

**CLEANSING NOTICE – NON-RENOUNCEABLE ENTITLEMENT OFFER**

This notice is given by Arc Exploration Limited (ASX code: ARX) (**Arc Exploration**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Act**). Arc Exploration confirms that the non-renounceable pro rata entitlement offer announced on 9 November 2017 (**Entitlement Offer**) is being made without a disclosure document under section 708AA of the Act, as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (**Instrument**).

In accordance with section 708AA(2)(f) of the Act, Arc Exploration confirms that:

1. Arc Exploration will offer new shares pursuant to the Entitlement Offer for issue to investors without disclosure under Part 6D.2 of the Act.
2. Arc Exploration is giving this notice under section 708AA(2)(f) of the Act, as modified by the Instrument.
3. As at the date of this notice, Arc Exploration has complied with:
  - a) the provisions of Chapter 2M of the Act as they apply to Arc Exploration; and
  - b) section 674 of the Act.
4. As at the date of this notice, Arc Exploration confirms that it has no excluded information (as that term is defined in section 708AA(8) and 708AA(9) of the Act) which it is required to disclose under section 708AA(7)(d) of the Act.
5. The potential effect that the issue of the new shares offered under the Entitlement Offer (**New Shares**) will have on the control of Arc Exploration, and the consequences of that effect is summarised below, but will depend on a number of factors and in particular the demand for New Shares by shareholders:
  - (a) If all shareholders are eligible shareholders and take up their entitlements under the offer then the Entitlement Offer will have no effect on the control of Arc Exploration.
  - (b) If not all shareholders are eligible shareholders or do not take up their full entitlements, the shortfall (**Shortfall Shares**) will be allocated:
    - (i) to eligible shareholders who subscribe for additional New Shares; and
    - (ii) to parties selected by Arc Exploration in consultation with Taylor Collison Limited (as lead manager) (**Lead Manager**).

The effect the placement of the shortfall may have on control will depend entirely on any additional subscriptions by shareholders and the allocations made by the Company and the Lead Manager.

- (c) If some shareholders do not take up their entitlements (whether because they are ineligible shareholders or otherwise), their shareholding in Arc Exploration will be diluted. The shareholding of shareholders who only take up part of their entitlement will also be diluted, but to a lesser extent.

- (d) The below table details the substantial (those holding more than 5% of the issued shares in Arc Exploration) shareholders (**Substantial Shareholders**) of Arc Exploration as at the date of this notice, and as at the date of completion of the Entitlement Offer.

Shareholder	Shares Held as at the date of the Entitlement Offer	Voting power as at the date of the Entitlement Offer	Entitlement (Shares)	Shares held post Completion of the Entitlement Offer*	Voting power post Completion of the Entitlement Offer**
Treasure Key Investments Ltd	277,000	6.59%	Not Eligible	277,000	4.40%
Octifil Pty Ltd	223,892	5.33%	111,946	335,838	5.33%
Dr Jeffrey Francis A Malaihollo	220,212	5.24%	110,106	330,318	5.24%

\* Assumes each of the Substantial Shareholders takes up its full Entitlement (if an Eligible Shareholder), but does not receive any additional Shortfall Shares.

\*\* Assumes that the Entitlement Offer is fully subscribed and that none of the Options on issue in Arc Exploration are exercised before the Record Date (or completion of the Entitlement Offer).

If any of the Substantial Shareholders elect not to take up their Entitlement, or takes up only part of their Entitlement, then its shareholding will be diluted.

Arc Exploration considers it highly unlikely that any Shareholder will increase its shareholding in the Company to 20% or more.

6. The consequences of the potential effect on control of Arc Exploration referred to in paragraph 5(d) above will be no increase in their interest in the issued share capital of Arc Exploration. Given it is unlikely any party will have an interest in 20% or more of the issued shares in Arc Exploration post completion of the Entitlement Offer, the Board considers it highly unlikely that any shareholder will therefore control Arc Exploration within the meaning of section 50AA(1) of the Act. Furthermore, the Board and the Lead Manager will ensure that no person will be issued, through receiving Shortfall Shares, New Shares if such issue will result in their voting power in Arc Exploration exceeding 19.99%.

Yours faithfully



**Andrew J. Cooke**  
Non-Executive Director  
Company Secretary