



ARCEXPLORATION

Arc Exploration Limited
ACN 002 678 640

Notice of Annual General Meeting and Explanatory Statement

Annual General Meeting

NOTICE is given that the Annual General Meeting of the Company will be held at Mantra Chatswood, 10 Brown St, Chatswood NSW Australia at 9.00am on Thursday, 24 May 2012.

2011 Annual Report:

http://www.arcexploration.com.au/IRM/content/newsreports_annual.html

Notice of Annual General Meeting

ORDINARY BUSINESS

1. Receipt of the Financial Report for the year ended 31 December 2011

Receipt of the Company's Financial Report and the Directors' Report and the Auditor's Report for the year ended 31 December 2011.

2. Remuneration Report

To consider and, if thought fit, pass the following Resolution:

"That the Remuneration Report in the Company's Annual Report be adopted."

The Company will disregard any votes cast on Resolution 2:

- by or on behalf of a member of the Key Management Personnel (KMP) (as defined in section 9 of the Corporations Act 2001 (Cth)) details of whose remuneration are included in the Remuneration Report;
- by or on behalf of a closely related party (as defined in section 9 of the Corporations Act 2001 (Cth) such as close family members and any controlled companies) of a member of the KMP; or
- as a proxy by a member of the KMP or a KMP's closely related party,

unless the vote is cast as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form.

Important Notice for Resolution 2: If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and does not specify how the Chairman is to vote on Resolution 2, the Chairman will vote, as proxy for that shareholder, in favour of Resolution 2.

3. Re-elect Mr Bruce Watson as a Director of the Company

To elect Mr Bruce Watson as a Director of the Company, who retires in accordance with the Constitution of the Company, and being eligible, offers himself for re-election.

4. Approval of Previous Issue of Shares – Allotment to Lenders on or about 31 March 2012

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 80,743,275 Shares by the Company to the parties as specified in Section 4 of the Explanatory Memorandum annexed to and forming part of this Notice of Meeting, be approved."

The company will disregard any votes cast on Resolution 4 by:

- any of the shareholders identified in Resolution 4; and
- an associate of any of 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.

5. Approve Proposed Issue of Shares – to Mr John Carlile (in his capacity as a Lender)

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

"That, for the purposes of Chapter 2E of the Corporations Act 2001 and Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange and all other purposes, the Company be authorised to issue to **Mr John Carlile** a total of ten million seven hundred and sixty five thousand seven hundred and forty six (10,765,746) fully paid ordinary Shares in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting."

The company will disregard any votes cast on Resolution 5 by Mr John Carlile and any of his associates.

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.

Under section 224 of the Corporations Act 2001, a related party and its associates are not permitted to vote on a proposed resolution which confers a financial benefit upon them. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specified how the proxy is to vote on the proposed resolution and it is not cast on behalf of the related party or its associates. For the purposes of the Corporations Act 2001 and Listing Rule 10.11, Mr John Carlile is a related party of the Company.

Dated at Sydney, on the 12th day of April 2012



By order of the Board
Andrew J. Cooke
Company Secretary

2011 Annual Report:

The 2011 Annual Report is available on the Company's Website:

www.arcexploration.com.au and http://www.arcexploration.com.au/IRM/content/newsreports_annual.html

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 e.g. "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 1 800 783 447 (with Australia) or +61 3 9473 2555 (from outside of Australia); or
 - (ii) by **mail**:
Computershare Investor Services
GPO Box 242 Melbourne
Victoria 3001 Australia; or
 - (iii) **Lodge your vote Online**: www.investorvote.com.au using the Control Number and your SRN/HIN which are provided on the front side of your Proxy Form.

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 22 May 2012.

Explanatory Statement

1. Financial Report – Year ended 31 December 2011

The Corporations Act requires the Financial Report (which includes the financial statements and the directors' declaration), the Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Financial Report.

2. Resolution 2 – Remuneration Report

The Directors' Report for the year ended 31 December 2011 contains a Remuneration Report which sets out the policy on remuneration of the directors of the Company and specified executives on the Company.

The Corporations Act requires that a resolution be put to the vote that the Remuneration Report be adopted. The Corporations Act expressly provides that the vote is advisory and does not bind the directors of the Company. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

3. Resolution 3 – Election of Mr Bruce Watson as a Director

Mr Bruce J. Watson – Mr Watson is the Managing Director of Cubic Corporate Advisory Pty. Limited and was previously Head, Corporate Advisory & Equities at Westpac Institutional Bank and prior to that a founding director of Grant Samuel & Associates Pty. Limited. Mr Watson has a diverse and comprehensive background across the Australian banking and investment community and a high level of technical capability within the core areas of legal and financial structuring. Mr Watson was also formerly a director of Arc Exploration Limited from 1998 until April 2001.

Mr Watson was appointed as a Director of the Company on 3 April 2005 and as Non-Executive Chairman on 23 June 2005. Mr Watson is also a member of the Audit Committee. He holds degrees in Commerce and Law.

General Information Relating to each of Resolutions 4 & 5

The Company has or proposes to issue ordinary Shares in the capital of the Company to each of Aclare Investments Limited, Hermani Soeprapto and Mr John Carlile (Lenders) as part repayment of loans owing by the Company to the Lenders. Each of Aclare Investments Limited and Hermani Soeprapto are not related parties of the Company. John Carlile is the Managing Director of the Company and accordingly is a related party of the Company.

Terms of, and background to, the Loans

The Company borrowed funds in January 2007 pursuant to separate Loan Agreements with each of the Lenders. At that time the Company was seeking to raise substantial funding for the development of the Cibaliung Gold Project in West Java but did not have commitments from any other funding source to provide ongoing working capital necessary for the Company to meet its then current and future commitments. The Lenders originally advanced US\$4,250,000. The loans were initially described as 'bridging loans' and were intended to be repaid in cash by 31 May 2007. These funds were provided by the Lenders at a crucial and difficult point in time for the Company. The loans were made circumstances for the Company where no other source of funding was available.

The Company was not in a position to repay the Loans in May 2007 and they were extended at the Company's request. The loan terms were subsequently amended and restated pursuant to Conversion Deeds between the Company and each Lender dated 13 November 2007, further amended pursuant to Deeds made on or about 30 September 2008 and again further amended pursuant to Deeds made on or about 8 April 2010 (**Loan Agreements**). The amendments provided for the amount to be repaid in cash by the Company to be reduced in return for Shares for the amount capitalised. This was considered by the Company to be a concession on the part of the Lenders who had an entitlement to cash repayment on the due date, and again at a time when the Company might have had difficulty in funding it. The discount at which new Shares were to be allotted was the result of extensive negotiations at the time with the arms length Lenders (which excluded John Carlile) on the basis that all Lenders would be treated equally.

The Loans have been extended on three occasions to the Company's benefit and at the Company's request. The reality of the situation at the time of the Loans being made and varied or extended has been that market conditions were such that alternate methods of funding or refinancing were not available.

The Company acknowledges the contribution made by the Lenders in making the Loans at what was then a difficult point in the Company's history and their forbearance over time in agreeing on multiple occasions to deferred repayment and repayment partially in a format they do not prefer.

The Loan Agreements provide for interest on any outstanding balance at the rate of 5% payable quarterly in arrears. All interest payments have been made as and when they have fallen due.

Under the Loan Agreements, the Company repaid the final outstanding balance of the Loans (with the exception of Shares to be issued to Mr John Carlile) on or about 31 March 2012.

In accordance with the Loan terms this repayment was paid half in cash and half in Shares. The number of Shares issued to each Lender was calculated as 75% of the volume weighted average price of the Company's ordinary Shares as traded on the Australian Securities Exchange over the 30 trading days prior to the repayment date (being 0.68 cents), divided into the relevant repayment amount. Resolution 4 deals with approval (for the purposes of ASX Listing Rule 7.4) of the issue of Shares to each of Aclare Investments Limited and Hermani Soeprapto made on 31 March 2012. The purpose of the resolution is to refresh the Company's 15% capacity under ASX Listing Rule 7.1.

No shares were issued to John Carlile on 31 March 2012 as the issue of shares to him requires shareholder approval as he is a Director of the Company (refer Resolution 5).

The amounts repaid/to be repaid to each Lender pursuant the Loan Agreements are set out below:

Loan Repayment – 31 March 2012		
Lender	Cash	Shares
Aclare Investments Limited	US\$456,901	64,594,620
Hermani Soeprapto	US\$114,225	16,148,655
Mr John Carlile*	US\$76,150	10,765,746*
TOTAL	US\$647,276	91,509,021

* These Shares have not been issued to date and are the subject of Resolution 5.

Assuming that Resolution 5 is approved, the Company will be debt free following the full repayment of these loans.

4. Resolution 4 – Approval of Previous Issue of Shares as part Loan Repayment

As indicated above, the Company allotted and issued 80,743,275 fully paid ordinary Shares at 0.68 cents each on or about 31 March 2012 in respect of the repayment of loans due on that date. The Shares were issued as set out below:

Party to whom Shares have been Issued @ 0.68 cents on 31 March 2012	Number Shares Issued
Aclare Investments Limited	64,594,620
Hermani Soeprapto	16,148,655
TOTAL	80,743,275

No cash funds were raised by the issue of the Shares referred to in this Resolution 4 however liability has been extinguished.

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.

5. Approve Proposed Issue of Shares – to Mr John Carlile (Managing Director) as part repayment of Loan (in his capacity as a Lender)

Subject to the approval of Resolution 5, the Company proposes to issue 10,765,746 fully paid ordinary Shares at 0.68 cents to John Carlile in respect of the scheduled loan repayment that was due to him on 31 March 2012 as outlined above.

These Shares were due to be issued on 31 March 2012 as part of the scheduled loan repayment due to him on that date however, with the consent of John Carlile, the Company has deferred issuing these Shares pending the approval of shareholders at this meeting.

No cash funds will be raised by the issue of these shares but a liability will be extinguished.

Directors' Interests and Recommendations

John Carlile has an interest in the outcome of the resolution by reason of the benefit and therefore declines to make a recommendation to shareholders in relation to that resolution.

Your Directors (other than John Carlile) recommend that members vote in favour of Resolution 5. There is no other alternative but to comply with the Company's contractual obligations under the Loan Agreement with John Carlile by issuing the Shares to John Carlile. A failure to issue the Shares will constitute a breach of the Company's contractual obligations and could result in a claim for damages from John Carlile.

Valuation of the financial benefit

If Resolution 5 is approved the Company will issue 10,765,746 fully paid ordinary Shares at 0.68 cents to John Carlile.

As at the date of finalising this Notice of Meeting (6 April 2012) the ordinary Shares in the Company last traded on the ASX at 0.8 cents.

Accordingly the financial benefit to John Carlile at this date was \$12,919.

In this regard it should be recognised that the Bridging Loan was originally to have been repaid in May 2007 and that these funds were provided by John Carlile (along with the other Lenders) at a crucial and difficult point in time for the Company. The Loans were made on short notice and in circumstances for the Company where no other source of funding was available. The original Loan was renegotiated and extended on three occasions at the Company's request and for the Company's benefit. On each occasion the renegotiated terms were considered by the Company to be a concession on the part of John Carlile and the Lenders who were otherwise entitled to cash repayment on the due date, and at times when the Company might have had difficulty in funding such repayment.

The discount at which the Shares are to be allotted to John Carlile was the result of extensive negotiations at the time when the Loans were last renegotiated with the arms length Lenders (which excluded John Carlile) on the basis that all Lenders would be treated equally. The reality of the situation at the time of the Loans being made, varied or extended has been that market conditions were such that alternate methods of funding or refinancing were not available to the Company. Had they been, they would have been utilised.

John Carlile currently holds 19,679,593 Shares in the capital of the Company. At the time of finalising this Notice of Meeting the Company has 905,768,051 fully paid ordinary Shares on issue. If Resolution 5 is approved a further 10,765,746 fully paid ordinary Shares will be issued increasing the issued capital to 916,533,797 Shares. The issue of these Shares to John Carlile dilutes existing shareholders by 1.17%. and by a slightly lesser percentage if outstanding options to subscribe for unissued Shares were exercised.

ASX Listing Rules

ASX Listing Rule 10.11 provides that a Company must not issue or agree to issue equity securities to a related party of the Company, such as a person who is a director of the Company, without the Company first obtaining the approval by ordinary resolution of its shareholders.

The Company is seeking the approval of shareholders under ASX Listing Rule 10.11 to allow the Company to issue Shares to Mr John Carlile. If shareholders approve the issue of the Shares under ASX Listing Rule 10.11 approval is not required under ASX Listing Rule 7.1 so that the Shares would not be taken into account in determining whether a future Share issue will result in the 15% cap imposed by Listing Rule 7.1 being exceeded.

Any Shares issued pursuant to Resolution 5 to Mr John Carlile will be issued within one month of the date of the passage of this resolution.

000001 000 ARX
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 9:00am (Sydney time) Tuesday 22 May 2012**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of ARC Exploration Limited hereby appoint



the Chairman
of the Meeting

OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman 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 the proxy sees fit) at the Annual General Meeting of ARC Exploration Limited to be held at Mantra Chatswood, 10 Brown Street, Chatswood NSW on Thursday, 24 May 2012 at 9.00am (Sydney time) and at any adjournment of that meeting.

Important for Item 2 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

Important for Item 2 - If you do not mark any of the boxes in step 2 below on Item 2 you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions as set out below and in the Notice of Meeting even though Item 2 is connected directly or indirectly with the remuneration of a member of key management personnel. Please note you can direct the Chairman of the Meeting to vote for, against or abstain from voting on Item 2 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
Item 2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-elect Mr Bruce Watson as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval of Previous Issue of Shares - Allotment to Lenders on or about 31 March 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approve Proposed Issue of shares - to Mr John Carlile (in his capacity as a Lender)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date

/ /

/

/

ARX

999999A

Computershare +