in paragraph (c) above.

On or about completion of the Acquisition, the Company will undertake a placement of 3,750,000 Shares (pre-Share Split) at \$0.40 per Share to raise \$1,500,000. Another purpose of the Meeting is to seek Shareholder approval for the issue of the placement Shares in order for the Company to satisfy paragraph (c) above. Shareholder approval will also be sought for the issue of up to 250,000 placement Shares to one of the incoming directors, Mr Cardaci (or his nominee).

The Board has, subject to obtaining Shareholder approval, agreed to subdivide its capital on a 1:2 basis following the issue of the Consideration Securities and placement Shares. One of the purposes of the Meeting is to seek Shareholder approval for the subdivision.

RESOLUTION 1 – ISSUE OF NEW CLASS OF SECURITIES (PERFORMANCE SHARES)

As referred to above, on 27 February 2018 the Company entered into a legally binding Term Sheet to acquire all the issued share capital of GNR in consideration for the issue of 2,575,000 Shares (pre-Share Split) and 515,000 Performance Shares (pre-Share Split).

Section 246C(5) of the Corporations Act provides that if a company with one class of shares (which includes the Company) issues new shares, the issue is taken to vary the rights attached to the shares already on issue if the rights attaching to the new shares are not the same as the rights attached to shares already issued and those rights are not provided for in the company's constitution or a notice, document or resolution that is lodged with the Australian Securities and Investments Commission.

Section 246B(2) of the Corporations Act relevantly provides that if a company (which includes the Company) has a constitution that does not set out the procedure for varying or cancelling rights attached to shares in a class of shares, those rights may be varied or cancelled only:

1. by special resolution of the Company; and
2. either:
 - (a) by special resolution passed at a meeting of the members holding shares in the class; or
 - (b) with the written consent of members with at least 75% of the votes in the class.

The rights attaching to the Performance Shares differ from those attaching to already issued Shares, and are set out in Annexure B to this Explanatory Statement. The purpose of Resolution 1 is to seek approval from Shareholders for the issue of the Performance Shares, being a new class of securities having different rights to existing Shares.

Resolution 1 is a **special resolution**.

The Directors recommend that Shareholders vote in favour of Resolution 1. The chair intends to vote undirected proxies in favour of Resolution 1.

The passing of Resolution 1 is conditional upon, and subject to, Resolution 2 being approved by Shareholders.

RESOLUTION 2 – ISSUE OF CONSIDERATION SECURITIES

As referred to above, on 27 February 2018 the Company entered into a legally binding Term Sheet to acquire all the issued share capital of GNR in consideration for the issue of 2,575,000 Shares (pre-Share Split) and 515,000 Performance Shares (pre-Share Split).

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. However, an issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 2 seeks approval by Shareholders for the issue of Consideration Securities in consideration for the acquisition of all of the issued share capital of GNR for the purpose of ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- The maximum number of securities that the Company will issue as consideration for all of the issued capital of GNR is 2,575,000 Shares (pre-Share Split) and 515,000 Performance Shares (pre-Share Split).
- The Consideration Securities will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all Consideration Securities will be issued on the same date.
- The Consideration Securities will not be issued for cash consideration.
- The Consideration Securities which are Shares will be issued to the vendors of GNR and/or their nominees.
- The Consideration Securities which are Performance Shares will be issued to two of the vendors of GNR and/or their nominees.
- The Consideration Securities which are Shares will be issued on the same terms as the Company's existing issued Shares.
- The Consideration Securities which are Performance Shares will be issued on the terms set out in Annexure B to this Explanatory Statement. The Company has received confirmation from the ASX that the terms of the Performance Shares are appropriate and equitable under ASX Listing Rules 6.1 and 12.5.
- No funds will be raised from the issue of the Consideration Securities.

Resolution 2 is an ordinary resolution.

The Directors recommend that Shareholders vote in favour of Resolution 2. The chair intends to vote undirected proxies in favour of Resolution 2.

The passing of Resolution 2 is conditional upon, and subject to, Resolution 1 being approved by Shareholders.

RESOLUTION 3 – ISSUE OF PLACEMENT SHARES

As noted above, on or about completion of the Acquisition the Company will undertake a placement of 3,750,000 Shares (pre-Share Split) (**Placement Shares**) at \$0.40 per Share to raise \$1,500,000.

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing equity securities in any 12 month period which amount to more than 15% of its ordinary securities. However, an issue made with the approval of holders of ordinary securities will not count towards this limit.

Resolution 3 seeks approval by Shareholders for the issue of the Placement Shares for the purpose of ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- The Company will issue a maximum of 3,750,000 Placement Shares (pre-Share Split).

- The Placement Shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all Placement Shares will be issued on the same date.
- The issue price of the Placement Shares will be \$0.40 per Placement Share (pre-Share Split).
- The Placement Shares will be issued to applicants for Placement Shares as determined by the Board, none of whom (except for Mr Marcello Cardaci (or his nominee) if Resolution 4 is passed) will be related parties of the Company.
- The Placement Shares will be issued on the same terms as the Company's existing issued Shares.
- Funds raised from the issue of the Placement Shares will be used to explore the Manitou Gold Project in Canada which will be acquired by the Company as a result of the Acquisition, to explore the Company's existing Trenggalek Gold Project in Indonesia and for general working capital.

Resolution 3 is an ordinary resolution.

The Directors recommend that Shareholders vote in favour of Resolution 3. The chair intends to vote undirected proxies in favour of Resolution 3.

RESOLUTION 4: ISSUE OF PLACEMENT SHARES TO MARCELLO CARDACI

One of the incoming directors, Mr Marcello Cardaci, intends to participate in the placement referred to above. Subject to Shareholder approval, it is proposed that Mr Cardaci (or his nominee) will be issued up to 250,000 Placement Shares (pre-Share Split) in the placement.

The proposed Share issue to Mr Cardaci (or his nominee) requires the approval of Shareholders pursuant to ASX Listing Rule 10.11. Shareholder approval is required under ASX Listing Rule 10.11 because Mr Cardaci is a proposed director of the Company and, as such, is a related party of the Company. If Shareholder approval is given under ASX Listing Rule 10.11, Shareholder approval is not required under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 10.13:

- The Shares will be issued to Mr Cardaci (or his nominee).
- The Company will issue a maximum of 250,000 Shares (pre-Share Split).
- The Shares will be issued no later than one month after the date of this Meeting or such later date as permitted by ASX. It is intended that all Shares will be issued on the same date.
- The issue price of the Shares will be \$0.40 per Share (pre-Share Split).
- The Shares will be issued on the same terms as the Company's existing issued Shares.
- Funds raised from the issue of the Shares will be used to explore the Manitou Gold Project in Canada which will be acquired by the Company as a result of the Acquisition, to explore the Company's existing Trenggalek Gold Project in Indonesia and for general working capital.

Resolution 4 is an ordinary resolution.

The Directors recommend that Shareholders vote in favour of Resolution 4. The chair intends to vote undirected proxies in favour of Resolution 4.

The passing of Resolution 4 is conditional upon, and subject to, Resolution 3 being approved by Shareholders.

RESOLUTION 5 – SHARE SPLIT

5.1 Background

Resolution 5 seeks Shareholder approval to subdivide the number of Shares, Options and Performance Shares through the subdivision of every one Share, Option or Performance Share into two Shares, Options or Performance Shares (as the case may be) (**Share Split**).

Section 254H(1) of the Corporations Act relevantly provides that a company may, by resolution passed in general meeting, convert all or any of its Shares into a larger number.

This section of the Explanatory Statement provides the information required by ASX Listing Rule 7.20 to be provided to Shareholders in relation to the Share Split.

5.2 Purpose of the Proposed Resolution

The Directors propose the Share Split for the following reasons:

- (a) the Company currently has 6,300,366 Shares on issue, and will have 12,625,366 Shares on issue if Resolutions 1, 2, 3 and 4 are passed. This represents a relatively small number when compared to its peer group on ASX; and
- (b) the Share Split will result in a more appropriate and effective capital structure for the Company, and will benefit Shareholders by increasing the liquidity and affordability to retail investors of the Company's shares.

5.3 Effect of the Share Split

(a) Shares

If Resolution 5 is approved, every Share on issue will be subdivided into two Shares. Overall, this will result in the number of Shares on issue increasing from 6,300,366 to 12,600,732 (12,625,366 to 25,250,732 if Resolutions 1, 2, 3 and 4 are passed).

As the Share Split applies equally to all Shareholders, individual shareholdings will be increased in the same ratio as the total number of Shares. Accordingly, after the Share Split a Shareholder will still hold the same proportion of the Company's share capital and its assets as before the Share Split. The current rights attaching to the Shares will not be affected.

(b) Options

The Company currently has 209,545 unlisted Options.

In the case of a subdivision of Share capital of the Company, ASX Listing Rule 7.22.2 requires that the number of Options on issue be subdivided in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

Accordingly, the Options on issue will be subdivided, and the exercise price of the Options amended, as follows:

Existing Options and expiry date	Existing number of Options on issue	Existing exercise price	Number of Options on issue after Share Split	Exercise price of Options after Share Split
Options (expiry date 31 December 2018)	109,545	\$4.50	219,090	\$2.25
Options (expiry date 10 October 2019)	100,000	\$0.75	200,000	\$0.375
Total	209,545		419,090	

The Share Split will not result in any change to the rights and obligations of existing holders of Options.

(c) **Performance Shares**

The Company does not currently have any Performance Shares, but will have 515,000 Performance Shares if Resolutions 1 and 2 are passed.

If Resolution 5 is also passed, every Performance Share on issue will be subdivided into two Performance Shares. Overall, this will result in the number of Performance Shares on issue increasing from 515,000 to 1,030,000.

The Share Split will not result in any change to the rights and obligations of existing holders of Performance Shares.

5.4 **Fractional entitlements**

The subdivision ratio is 1:2. No fractional entitlements will arise as a result of the Share Split.

5.5 **Taxation**

The Company considers that no taxation implications will arise for Shareholders, Optionholders or Performance Shareholders from the Share Split. However, Shareholders, Optionholders and Performance Shareholders are advised to seek their own taxation advice on the effect of the Share Split and neither the Company nor the Directors (or the Company’s advisers) accept any responsibility for the individual taxation implications arising from the Share Split.

5.6 **Holding Statements, Option Certificates and Performance Share Certificates**

From the date of the Share Split:

- (a) all holding statements for the Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a pre-Share Split basis;
- (b) all certificates (if any) for the Options will cease to have any effect, except as evidence of entitlement to a number of Options on a pre-Share Split basis; and
- (c) all certificates (if any) for the Performance Shares will cease to have any effect, except as evidence of entitlement to a number of Performance Shares on a pre-Share Split basis.

After the Share Split becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those securities and, to the extent required, new certificates for unlisted Options to be issued to Optionholders and new certificates for Performance Shares to be issued to Performance Shareholders.

5.7 **Effect on Capital Structure**

The effect of the Share Split on the capital structure of the Company will be as follows:

	Pre-Share Split			Post-Share Split		
	Shares	Options	Performance Shares	Shares	Options	Performance Shares
Current capital structure	6,300,366	209,545	Nil	12,600,732	419,090	Nil
Issue of Shares (Resolutions 2, 3 and 4)	6,325,000	Nil	515,000	12,650,000	Nil	1,030,000
Total	12,625,366	209,545	515,000	25,250,732	419,090	1,030,000

5.8 Expected timetable for share split

Company tells ASX that security holders have approved reorganisation	30 May 2018
Last day for trading in pre-reorganised securities	31 May 2018
Trading in the reorganised securities on a deferred settlement basis commences	1 June 2018
Last day for Company to register transfers on a pre-reorganisation basis	4 June 2018
First day for the Company to register securities on a post re-organised basis	5 June 2018
Company dispatches new holding statements to security holders and trading in the reorganised securities on a deferred settlement basis ends	12 June 2018
Normal trading (i.e. with an obligation to settle on T+2 business days) in the reorganised securities commences	13 June 2018

Resolution 5 is an ordinary resolution.

The Directors do not have an interest in the outcome of Resolution 5 and recommend that Shareholders vote in favour of Resolution 5. The chair intends to vote undirected proxies in favour of Resolution 5.

GLOSSARY

In this Explanatory Statement and Notice of Extraordinary General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

\$ means Australian dollars.

Acquisition means the acquisition by the Company of all of the issued shares in GNR.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Company means ARC Exploration Limited ACN 002 678 640.

Consideration Securities means 2,575,000 Shares (pre-Share Split) and 515,000 Performance Shares (pre-Share Split).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Extraordinary General Meeting or **Meeting** means the meeting convened by the Notice.

GNR mean GNR Minerals Pty Ltd ACN 618 235 895.

Notice or **Notice of Extraordinary General Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means the holder of an Option.

Performance Share means a right to be issued for no consideration a Share upon the satisfaction of a specified performance condition with the terms set out in Annexure B to this Explanatory Statement.

Performance Shareholder means the holder of a Performance Share.

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Share Split means the subdivision of the securities of the Company on a 1:2 basis.

ANNEXURE A

ASX ANNOUNCEMENT 27 FEBRUARY 2018



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.

Arc Exploration Limited
ABN 48 002 678 640
www.arcexploration.com.au

Sydney
ABN 48 002 678 640
Level 8, 65 York Street.
Sydney NSW 2000
Australia

T + 61 2 8076 8004
F + 61 2 8215 1600
E info@arx.net.au

Jakarta
Perkantoran CBD/BIDEX
Blok F, No.5
J. Pahlawan Seribu
BSD City - Tangerang 15321
Indonesia

T + 62 21 531 60118
F + 62 21 531 60119

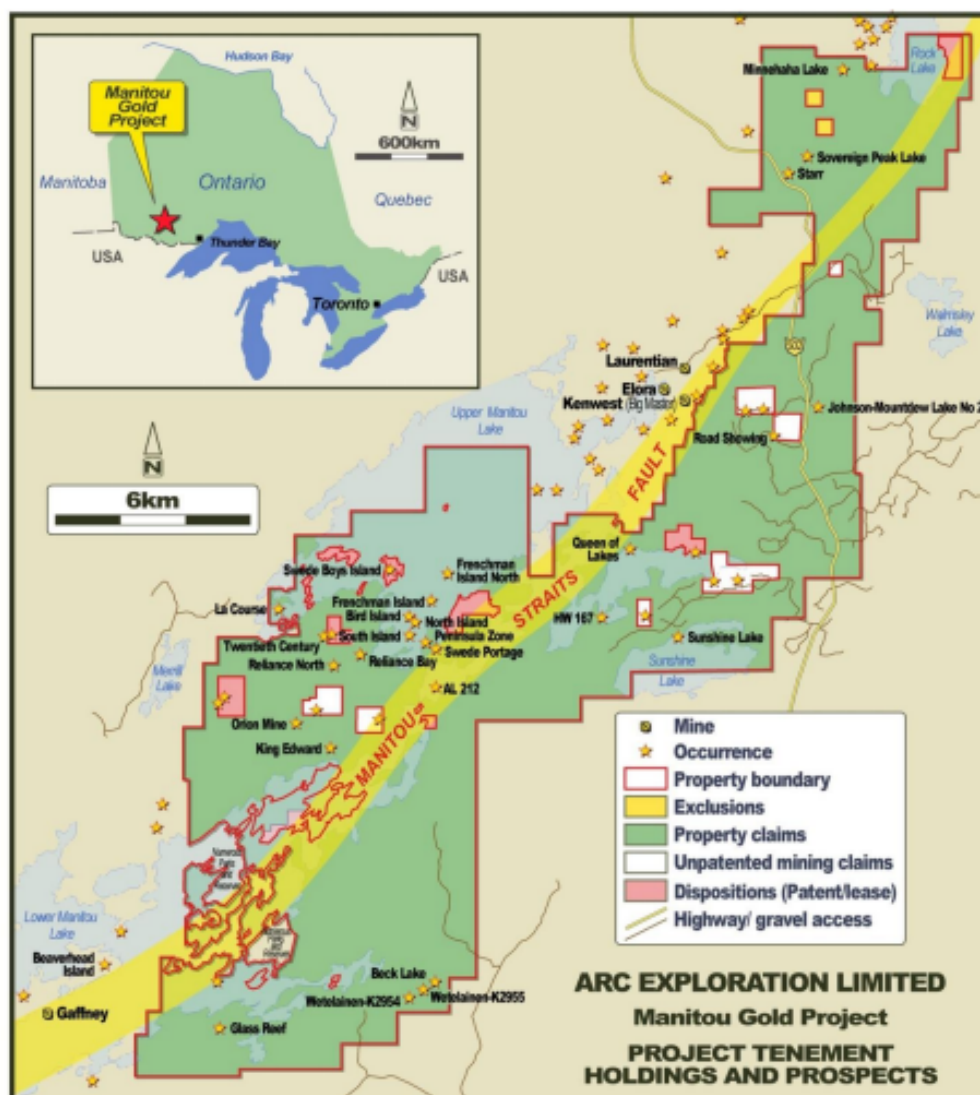


Figure 1 | Location of GNR's Manitou Project in Ontario, Canada

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.

ANNEXURE B

TERMS OF PERFORMANCE SHARES

1. Terms of Performance Shares

- (a) **(Performance Shares):** Each Performance Share is a share in the capital of Arc Exploration Limited (**Company**).
- (b) **(General Meetings):** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to the Company's shareholders. Holders have the right to attend general meetings of the Company.
- (c) **(No Voting Rights):** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company, subject to any voting rights under the *Corporations Act 2001* (Cth) (**Corporations Act**) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (d) **(No Dividend Rights):** The Performance Shares do not entitle the Holder to any dividends (cumulative, preferential or otherwise).
- (e) **(No Rights on Winding Up):** The Performance Shares do not confer on the Holder any right to participate in the surplus profits or assets of the Company upon the winding up of the Company.
- (f) **(No Rights to Return of Capital):** The Performance Shares do not confer on the Holder any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (g) **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- (h) **(Reorganisation of Capital):** In the event that the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (i) **(Application to ASX):** The Performance Shares will not be quoted on ASX. If the Company is listed on the ASX at the time, upon conversion of the Performance Shares into Company shares in accordance with these terms, the Company must within seven days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Company shares arising from the conversion.
- (j) **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under paragraph (h) (Reorganisation of Capital) above, holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Company's shares such as bonus issues and entitlement issues.
- (k) **(Amendments required by ASX):** The terms of the Performance Shares may be amended as necessary by the Company's board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

- (l) **(No Other Rights):** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

2. **Conversion of the Performance Shares**

- (a) **(Milestone):** The Performance Shares will convert upon the release of a Canadian National Instrument 43-101 report or equivalent Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) report announcing an inferred mineral resource of at least 1 million ounces of gold with a minimum cut-off grade of 0.5 grams / tonne gold in relation to the Company's Manitou gold project located in Canada (**Milestone**).
- (b) **(Expiry Date):** Any Performance Shares not converted into a Company share will expire on or before 5.00 pm (EST) on the date five years after the date of issue of the Performance Shares (**Expiry Date**).
- (c) **(Conversion of Performance Shares):** Subject to paragraph (d) below, in the event the Milestone is satisfied, all of the Performance Shares held by the Holder will convert into an equal number of fully paid ordinary Company shares.
- (d) **(No Conversion if Corporations Act Contravention):** In the event that:
- (i) the conversion of the Performance Shares into Company shares would result in the Holder being in contravention of section 606(1) of the Corporations Act, then the conversion of such number of Performance Shares that would cause the contravention will be deferred until such time or times thereafter the conversion would not result in such a breach; and
 - (ii) the above paragraph (d)(i) applies, the Holder may, by notice in writing, require the Company to call a meeting of its shareholders for the purposes of seeking approval under item 7, section 611 of the Corporations Act for the conversion of the Performance Shares, in which case the Company must as soon as practicable, and in any event no later than 60 days of the Holder providing such notice to the Company, call a meeting of its shareholders for the purposes of seeking approval under item 7, section 611 of the Corporations Act for the conversion of the Performance Shares into Shares.
- (e) **(No Conversion if Milestone not achieved):** In respect of any Performance Shares not converted into a Company share on or before 5.00 pm (EST) on the Expiry Date, the Company will, as soon as a reasonably practical and in any event no later than 90 days after the Expiry Date, convert the total number of Performance Shares held by each Holder into one fully paid ordinary Company share.
- (f) **(After Conversion):** The Company shares issued on conversion of the Performance Shares will, as and from 5.00 pm (EST) on the date of issue, rank equally with and confer rights identical with all other Company shares then on issue and, if the Company is listed on ASX at the time, application will be made by the Company to ASX for official quotation of the Company shares issued upon conversion.
- (g) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Company shares as soon as practicable following the conversion of the Performance Shares into Company shares.
- (h) **(Ranking of Shares)** The Company shares into which the Performance Shares will convert will rank pari passu in all respects with the Company's shares on issue at the date of conversion.

LODGE YOUR VOTE ONLINE



ONLINE VOTE

www.advancedshare.com.au/investor-login



MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode.
It is a fast, convenient and a secure way to lodge your vote.

2018 EXTRAORDINARY GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of ARC Exploration Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chairman of the meeting

OR



PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) are named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Extraordinary General Meeting of the Company to be held at Nexia Australia, Level 16, 1 Market Street, Sydney NSW 2000 on Wednesday 30 May 2018 at 11.00am (Sydney time) and at any adjournment or postponement of that Meeting.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES:

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

VOTING DIRECTIONS

Agenda Items

		For	Against	Abstain*
1	Issue of New Class of Securities (Performance Shares)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Issue of Consideration Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Issue of Placement Shares to Marcello Cardaci	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Share Split	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholder should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

STEP 1

STEP 2

STEP 3

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

PLEASE NOTE: If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chairman may vote as he sees fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11.00am (Sydney time) on 28 May 2018, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033