

June 2017 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.

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INDONESIA

Trenggalek Project, East Java

- PT Danusa Tambang Nusantara continues to manage and fund exploration work at Trenggalek.
- Mapping conducted at Jerambah Prospect.
- Stage 2 Exploration work program commenced with emphasis on community and local government consultation.

AUSTRALIA

Mount Garnet Project, Queensland

- The Company decided to withdraw from this Joint Venture during this quarter.

CORPORATE

- The Company is focused on identifying and evaluating new opportunities in the resources sector which have the potential to create shareholder value.

INDONESIA

ARX is exploring for gold and base metal deposits along Indonesia's highly prospective magmatic arcs and associated geological terranes (See 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 (See Figure 1). 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* (*Tujuh Bukit*) 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, PT Sumber Mineral Nusantara ("SMN"). The tenement, covering an area of 29,969 ha or about 300 km², is valid until November 2018.

Since November 2015 PT Danusa Tambang Nusantara (Danusa), a subsidiary of one of the largest contract miners in Indonesia, has been managing and funding exploration work at Trenggalek. In early 2017 Danusa agreed to continue with Stage 2 Exploration with a budget of US\$ 1 million.

Jerambah Prospect

There has been only one hole drilled previously at the Jerambah Prospect (Figure 2) which intersected extensive hydrothermal alteration and disseminated pyrite with traces of base metal mineralisation in a prospective rock package (see ARX announcement 12 December 2013). Subsequent petrological studies on selected core samples confirmed the presence of porphyry-associated alteration mineral assemblages, fragments of porphyry-style quartz veins, anhydrite veining, traces of disseminated chalcopryrite and molybdenite mineralisation and narrow structurally controlled zones of high-sulphidation epithermal mineralisation overprints. These petrological results are interpreted that the hole was drilled in a peripheral position to a potential mineralised porphyry system (see ARX announcement of 9 April 2014).

Further large grid-based soil sampling programmed shows a new cluster of overlapping spotty copper-gold-molybdenum anomalies north of Jerambah Prospect thus highlighting the untested potential of this prospect (see ARX announcement of 9 April 2014).

During this quarter further mapping and consultation with the community was conducted with the aim to conduct Induced Polarisation and additional soil sampling at Jerambah. The soil sampling and Induced Polarisation survey combined with reinterpretation of the aeromagnetic survey will be used to create drill targets to test the potential of this prospect.

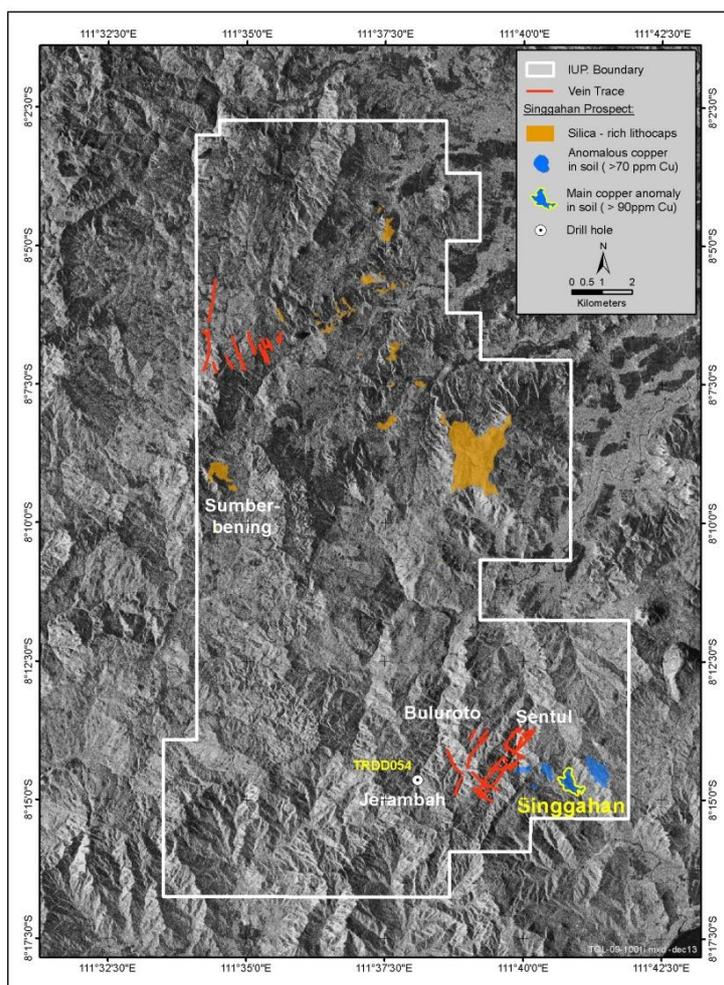


Figure 2. Trenggalek Exploration IUP

Singgahan Prospect

Previous mapping, petrological studies and drilling at the Singgahan Prospect (Figure 2) identified the occurrence of porphyry style copper mineralisation. A Ground Magnetic survey consisting of 25.5 line km covering an area 1.5km x 1.6km was completed during the December 2016 quarter. Further geological mapping and soil sampling was undertaken earlier in 2017. These results combined with existing aeromagnetic data and detailed geological mapping will be used to define drill targets at Singgahan for the next phase of exploration to be undertaken at Trenggalek by Danusa after consultation with the local community.

Exploration expenditure at Trenggalek by Danusa for the quarter totalled US\$ 50,739.

AUSTRALIA

During the quarter the Company decided to withdraw from the Joint Venture with Snowmist Pty Ltd at Mt Garnet in Queensland.

For further information please contact:

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Competent Person Statement

The information in this report that relates to the following were created and reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves:

- The exploration results in this report that relate to the Trenggalek Project is extracted from the following reports:
 - First Hole Completed on Porphyry Target at Trenggalek, Indonesia created and released to the ASX on 12 December 2013;
 - Update on Trenggalek Exploration Activities created and released to the ASX on 9 April 2014.

The reports referred to above are 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 these original market announcements. 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 announcements.

Table 3. Details of Tenements & ARX Interest

Project	Location	Tenement	Area (km ²)	ARX Interest
Trenggalek	East Java, INDONESIA	Exploration IUP	299.7 km ²	95% (farming out up to 80%)

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

Project	Location	Tenement	ARX Interest	Comment
Mount Garnet	Queensland, AUSTRALIA	ML 4363	100%	Notice to Terminate Farm-In given
		ML 20018		Notice to Terminate Farm-In given
		ML 4390		Notice to Terminate Farm-In given
		EPM 25343		To be assigned to Snowmist Pty Ltd.