



Arc Exploration Limited  
ACN 002 678 640

Notice of General Meeting  
and Explanatory Statement

10.30 a.m.  
Friday 27 August 2010  
Suite 1502, Level 15, Tower B  
799 Pacific Highway, Chatswood NSW

# Notice of General Meeting

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NOTICE is given that a General Meeting of the Company will be held at Suite 1502, Level 15, Tower B, 799 Pacific Highway, Chatswood at 10.30 a.m. on Friday 27 August 2010.

## 1. Approval of Previous Issue of shares and options to Drilling Contractor

To consider, and if thought fit, to pass the following resolution:

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the issue of shares and options by the Company to Southo Investments Limited as set out in the Explanatory Statement annexed to and forming part of this Notice of Meeting, be approved”

The company will disregard any votes cast on Resolution 1 by:

- Southo Investments Limited; and
- an associate of any of that person.

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.

## 2. Approve Proposed Issue of shares and options – to Drilling Contractor

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

“That for the purpose of Listing Rule 7.1 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the proposed issue by the Company of the shares and options, to Southo Investments Limited as set out in the Explanatory Statement annexed to and forming part of this Notice of Meeting, be approved.”

The Company will disregard any votes cast on Resolution 2 by:

- Southo Investments Limited; and
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- an associate of that person (or those persons).

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.

Dated at Sydney, on the 21<sup>st</sup> day of July 2010

**By order of the Board**  
**Andrew J. Cooke**  
**Company Secretary**



## Proxies

- A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
- Where two proxies are appointed:
  - (i) a separate proxy Form, should be used to appoint each proxy;
  - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
- A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held eg “the Chair of the Meeting”.
- In the case of shareholders who are individuals, the Proxy Form must be signed:
  - (i) if the shares are held by one individual, by that shareholder;
  - (ii) if the shares are held in joint names, by any one of them.
- In the case of shareholders who are companies, the Proxy Form must be signed:
  - (i) if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form);
  - (ii) in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

- If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy form, must be received by the Company by the time and at the place specified below.
- A Proxy Form accompanies this notice. To be effective, your proxy must be received by the Company no later than 48 hours before the time for the holding of the meeting:
  - (i) by **facsimile** : on 02 9419 8099 (with Australia)  
or +61 2 9419 8099 (from outside of Australia) ;  
or
  - (ii) by **mail** :  
  
Arc Exploration Limited  
Suite 1502, Level 15, Tower B  
799 Pacific Highway  
Chatswood NSW 2067, Australia

## SHAREHOLDERS WHO ARE ENTITLED TO VOTE

In accordance with the *Corporations Act 2001 (Cth)*, the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of members as at 7.00pm on Wednesday 25 August 2010.

**ARC EXPLORATION LIMITED  
(ACN 002 678 640)**

## **EXPLANATORY STATEMENT**

### **IMPORTANT NOTICE**

This Explanatory Statement contains an explanation of, and information about, each of the resolutions to be considered at the General Meeting. It is given to Arc Exploration Limited's Shareholders to help them determine how to vote on the matters set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Statement in full, because individual Sections may not give a comprehensive review of the proposals contemplated in this Explanatory Statement. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

If you are in doubt about what to do in relation to the proposal, you should consult your financial or other professional adviser.

## **General information relating to Resolutions 1 and 2 relating to the issue of shares and options**

On 7 October 2009 the Company announced that it had entered into a strategic alliance with PT Maxidrill Indonesia ("Maxidrill") (a leading drilling contractor in Indonesia) to undertake a 5,000 metre diamond core drilling program at the Company's Trenggalek Project at its own cost in exchange for shares and options in the Company.

The total estimated value of the Drilling Agreement is up to US\$825,000 (approximately A\$1,000,000 at an exchange rate of 0.825).

The Company has in the past and, subject to ongoing shareholder approval, proposes in future to pay for these drilling services by the issue of fully paid ordinary shares and options on the same pricing and terms which applied in respect of the Placement and Rights Issue undertaken by the Company in October/November 2009 for the value of the contract as it is performed.

Drilling commenced in February of 2010 and is now nearing completion.

Payment for the drilling services has been and will continue to be made in accordance with the terms of a Share Payment Agreement which the Company, Maxidrill and Maxidrill Pte Ltd ("Maxidrill Singapore") entered into on 6 October 2009. The Company and Maxidrill have agreed that Maxidrill will receive payment for the services performed by it pursuant to the Drilling Agreement by the issue of shares and options to Southo Investments Limited ("Southo" - a company nominated by Maxidrill Singapore) at the same issue price applicable to the October/November 2009 Rights Issue, being \$0.018 cents per share with the options attaching (for no additional consideration) on the basis of 1 option for every 2 new shares subscribed for.

The options to be issued will have an exercise price of 3.6 cents per share exercisable on or before 31 January 2011. The options have the same terms as the Company's ARXOA which are listed on the Australian Securities Exchange. These terms are summarised in the Attachment to this Explanatory Statement.

The number of shares to be issued with respect to each invoice will be the Australian dollar equivalent of any invoice amount divided by \$0.018. The number of options shall be one for each two shares issued.

The Company obtained similar approval for the issue of shares and options for drilling services at its General Meeting held in December 2009. Due to timing issues in relation to the drilling services provided and the subsequent receipt of invoices for such services, no shares or options were issued pursuant to that particular shareholder approval which has now lapsed.

As foreshadowed in the meeting materials annexed to the notice of meeting for the General Meeting held in December 2009, shares and options have been issued to Southo under the Board's capacity to issue up to 15% pursuant to ASX Listing Rule 7.1 and will, subject to the shareholder approval now being sought, continue to be issued to Southo on an ongoing basis for work undertaken by Maxidrill.

The Company may, by written notice to Maxidrill, elect to effect the payment of any invoice to Maxidrill pursuant to the Drilling Agreement in cash, where the Company determines that Southo and its associates hold or would hold as a result of the issue of shares a relevant interest in more than 19.9% of the issued voting shares of the

Company. At this stage the Company does not envisage that payment in cash will be necessary.

The Company will apply to the ASX for quotation of all of the shares and options to be issued pursuant to Resolution 2.

## **Resolution 1. Approval of Previous Issue of Shares and Options**

The Company allotted and issued 24,244,427 fully paid ordinary shares at \$0.018 per share and 12,122,214 ARXOA Options for no additional consideration to Southo Investments Limited for drilling services as set out below:

<b>Date of Issue</b>	<b>Value of Drilling Work Undertaken and Invoiced</b>  <b>A\$</b>	<b>Number of Shares Allotted</b>	<b>Number of Options Issued</b>
28 May 2010	105,086	5,838,115	2,919,057
25 June 2010	155,977	8,665,414	4,332,707
16 July 2010	175,336	9,740,898	4,870,450
	436,399	24,244,427	12,122,214

ASX Listing Rule 7.1 limits the number of equity securities that a company may issue without member approval to 15% of the issued capital of the company in any 12 month period (subject to certain exceptions).

ASX Listing Rule 7.4 allows an issue of securities to be subsequently approved by shareholders and treated as having been made with approval of shareholders for the purpose of ASX Listing Rule 7.1. The Company is seeking subsequent shareholder approval for the issue of shares under ASX Listing Rule 7.4 to refresh the Company's capacity to issue up to 15% of its issued shares, if required, in the next 12 months without the need to obtain shareholder approval.

All of the shares being the subject of this resolution are ordinary fully paid shares which rank equally with all of the Company's existing ordinary fully paid up shares and are quoted on the ASX.

All of the options being the subject of this resolution rank equally with all of the Company's existing ARXOA options which have an exercise price of 3.6 cents and an expiry date of 31 January 2011 and are also quoted on the ASX. The terms are summarised in the Attachment to this Explanatory Statement.

There were no funds raised from the issue of the shares and options as they were issued in satisfaction of payment obligations under the Drilling Contract and in accordance with the Share Payment Agreement.

In the event that the options are exercised the funds raised will be applied to the Company's exploration activities in Indonesia, in particular to mapping, soil sampling, trenching, targeting of drill hole locations and drilling at the Trenggalek and Bima projects. In addition the funds may be applied to generative work to identify new exploration prospects in Indonesia and for working capital purposes.

## **Resolution 2. Approve Proposed Issue of shares and options – Drilling Contractor**

ASX Listing Rule 7.1 limits the number of equity securities that a company may issue without member approval to 15% of the issued capital of the company in any 12 month period (subject to certain exceptions, including where prior shareholder approval is obtained).

If the issue of the securities has the prior approval of the shareholders in accordance with the proposed resolution, the issue will not be included in the 15% limit on the Company to raise funds without shareholder approval.

The Company is seeking shareholder approval of the shares and options to be issued to Maxidrill Singapore under ASX Listing Rule 7.1 so that such number of securities as may be issued within three months of the date of the General Meeting will not be included in the 15% calculation set out in ASX Listing Rule 7.1. Any further shares and options that may be issued to Southo after 27 November 2010 pursuant to the Share Payment Agreement will be issued by the Company either within the Company's 15% capacity in accordance with ASX Listing Rule 7.1. or with further shareholder approval.

For the purposes of this resolution and the approval sought pursuant to ASX Listing Rule 7.1 only, the maximum number of securities to be issued to Southo will be 31,000,000 shares (with 15,500,000 attaching options) assuming the following:

1. The maximum amount that may be invoiced for drilling services provided during this period is not expected to exceed US\$460,000;
2. An exchange rate to the US\$ of 0.825

The shares and options will be issued at prices of \$0.018 and no additional consideration respectively.

There will be no funds raised from the issue of the shares and options as they will be issued in or toward satisfaction of payment obligations under the Drilling Agreement and in accordance with the Share Payment Agreement.

In the event that the options are exercised the funds raised will be applied to the Company's exploration activities in Indonesia, in particular to mapping, soil sampling, trenching, targeting of drill hole locations and drilling at the Trenggalek and Bima projects. In addition the funds may be applied to generative work to identify new exploration prospects in Indonesia and for working capital purposes.

The shares and options will be issued and allotted on dates determined by the board of the Company to occur progressively within three months of the date of the meeting.

All of the shares being the subject of this resolution are ordinary fully paid shares which rank equally with all of the Company's existing ordinary fully paid up shares and are quoted on the ASX.

All of the Options being the subject of this resolution will rank equally with all of the Company's existing ARX0A options which have an exercise price of 3.6 cents and an expiry date of 31 January 2011 and will also be quoted in the ASX. The terms of the Options are summarised in the Attachment to this Explanatory Statement.

**ATTACHMENT****TERMS OF NEW OPTIONS**

- (a) Each New Option entitles the holder the right to subscribe for 1 Share in the capital of the Company for \$0.036.
- (b) Each New Option which has not been exercised will expire at 5.00pm (Sydney time) on 31 January 2011 ("**Option Expiry Date**"). Each New Option may be exercised at any time prior to the Option Expiry Date and New Options not so exercised shall automatically expire on such date.
- (c) Each Share issued as a result of the exercise of any New Option will, subject to the Constitution of the Company, rank equally in all respects with the then existing Shares on issue.
- (d) No New Optionholder will be entitled to attend or vote any meeting of the members of the Company unless they are, in addition to being a New Optionholder, a Shareholder of the Company.
- (e) New Options are transferable.
- (f) A New Option may only be exercised by the New Optionholder by lodging an exercise notice with the Company. The exercise of some New Options shall not affect the New Optionholder's right to exercise the other New Options at a later time.
- (g) The Company will, as soon as practicable after the New Optionholder validly exercises any New Options, and in accordance with the Corporations Act and the Listing Rules, allot the number of Shares in the Company so subscribed for by the New Option holder.
- (h) A New Optionholder shall have no rights to dividends in respect of the New Options and shall have no interest in the Shares the subject of the New Options unless and until those New Options are exercised and the Shares issued.
- (i) If the Company reorganises its capital in any way while any new Options are on issue, the number of New Options will be reorganised in accordance with the Listing Rules so that the new Optionholder will not receive a benefit that the existing holders of the Shares do not receive and in addition will be changed to the extent necessary to comply with the Listing Rules applicable to the particular reorganisation of capital at the time.
- (j) There are no participating rights or entitlements inherent in the New Options to participate in any new issues of capital which may be offered or made by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the New Options are exercised.
- (k) There are no rights to change the number of underlying Shares of the New Options if there is a pro-rata issue or a bonus issue to the existing Shareholders in the Company.



**Shareholder – please complete**

\_\_\_\_\_ (full name of shareholder – please print)

\_\_\_\_\_ (address)

**Please post to:**  
 ARC Exploration Limited  
 Suite 1502, Level 15, Tower B  
 799 Pacific Highway  
 CHATSWOOD NSW 2067

**or Fax:** (02) 9419 8099  
 Enquiries: (02) 9419 8044

**Appointment of Proxy**

I/We being a member/s of Arc Exploration Limited and entitled to attend and vote hereby appoint

the Chair of the Meeting (mark with an "X")

**OR**

Write here the name of the person you are appointing if this person is **someone other than the Chair of the Meeting.**

or failing the person named, or if no person is named, the Chair of the Meeting, as my/our Proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as my /our Proxy sees fit) at the General Meeting of Arc Exploration Limited to be held on Friday 27 August 2010 at 10.30 am at Suite 1502, Level 15, Tower B, 799 Pacific Highway, Chatswood NSW and at any adjournment of that Meeting.

The Chair of the Meeting intends to vote undirected Proxies in favour of all resolutions

**Voting directions to your Proxy – please mark  to indicate your directions**

Resolution	For	Against	Abstain *	Resolution	For	Against	Abstain *
1. Approve Previous Issue of Shares and Options to Drilling Contractor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. Approve Proposed Issue of Share and Options to Drilling Contractor	<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 on that item and your votes will not be counted in computing the required majority on a poll on that item.

**SIGNATURE/S – this form must be signed below where indicated**

This section *must* be signed in accordance with the instructions under "Voting by Proxy" at the end of the Notice of General Meeting.

**Individual or Company with Sole Director**

Sole director and

**Shareholder 2 / Company**

Director

**Shareholder 3 / Company**

Director/Company Secretary

\_\_\_\_\_ Contact name

\_\_\_\_\_ Contact Daytime Telephone

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_ Date