

JUNE 2018 QUARTERLY REPORTS

ARC Exploration Limited (“**ARX**” or “the **Company**”) provides the following commentary and Appendix 5B for the June 2018 Quarter.

Highlights

- **ARX completed the acquisition of the strategic Manitou Gold Project comprising 112 claims totalling 245 km² located in North-western Ontario;**
- **Successfully raised \$1.5 million through an oversubscribed placement putting the Company in a strong position to fund exploration and to assess other project opportunities**
- **Mr Nicholas Rowley and Mr Marcello Cardaci joined the Board as Non-Executive Directors**

Manitou Gold Project in North-Western Ontario, Canada

ARX completed the acquisition of 100% of the issued capital of GNR Minerals Pty Ltd (“**GNR**”). GNR holds the Manitou Gold Project (“**the Project**”) which is located in North-western Ontario and comprises 112 claims totalling 245 km² located in North-western Ontario (refer to Figure 1.).

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. The Company believes that this large, well-positioned land package greatly increases its chance of an economic mineral discovery through the application of systematic and modern exploration techniques.

Acquisition Consideration

As consideration for the acquisition of GNR the Company issued the following securities (on a pre-share split basis) to the vendors of GNR and/or their nominees:

1. 2,575,000 fully paid ordinary shares in ARX.
2. 515,000 performance shares.

The Performance Shares will convert to ordinary shares if the Company is able to release a 43-101 report or equivalent JORC Report announcing a minimum of 1moz inferred resource at minimum cut-off of 0.5 g/t within the next 5 years.

Completion of Placement

ARX successfully raised \$1.5 million through an oversubscribed placement (“Placement”) of 7.5 million new fully paid ordinary shares at \$0.20 per share to institutional and sophisticated investors. The Placement was approved by shareholders at an Extraordinary General Meeting held on 30 May 2018.

Board and Secretary Changes

Mr. Nicholas Rowley and Mr. Marcello Cardaci were appointed as Directors of the Company and Mr. Simon O'Loughlin retired from the Board on 31 May 2018.

Mr. Andrew Cooke retired as Company Secretary on 31 May 2018 and Mr. Aaron Bertolatti was appointed as his replacement. On 2 July 2018 the Company announced that Mr Cooke had resigned as a Director of the Company, effective 30 June 2018.

Corporate - Other

- The Company's Registered Office and Principal Place of Business changed to Level 2, 18 Kings Park Road, West Perth, WA 6005.
- ARX completed a split of its share capital on a 2:1 basis as approved by shareholders at the Extraordinary General Meeting held on 30 May 2018
- At the end of the Quarter the Company had cash at bank of \$2.3m. Refer to the attached Appendix 5B for further details.

For and on behalf of the Board.



Aaron Bertolatti
Company Secretary
ARC Exploration Limited

ABOUT ARC EXPLORATION LIMITED

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

The Manitou Project is located approximately 60km South of Dryden, Ontario on an all-weather paved highway; with a total area of 245 km². The Project is strategically located in a geologically favourable Archean sub-province that currently contains multiple orebodies containing greater than 1.0 million ounces of gold. Locally the Project straddles a major first order fault system that is host to local historic past producing mines still containing historic non-JORC compliant gold estimates (Ontario Ministry of Northern Development and Mines).

The geology of the Project is representative of the typical Archean lode-gold style of mineralization found in most greenstone belts worldwide consisting of mafic to intermediate meta-volcanic units locally intercalated with minor meta-sediments and intruded with local plugs and stocks of mafic to felsic composition. The meta-volcanic and meta-sedimentary units are generally folded and sheared by the first order Manitou-Straits fault system with the later felsic and mafic intrusive units generally remaining un-deformed due to timing and only generally display a weak fabric due to regional deformation events. Due to the large size of the land package there is also potential for discovery of other commodities typically found in greenstone belts.

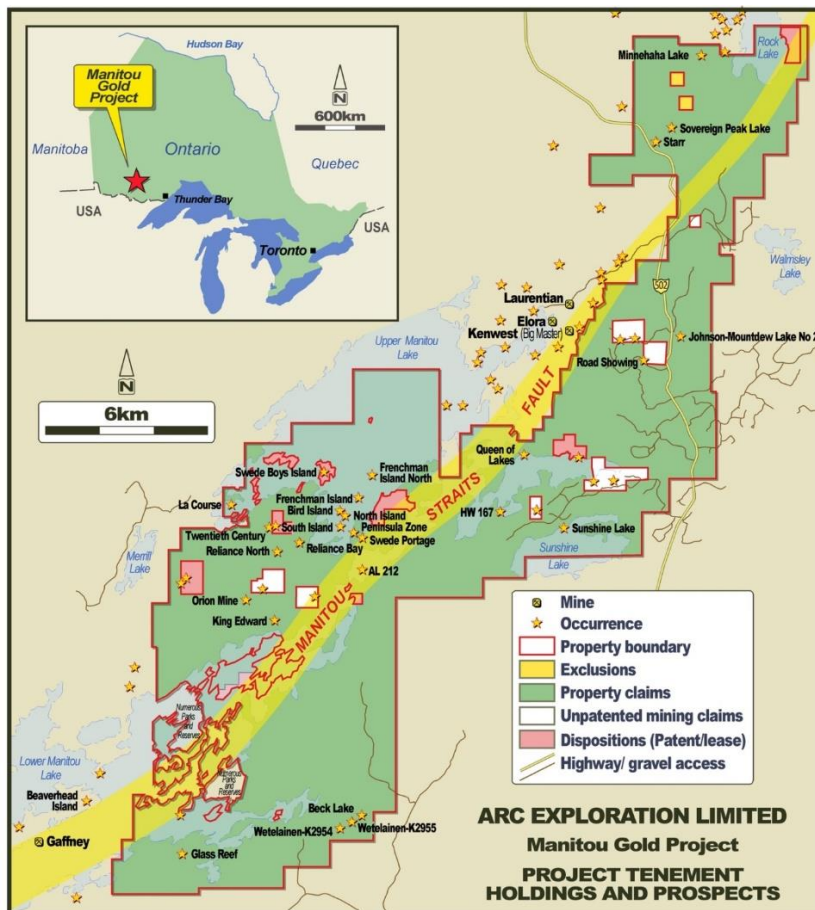


Figure 1 | Location of Manitou Project in Ontario, Canada

The Company also 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.

Appendix 1 | ARC Exploration Limited Tenements

Tenement	Location	Area	Structure
CANADA			
<p>The Manitou Gold Project consists of 112 unpatented mining claims. GNR Minerals Pty Ltd owns 100% of all claims.</p> <p>Claim numbers are as follows:</p> <p>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>	Ontario, Canada.	245 km ² in total	100%
INDONESIA			
Trenggalek	East Java, INDONESIA	299.7 km ²	95%

KM – Kilometres

Changes: The Company acquired the 112 Manitou Gold Project unpatented mining claims (detailed above) during the quarter.

Arc Exploration Limited

Level 8, 65 York Street, Sydney NSW 2000

Appendix 5B

Rule 5.5

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Arc Exploration Limited

ACN or ARBN

48 002 678 640

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration and evaluation	(30)	(38)
(b) development	-	-
(c) production	-	-
(d) staff costs	(20)	(38)
(e) administration	(165)	(322)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid (received)	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(213)	(395)
2. Cash flows related to investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Cash on acquisition	5	5
2.6 Net cash from / (used in) investing activities	5	5

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
3. Cash flows related to financing activities		
3.1 Proceeds from issues of shares	1,500	1,963
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(31)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(25)	(25)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,475	1,907

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	991	740
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(213)	(395)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	5	5
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,475	1,907
4.5 Effect of movement in exchange rates on cash held	3	4
4.6 Cash and cash equivalents at end of period	2,261	2,261

5. Reconciliation of cash	Current quarter \$A'000	Previous quarter \$A'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	1,861	516
5.2 Call deposits	400	475
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,261	991

6. Payments to directors of the entity and associates of the directors

Current quarter \$A'000
33
-

6.1 Aggregate amount of payments to the parties included in item 1.2

6.2 Aggregate amount of loans to the parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

Current quarter \$A'000
-
-

7.1 Aggregate amount of payments to the parties included in item 1.2

7.2 Aggregate amount of loans to the parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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Mining exploration entity and oil and gas exploration entity quarterly re**8. Financing facilities available**

Add notes as necessary for an understanding of the position.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those

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9. Estimated cash outflows for next quarter

\$A'000


9.1 Exploration and evaluation	50
9.2 Development	
9.3 Production	
9.4 Staff costs	20
9.5 Administration and corporate costs	100
9.6 Other (capital raising costs)	
9.7 Total estimated cash outflows	170

10. Changes in interests in mining tenements	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Refer to Appendix 1 of the Activity Report			

+See chapter 19 for defined terms
1 September 2016

Compliance statement

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

Sign here:  Aaron Bertolatti
(Company Secretary) Date: 31/07/2018

Print name:

Notes

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

+See chapter 19 for defined terms
1 September 2016