

## March 2016 Quarter Activities Report

### ABOUT ARC EXPLORATION LIMITED

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

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

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

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### INDONESIA

#### Trenggalek Project, East Java

- A new phase of scout drilling commenced at Trenggalek in early February 2016. A total of 1433-m of drilling in 10 holes was completed on epithermal gold vein targets at the Sentul and Buluroto prospects in this quarter.
- Initial gold results were received from five of these holes; narrow gold intercepts were returned in two holes – 1.85m at 1.19 g/t Au in STDH02 and 0.8m at 2.83 g/t Au in STDH03 on the East Sentul Vein.
- Drilling continues at Sentul and mapping and prospecting are in progress in the surrounding area to define new targets.

### AUSTRALIA

#### Mount Garnet Project, Queensland

- No field activity to report for the quarter.

#### Oberon and Junee Projects, New South Wales

- ARX exercised its right under farm-in agreements with New South Resources Pty Limited to withdraw from these projects during the quarter.

### CORPORATE

- The Company continued to conserve cash during the quarter by undertaking only such work on its existing projects, which is essential or involved minimal cash outlay while it pursued joint venture interest for their longer term development.
- During the quarter the Company issued 32,458,332 shares to Senior Managements in lieu of salaries.

## INDONESIA

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



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

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

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

The Trenggalek Exploration IUP tenement is held by ARX's Indonesian partner, P.T. Sumber Mineral Nusantara ("SMN"). The tenement, covering an area of 29,969 ha or about 300 km<sup>2</sup>, is now valid until November 2018.

PT Danusa Tambang Nusantara (Danusa), a subsidiary of one of the largest contract miners in Indonesia, is currently managing and funding exploration work at Trenggalek under an agreement that was announced last year (see ARX Announcements dated 18 November 2015 and 10 February 2016).

A new phase of diamond drilling commenced at Trenggalek in early February 2016. This +3,000-m drilling programme is in progress and designed to test for mineralised extensions to parts of the large Sentul and Buluroto epithermal gold vein systems that were previously tested with scout diamond drilling by ARX in 2010/11 (see ARX Announcement dated 18 April 2016).

A total of 1433-m in 10 holes was completed during the quarter (See Table 1). These holes test the northern projections of the East Sentul and Buluroto veins (See Figures 2 and 3).

Initial gold results from the first five holes, STDH01 to STDH03 (East Sentul) and BRDH01 to BRDH02 (Buluroto), were received. Narrow low-grade gold intercepts were returned in two holes on the East Sentul vein, STDH02 and STDH03 (See Table 2). The other three holes returned no significant gold results. ARX is awaiting the remaining gold and multielement results to further assess the significance of the results received to date.

Drilling continues on the Sentul Prospect. The other ongoing program is detailed prospecting and mapping in areas to the southwest of Buluroto and Sentul for new epithermal vein and porphyry targets.

Exploration expenditure at Trenggalek for the quarter totalled US\$237,040.

Table 1. TRENGGALEK PROJECT - Drill-hole Details

Hole ID	Collar Coords			Dip	Azimuth	Depth
	mE	mN	mRL	Deg	deg	m
<b>Sentul Prospect – East Sentul Vein</b>						
STDH01	572,838	9,089,160	576	-50	135	172.9
STDH02	572,821	9,089,000	644	-50	315	138.4
STDH03	572,768	9,088,884	616	-55	315	172.9
STDH04	572,680	9,088,779	624	-55	315	213.1
<b>Buluroto Prospect</b>						
BRDH01	571,818	9,089,722	681	-50	90	43.4
BRDH02	571,910	9,089,780	654	-50	305	127.6
BRDH03	572,009	9,090,127	564	-50	150	168.0
BRDH04	572,081	9,090,233	506	-50	150	172.6
BRDH05	572,314	9,090,331	379	-50	90	120.6
BRDH06	572,297	9,090,184	426	-50	305	104.1

Table 2. TRENGGALEK PROJECT - Gold Intercepts

Hole ID	From (m)	To (m)	Interval (m)	Au g/t	Recovery
<b>Sentul Prospect – East Sentul Vein</b>					
STDH01	NSR				
STDH02	37.25	39.1	1.85	1.19	100%
STDH03	40.9	41.7	0.8	2.83	100%
<b>Buluroto Prospect</b>					
BRDH01	NSR				
BRDH02	NSR				

NSR – denotes No Significant Results

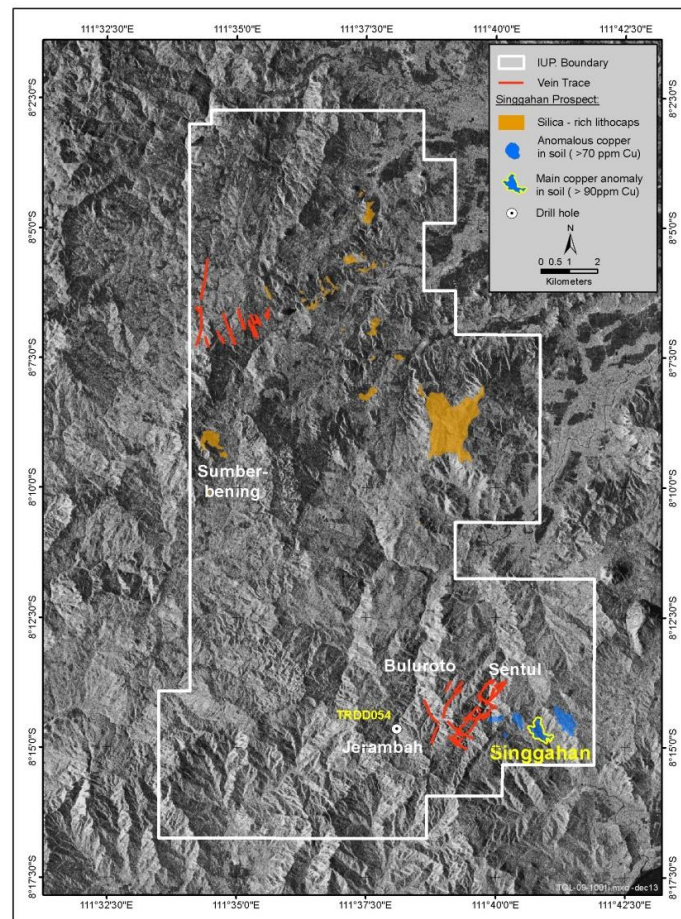


Figure 2: Trenggalek Exploration IUP



**Figure 3: Buluroto & Sentul Prospects – Drillhole Location Plan**  
(Note: The TRDD hole ID's are previous ARX holes drilled in 2010/11)

### ***Project Background***

Early work by ARX on the Trenggalek IUP concentrated on testing of intermediate-sulphidation epithermal gold-bearing veins, breccias, jasperoid and high-grade float targets at multiple prospects identified within the tenement. These gold targets are hosted by Oligo-Miocene age volcanic and volcanoclastic rocks, limestone, subvolcanic plugs and possible diatreme breccias. Several of the prospects have had limited drill testing and produced some significant gold-silver intercepts including 9 m at 4.5 g/t Au & 8 g/t Ag at Sentul, 13.7 m at 3.2 g/t Au & 60 g/t Ag at Buluroto, and 6.6 m at 4.9 g/t Au & 149 g/t Ag at Kojan. High-grade gold-vein float occurrences identified at the Jati and Jombok have yet to be traced to source and remain a valid exploration target.

Another phase of exploration commenced in late 2011 under a Joint Venture with Anglo American to explore for porphyry copper-gold targets. This partnership continued until late 2014 when Anglo American withdrew due to a global rearrangement of their exploration priorities. This partnership provided the first opportunity to test the porphyry potential of the Trenggalek IUP and generated an extensive geophysical and geochemical database for targeting.

Limited scout drilling of targets identified at Jerambah and Singgahan prospects in the south-eastern corner of the IUP with Anglo American in late 2013 – early 2014 confirmed the occurrence of large porphyry-style alteration systems containing low-grade copper-gold-molybdenum mineralisation associated with multiple diorite-quartz diorite-tonalite intrusions and diatreme breccias at both prospects. These large alteration systems remain open and have only been partly explored.

In November 2015, ARX announced that PT Danusa Tambang Nusantara (“Danusa”) signed formal documentation with ARX and SMN to explore the Trenggalek Project. Danusa will fund First Stage of exploration for a total of US\$ 1,500,000 over the next 10 months and has the option to continue on to the Second and Third Stages of exploration within a total framework of 30 months.



## AUSTRALIA

ARX operates a joint venture to explore for gold and base metals on the Mount Garnet Project located in northeast Queensland (*Figure 4*).

To conserve funding, ARX exercised its right under Farm-in agreements with New South Resources Pty Limited dated 1 August 2014 to withdraw from the Junee and Oberon projects located in New South Wales, effective from 13<sup>th</sup> April 2016 (see ARX Announcement dated 14 March 2016).



Figure 4. Australian and Indonesian Project Locations

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

The **Mount Garnet** Project, located near the major regional centre of Cairns, comprises three Mining Leases (ML's 4363, 4390, 20018) covering about 150 hectares that are 100% held by Snowmist Pty Ltd ("Snowmist"), and an exploration tenement (EPM 25343) covering about 17 km<sup>2</sup> that is held by Arc Exploration Limited ("ARX").

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

The project area lies in the Mount Garnet tin-base metal mining subdistrict of the Herberton Tinfield and within the southern end of a discontinuous belt of Siluro-Devonian calcareous metasedimentary rocks (Chillagoe Formation) that is bounded by the major regional Palmerville fault and intruded by Permo-Carboniferous granites. These rocks are host to a number of gold-base metal-tin skarn and disseminated gold-base metal-tin stockwork/breccia deposits in the region, including Red Dome (gold-copper), Mungana (gold-zinc) and King Vol (zinc) in the Chillagoe district, and Mount Garnet (zinc-copper), Gillian (tin) and Triple Crown (gold) in the Mount Garnet district.

There is a significant potential to increase the known gold resource at Triple Crown and additional potential to identify new gold-breccia targets and other deposit styles, including base metal skarn similar to that exploited at the nearby Mount Garnet zinc-copper mine.

No field activities were undertaken during the quarter.

ARX expenditure on the Mount Garnet Project for the quarter totalled A\$500.

## **CORPORATE**

In the current market conditions, the Company's strategy remains to attract joint venture partners to farm-in to and fund development of projects which the Company has an interest in. In line with this strategy the Company continued to conserve cash during the quarter by undertaking only such work on its existing projects which was essential or involved minimal cash outlay while it pursued such joint venture interest for their longer term development.

To preserve cash, Directors and senior management of the Company previously elected to forgo 50% of their remuneration to the end of calendar 2015. The remaining 50% of their remuneration which they were to receive will be paid by the issue of shares in the Company (at 0.18 cents per shares being the issue price for the August 2015 Share Purchase Plan), rather than in cash and as a result no cash remuneration was paid to Directors or senior management. These arrangements have been voluntarily extended to the end of March 2016 using a share price of 0.09 cents for the quarter ending March 2016.

In the case of Directors these arrangements are subject to shareholder approval which will be sought at the Annual General Meeting of the Company.

During the quarter the Company issued 32,458,332 shares in lieu of salaries for senior management.

This report is dated 28 April 2016.

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### ***Competent Person Statement***

The information in this announcement that relates to Exploration Results is based on information compiled by Mr Brad Wake, BSc (Applied Geology), who is a member of the Australian Institute of Geoscientists. Mr Wake has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which is being undertaking 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 Wake is a full time employee of Arc Exploration Limited and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the *Triple Crown* gold resource is extracted from the report entitled Mount Garnet Project - Statement of Resources created and released to the ASX on 21 August 2013.

The report referred to above is available to view on the Company's website: [www.arcexploration.com.au](http://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 the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. 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 announcement.

**Table 3. Details of Tenements & ARX Interest  
At 31 March 2016**

Project	Location	Tenement	Area (km <sup>2</sup> )	ARX Interest
Trenggalek	East Java, INDONESIA	Exploration IUP	299.7 km <sup>2</sup>	95%
Oberon	New South Wales, AUSTRALIA	EL 6525	160 km <sup>2</sup>	ARX Withdrawn
Junee	New South Wales, AUSTRALIA	EL 6516	16.9 km <sup>2</sup>	ARX Withdrawn
		EL 6768	14.1 km <sup>2</sup>	ARX Withdrawn
		EL 8152	16.9 km <sup>2</sup>	100%
Mount Garnet	Queensland, AUSTRALIA	ML 4363	129 ha	Farming-in
		ML 20018	21 ha	Farming-in
		ML 4390	1 ha	Farming-in
		EPM 25343	17 km <sup>2</sup>	100%

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

Project	Location	Tenement	Area (km <sup>2</sup> )	ARX Interest
Trenggalek	East Java, INDONESIA	None Acquired/disposed		
Oberon	New South Wales, AUSTRALIA	EL 8349		Relinquished
Junee	New South Wales, AUSTRALIA	None Acquired/disposed		
Mount Garnet	Queensland, AUSTRALIA	None Acquired/disposed		