

June 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

- Drilling continued at Trenggalek for much of the quarter and stopped in mid-June for the Islamic fasting period.
- A total of 2745-m of drilling in 20 holes has now been completed on epithermal gold vein targets at the Sentul and Buluroto prospects.
- Gold results were received for eleven holes during the Quarter; STDH03 to STDH09 (Sentul) and BRDH03 to BRDH06 (Buluroto). The most significant intercepts are:
 - 1.80 m at 3.8 g/t Au from 38.2 m down-hole in STDH03 on Sentul East vein
 - 5.15 m at 6.89 g/t Au from 50.55 m down-hole in STDH04 on Sentul East vein
 - 1.75 m at 1.6 g/t Au from 104.0 m down-hole in STDH08 on Sentul West vein
- Field activity at Trenggalek is expected to resume in the next quarter.

AUSTRALIA

Mount Garnet Project, Queensland

- No field activity to report for the Quarter.

CORPORATE

- Shareholders approved a 500:1 consolidation of share capital.
- Shareholders approved the allotment of 256,850 post consolidation shares to Directors and Senior Managements in lieu of salaries.
- The Company raised \$347,546 by issuing 423,773 shares (post-consolidation) @ \$0.82 per share to investigate the acquisition of assets in Australia. There are now 3,250,244 shares (post-consolidation) outstanding.

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 km², 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 and continued with two man-portable rigs up until early June when drilling was stopped for the commencement of the Islamic fasting period. Drilling may recommence in the next quarter, pending the results of this recent phase of drilling.

A total of 2745 metres in 20 holes has been completed to-date in this latest drilling phase (See Table 1). These holes have tested for mineralised extensions within the large Sentul and Buluroto epithermal gold veins (See Figure 2), which were previously tested with scout diamond drilling by ARX in 2010/11.

Gold results for the first five holes in this latest drilling program were reported in the previous quarter (See ASX announcement of 18th April 2016). Gold results for the next eleven holes, STDH03 to STDH09 (Sentul) and BRDH03 to BRDH06 (Buluroto), are presented in Table 2 below (See Figures 3 & 4 for drill-hole locations).

The most significant gold intercepts are:

- 1.80 m at 3.8 g/t Au from 38.2 m down-hole in STDH03 on Sentul East vein
- 5.15 m at 6.89 g/t Au from 50.55 m down-hole in STDH04 on Sentul East vein
- 1.75 m at 1.6 g/t Au from 104.0 m down-hole in STDH08 on Sentul West vein

The two gold intercepts returned on the Sentul East vein, STDH03 and STDH04, were obtained between previous lines of drilling completed by ARX in 2010. These holes confirm the presence of shallow gold mineralisation within a segment of the East Sentul vein, having about 150 m strike-length and at less than 50 m below surface. The true-width of the mineralised intersections (See Figure 5; blue and red shaded areas) is estimated to vary from 1 to 3.5 metres within the mineralised segment. The gold mineralisation is believed to be open at depth.

Narrow low-grade gold (<1 g/t Au) intercepts were returned from the Buluroto vein. Recent drilling here was done at the northern end of the northeast-trending vein. This is less prospective than the southern end of the vein where previous drilling by ARX returned significant gold intercepts in mineralised breccia such as 13.75 m at 3.19 g/t Au & 60 g/t Ag (See ASX announcement of 26th August 2010).

Gold results for the remaining holes completed in this latest drilling program (STDH10 to STDH12) are awaited. These are expected to be received soon and will be reported accordingly.

Field activity at Trenggalek is expected to resume in the next quarter.

Exploration expenditure at Trenggalek for the quarter totalled US\$243,013.

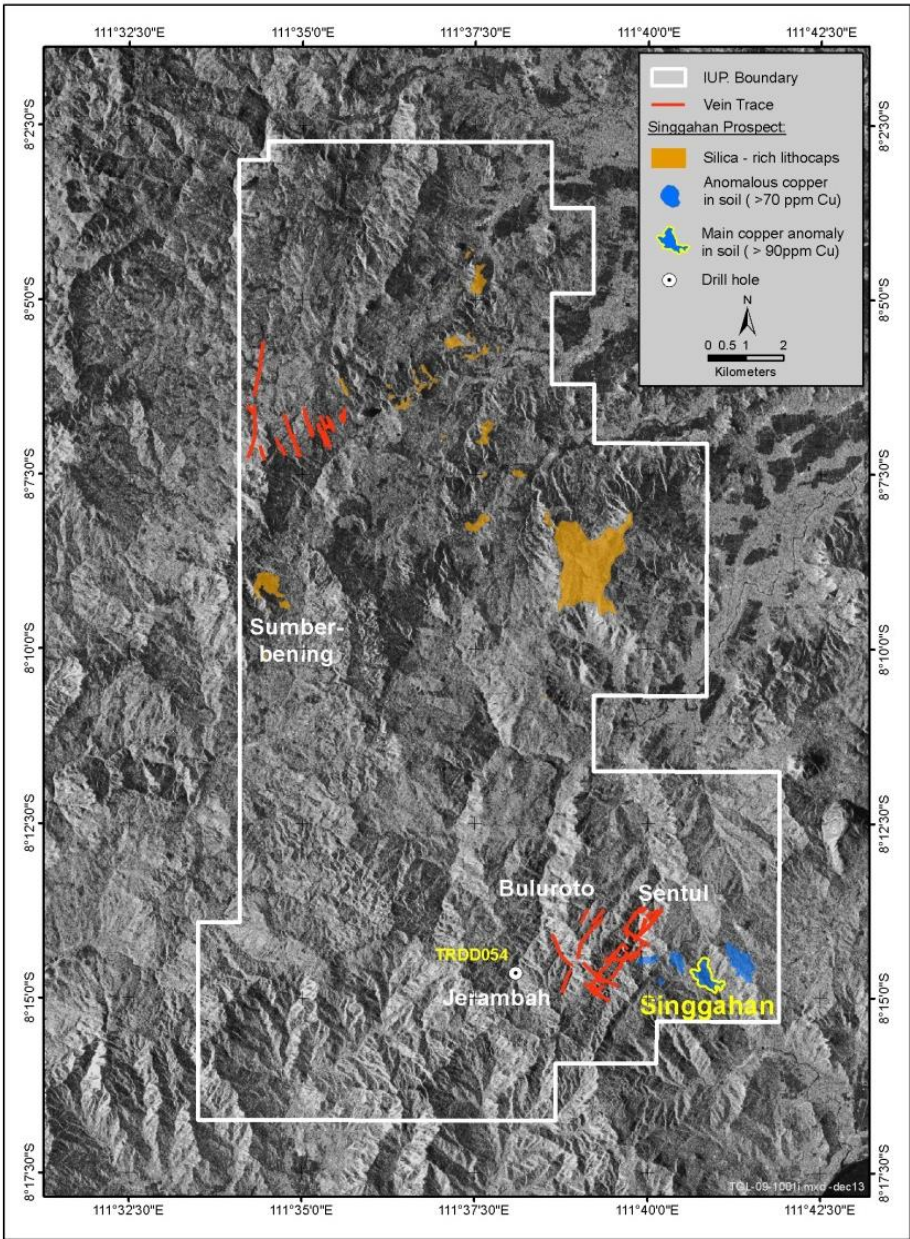


Figure 2. Trenggalek Exploration IUP

Table 1. TRENGGALEK PROJECT - Drill-hole Details

Hole ID	Vein	Collar Coords			Dip deg	Azimuth Deg	Depth m
		mE	mN	mRL			
Sentul Prospect							
STDH01	Sentul East	572,838	9,089,160	576	-50	135	172.9
STDH02	Sentul East	572,821	9,089,000	644	-50	315	138.4
STDH03	Sentul East	572,768	9,088,884	616	-55	315	172.9
STDH04	Sentul East	572,680	9,088,779	624	-55	315	213.1
STDH05	Sentul West	572204	9088917	692	-55	135	126.0
STDH06	Sentul East	575924	9088656	616	-60	300	144.5
STDH07	Link vein	572349	9088620	645	-55	180	162.0
STDH08	Sentul West	572230	9088977	687	-55	135	150.2
STDH09	Link vein	572349	9088620	645	-55	000	120.3
STDH10	Sentul West	572289	9089032	675	-50	135	184.15
STDH11	Link vein	572220	9088570	687	-55	020	151.8
STDH12	Sentul West	572132	9088562	754	-55	270	272.4
Buluroto Prospect							
BRDH01	NE Vein	571,818	9,089,722	681	-50	90	43.4
BRDH02	NE Vein	571,910	9,089,780	654	-50	305	127.6
BRDH03	NE Vein	572,009	9,090,127	564	-50	150	168.0
BRDH04	NE Vein	572,081	9,090,233	506	-50	150	172.6
BRDH05	NE Vein	572,314	9,090,331	379	-50	90	120.6
BRDH06	NE Vein	572,297	9,090,184	426	-50	305	104.1

Table 2. TRENGGALEK PROJECT - Gold Intercepts

Hole ID	Vein	From (m)	To (m)	Interval (m)	Au g/t	Recovery
Sentul Prospect						
STDH03	Sentul East	38.2	40.0	1.8	3.8	100%
STDH04	Sentul East	50.55	55.7	5.15	6.89	100%
STDH06	Sentul East	NSR				
STDH05	Sentul West	101.0	103.0	2.0	0.9	100%
		104.0	105.75	1.75	1.6	100%
STDH08	Sentul West	102.05	102.75	0.7	0.33	100%
STDH07	Link vein	NSR				
STDH09	Link vein	NSR				
Buluroto Prospect						
BRDH03	NE Vein	130.6	131.6	1.0	0.6	100%
		132.6	133.6	1.0	0.33	100%
		148.3	149.3	1.0	0.42	100%
		156.0	157.0	1.0	0.32	100%
		157.0	159.7	2.7	0.82	100%
BRDH04	NE Vein	NSR				
BRDH05	NE Vein	36.6	38.6	2.0	0.87	100%
BRDH06	NE Vein	79.5	82.5	3.0	0.64	100%

NSR – denotes No Significant Results

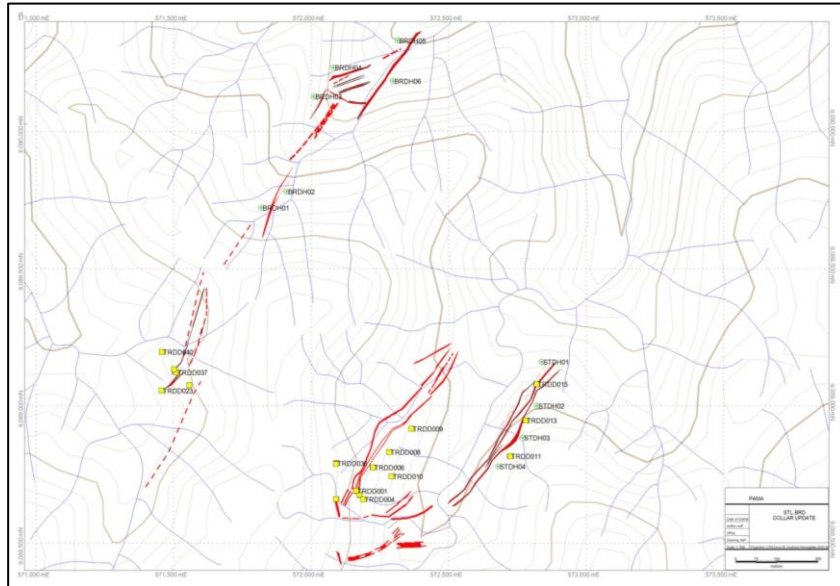


Figure 3: Buluroto & Sentul Prospects – Drillhole Location Plan
 (Note: The TRDD hole ID's are previous ARX holes drilled in 2010/11)

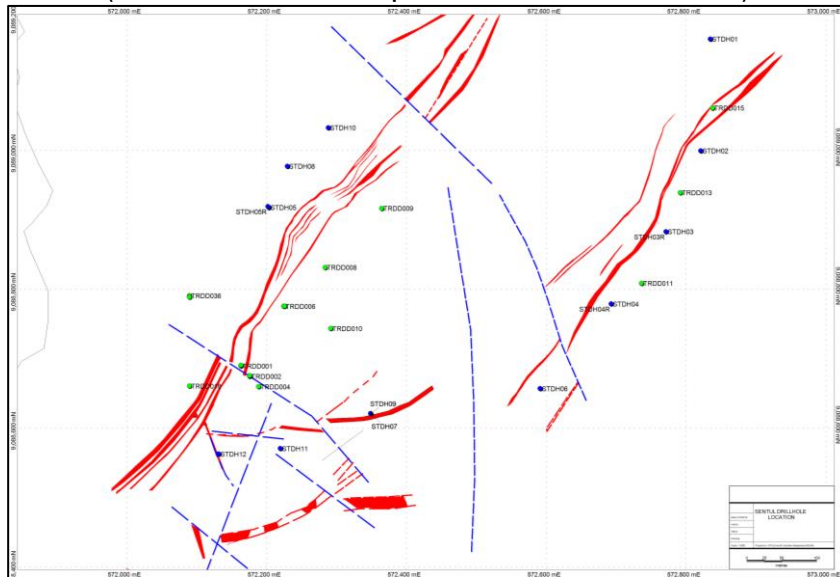


Figure 4: Sentul Prospect – Drillhole Location Plan
 (Note: The TRDD hole ID's are previous ARX holes drilled in 2010/11)

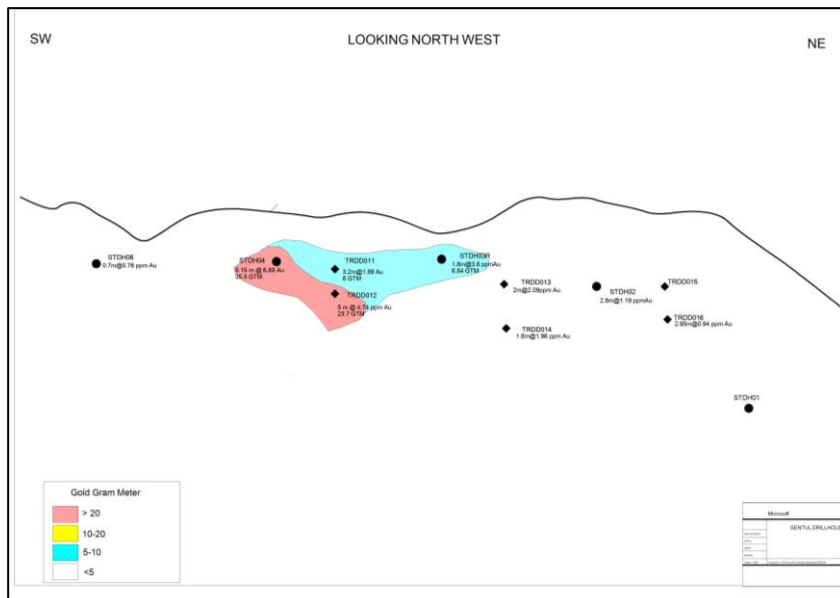


Figure 5: Sentul East Vein – Long Section Showing Gold Intercept Pierce-Points
 (Note: The TRDD hole ID's are previous ARX holes drilled in 2010/11)

AUSTRALIA

ARX operates a joint venture to explore for gold and base metals on the Mount Garnet Project located in northeast Queensland (See Figure 6).

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 13th April 2016 (see ARX Announcement dated 14 March 2016).



Figure 6. 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 km² 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 21st 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.

During the Quarter the Company held its Annual General Meeting where Shareholders approved the consolidation of the Company's share capital on a 500:1 basis. Shareholders approved the issuance of 128,425,000 shares (pre-consolidated or 256,850 shares post-consolidation) to Directors and Senior Management in lieu of salaries. The shares were issued as part of an arrangement designed to preserve the Company's cash resources. No cash remuneration was paid to Directors or senior management during the Quarter.

During the Quarter the Company raised \$347,546 by issuing 423,773 shares (post-consolidation) @ \$0.82 per share to investigate the acquisition of other assets in Australia. There are now 3,250,244 shares (post-consolidation) outstanding.

This report is dated 29 July 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 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 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. 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 (km²)	ARX Interest
Trenggalek	East Java, INDONESIA	Exploration IUP	299.7 km ²	95%
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 ²	100%

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

Project	Location	Tenement	ARX Interest	Comment
Junee	New South Wales, AUSTRALIA	EL 8152	100%	<i>Relinquished</i>