

FIRST HOLE COMPLETED ON PORPHYRY TARGET AT TRENGGALEK, INDONESIA

Highlights:

- Drill hole (TRDD054) completed on the Jerambah Prospect to a final depth of 1,022m.
- Intersected extensive hydrothermal alteration and pyrite mineralisation with traces of base metal mineralisation in a prospective rock package.
- Evidence suggests we are on the margins of an anticipated copper-gold system.
- Soil sampling and spectral analyses are in progress to refine drill targets.

Arc Exploration Limited (ASX Code: ARX) is pleased to announce that it has completed the first drill hole with its joint venture partner, Anglo American, on the Trenggalek Project located in East Java, Indonesia.

Managing Director, Dr Jeffrey Malaihollo, commented:

"This is the first drill hole in a programme to test the Jerambah porphyry target identified at Trenggalek with our joint venture partner, Anglo American. Jerambah is one of several new targets on the exploration tenement.

The results from the hole confirm the presence of a large alteration system with traces of base metal mineralisation in a rock package that we believe is similar to that hosting the Tumpangpitu (Tujuh Bukit) porphyry copper-gold deposit further to the east.

The Jerambah prospect is large and needs more work to confirm the presence of a porphyry system. We are in the process of completing soil sampling and spectral analyses to help plan the forward program and will report on the progress of this work in the coming weeks."

The hole tested a combined geological and geophysics target identified at Jerambah Prospect on the southern side of the Exploration IUP tenement. The target is an extensive 2km by 1.5km silica-clay-pyrite alteration zone centred on igneous intrusions mapped at surface. This coincides with discrete magnetic anomalies extending from a deeper seated stock-like body that were modelled from a 3D magnetics-inversion analysis of the airborne magnetics data.

TRDD054 was an inclined diamond hole completed at a final depth of 1022.3 metres. It intersected a +800-m thick package of propylitic, argillic/intermediate argillic, and advanced argillic-altered diatreme breccias, diorite, quartz diorite, andesite porphyry and quartz-feldspar porphyry, bedded volcanoclastic and calcareous sedimentary rocks (see Table 1). These rock types and multiple overlapping alteration assemblages identified within them may be indicative of a porphyry-related system.

Disseminated pyrite mineralisation (<1-5%) occurs throughout the hole with locally traces of base metal sulphides. This is reflected by the final assay results, which returned a few narrow (<2m wide) intercepts of up to 0.1% copper, 0.1 g/t gold, 12 g/t silver and 88 ppm molybdenum (see Table 2). Some broader intervals of low-level molybdenum anomalism were returned, including 36-m at 6 ppm molybdenum.

The hole is interpreted to have intersected the weaker mineralised margins of a potential copper-gold system. Soil sampling and spectral analyses over a large area that includes the Jerambah target are in progress and the results of these are awaited to help plan the forward drilling program.

About Trenggalek

The Company has two Indonesian projects. **Trenggalek, in East Java, the subject of this announcement**, and a Strategic Alliance with Anglo American in Papua.

The Trenggalek Project is an Exploration IUP tenement covering about 300 km² located in the same arc segment that hosts the giant Tumpangpitu porphyry gold-copper deposit in the Southern Mountains of East Java. The project has excellent infrastructure with a network of sealed to graded roads traversing almost all of the tenement area.

In December 2012, ARX announced that Anglo American had elected to enter into an agreement with ARX and SMN to farm into the Trenggalek Project. Details of this agreement were presented in the December 2012 quarterly report. Formal legal documentation in support of the Joint Venture between ARX and Anglo American was signed on 22 August 2013. Exploration activities at Trenggalek are currently managed by ARX but fully funded by Anglo American.

For further information please contact:

Dr Jeff Malaihollo

Managing Director

Tel: + 62 21 531 60118

Email: jeffmalaihollo@arx.net.au

Andrew J. Cooke

Company Secretary

Tel: + 61 2 8076 6004

Email: andrewcooke@arx.net.au

Or visit the website: www.arcexploration.com.au

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 undertaking 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.

Figure 1. Location of the Trenggalek Project in Indonesia
Figure 2. Location of Jerambah Prospect in Trenggalek Exploration IUP

Figure 3. Jerambah Prospect – General Geology, Terraspec Results & Drillhole Location

Table 1. Drill-hole Geology Summary

| Hole ID | From (m) | To (m) | Interval (m) | Geology |
|---------|----------|--------|---|---|
| TRDD054 | 0.0 | 23.2 | 23.2 | Saprolitic bedrock |
| | 23.2 | 191.0 | 167.7 | Propylitised andesite flow-breccia & andesite porphyry (1-2% pyrite & traces of molybdenite) |
| | 191.0 | 412.2 | 221.1 | Silicified hydrothermal/diatreme breccia with polymictic fragments of propylitic-argillic & localised advanced argillic altered diorite, quartz diorite, andesite porphyry & volcanoclastic rocks (2-5% pyrite) |
| | 412.2 | 487.0 | 74.8 | Partly silicified, brecciated limestone/calcareous mudstone (tr-5% pyrite & traces of chalcopyrite & molybdenite) |
| | 487.0 | 568.0 | 81.0 | Intermediate argillic altered, quartz-feldspar porphyry (<1% pyrite) |
| | 568.0 | 594.0 | 26.0 | Partly silicified, brecciated limestone/calcareous mudstone (tr-5% pyrite & traces of chalcopyrite & molybdenite) |
| 594.0 | 900.0 | 306.0 | Silicified hydrothermal/diatreme breccia with polymictic fragments of propylitic-argillic & localised advanced argillic altered quartz-feldspar porphyry, quartz diorite, diorite, volcanoclastic & calcareous rocks (<1-5% pyrite) | |

900.0 1022.3 122.3 Partly silicified-brecciated, propylitic-argillic altered volcanoclastic rocks intruded by medium-grained diorite porphyry (1-3% pyrite)

Table 2. Significant Mineralised Intercepts

| Hole ID | From (m) | To (m) | Interval (m) | Gold (g/t) | Silver (g/t) | Copper (ppm) | Molybdenum (ppm) |
|---------|----------|--------|--------------|------------|--------------|--------------|------------------|
| TRDD054 | 82.2 | 84.0 | 1.8 | 0.01 | 0.8 | 23 | 88 |
| | 459.0 | 461.0 | 2.0 | 0.05 | 12.3 | 1040 | 12 |
| | 735.0 | 736.8 | 1.8 | 0.1 | <1 | 39 | 1 |
| | 440.2 | 477.0 | 36.8 | | | | 7 |

Gold by 50g Fire Assay with AAS Finish
Silver, copper, molybdenum by 4 acid-digest ICP-AES Finish