

March 2018 Quarter Activities Report

ABOUT ARC EXPLORATION LIMITED

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

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

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INDONESIA

Trenggalek Project, East Java

- PT Danusa Tambang Nusantara continues to manage and fund exploration work at Trenggalek.
- The Company is working on the renewal of an existing forestry permit and an application for an additional permit in order to advance the proposed drilling program at Singgahan.
- The Company is supporting the community liaison and consultation program being undertaken by PT Danusa Tambang Nusantara in the Singgahan area.

CORPORATE

- The Company placed the Rights Issue shortfall in the amount of \$463,158.54 in March 2018
- The Company announced the strategic gold acquisition of GNR Minerals Pty Ltd which holds the **Manitou Gold Project** comprising 112 claims totalling 245 km² located in North-western Ontario (refer announcement: "Arc Exploration Executes Binding Term Sheet to Acquire Highly Prospective Gold Project in North-Western Ontario" dated 27 February 2018):
 - The Project is along strike from past producing precious metal mining district of Gold Rock and interpreted to lay along the same first order structure host to New Gold Inc.'s 6.4 million ounce Rainy River gold project which achieved commercial production in October, 2017;
 - The Project offers high grade exploration potential: Gold mineralisation in the Upper Manitou Lake Area is typical of the Archean Lode Gold deposit model;
 - The Project allow for modern exploration techniques on a large, prospective land package which the Company believes greatly increases chance of a significant mineral discovery;
 - Subject to completion of the acquisition, 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;
 - An Extraordinary General Meeting is to be held on Wednesday 30 May 2018 to seek shareholder approval of the acquisition.

INDONESIA

ARX operates a joint venture in respect of the Trenggalek Exploration IUP tenement, located in the Southern Mountains of East Java (See Figure 1).



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

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

The Southern Mountains is composed of an older segment of the Sunda-Banda magmatic arc, which hosts several known large porphyry copper-gold deposits; *Tumpangpitu* (*Tujuh Bukit*) located about 200 kilometres to the east of Trenggalek, and *Batu Hijau* and *Elang* located on Sumbawa. Trenggalek contains a similar package of rocks to those hosting these three major porphyry deposits.

The Trenggalek Exploration IUP tenement is held by ARX's Indonesian partner, PT Sumber Mineral Nusantara ("SMN"). The tenement, covering an area of 29,969 ha or about 300 km², is valid until November 2018.

Since November 2015 PT Danusa Tambang Nusantara (Danusa), a subsidiary of one of the largest contract miners in Indonesia, has been managing and funding exploration work at Trenggalek. In early 2017 Danusa agreed to continue with Stage 2 Exploration with a budget of US\$ 1 million. Exploration expenditure at Trenggalek by Danusa for the quarter totalled US\$97,724.

Jerambah Prospect:

During the September 2017 quarter Induced Polarisation and ground magnetic surveys were undertaken in combination with additional mapping and soil sampling at Jerambah. Outcrops of diorite with quartz-sericite-(chlorite) alteration and quartz stockworks were identified (assaying 0.15% Cu and 0.15g/t Au). Alteration zones were mapped with the aid of a Terraspec machine.

The induced polarisation and ground magnetic results combined with re-interpretation of aeromagnetic data, spectral analyses, re-mapping and re-sampling of the area identified three drill targets which were tested in the December 2017 quarter. Results from two of those holes (JRDH01 and JRDH02) have been interpreted to be the barren, outer shell of porphyry or older porphyry (refer Figure 2). Similar mineralised porphyries in other parts of Sunda arc also have multiple phases of porphyry mineralisation and in these areas the often older diorite-dominated host is less mineralised compared to the younger tonalite-hosted porphyry.

Singgahan Prospect:

Previous mapping, petrological studies and drilling at the Singgahan Prospect to the east of Jerambah identified the occurrence of porphyry style copper mineralisation. A Ground Magnetic survey consisting of 25.5 line km covering an area 1.5km x 1.6km was completed during the December 2016 quarter. Further geological mapping and soil sampling were undertaken during the course of 2017. These results combined with existing aeromagnetic data and detailed geological mapping have assisted in defining drill targets at Singgahan. It is anticipated that drilling at Singgahan will be pursued by Danusa after consultation with the local community and local authorities.

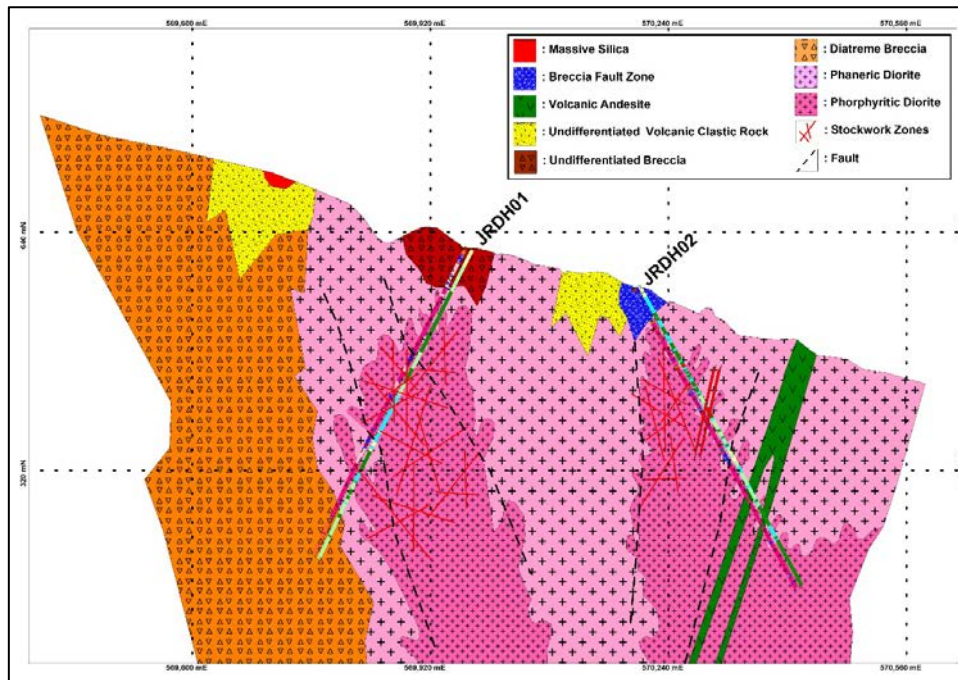


Figure 2 – Jerambah Prospect: Interpreted cross section of Holes JRDH01 and JRDH02.

This report is dated 30 April 2018.

For further information please contact:

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Competent Person Statement

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

The historic exploration results in this report that relate to the Trenggalek Project have been extracted from the following reports:

- First Hole Completed on Porphyry Target at Trenggalek, Indonesia created and released to the ASX on 12 December 2013;
- Update on Trenggalek Exploration Activities created and released to the ASX on 9 April 2014;
- Update on Trenggalek Gold Project, Indonesia dated 19 October 2017;
- Drilling Results from Jerambah, Trenggalek Project Indonesia dated 29 January 2018

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

Table 1. Details of Tenements & ARX Interest

Project	Location	Tenement	Area (km ²)	ARX Interest
Trenggalek	East Java, INDONESIA	Exploration IUP	299.7 km ²	95% (farming out up to 80%)

Table 2. Exploration/Mining Tenements Acquired/Disposed of during the Quarter

Project	Location	Tenement	ARX Interest	Comment
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