

**TWO BASE METAL TARGETS IDENTIFIED
AT THE MOUNT GARNET PROJECT, NORTHEAST QUEENSLAND, AUSTRALIA**

Highlights:

- Anomalous base metal geochemistry highlighted in soil samples taken over two potential zinc targets
- Similarities with historic soil results reported from the nearby Mount Garnet high-grade zinc skarn deposit
- Additional ground work in progress, including mapping and rock chip sampling to better define the anomalies.

Arc Exploration Limited (ASX Code: ARX) is pleased to announce the results of a soil geochemical survey recently completed on the Mount Garnet Project in Northeast Queensland, Australia (Figure 1).

Managing Director, Dr. Jeff Malaihollo, commented:

"We are highly encouraged by the anomalous base metal results recently returned from soil sampling completed at the Triple Crown South and Stockies prospects at the Mount Garnet Project. The results are similar in size and tenor to those obtained from historic soil sampling reported over the nearby Mount Garnet zinc deposit and therefore highlight the potential for similar high-grade zinc skarn targets at these two prospects. Triple Crown South and Stockies have had only cursory previous exploration work. We look forward to progress these targets in 2015."

Arc Exploration Limited ("ARX") holds an option agreement with Snowmist Pty Ltd ("Snowmist") to farm into their package of mining tenements containing the Triple Crown gold deposit (see ASX announcement of 21st August 2013). ARX also holds an exploration permit located close to Triple Crown (see ASX announcement of 30th May 2013). Collectively, these tenements cover an area of about 18 km² and are underlain by Siluro-Devonian meta-sedimentary rocks (Chillagoe Formation) and Permo-Carboniferous granites that are host to high-grade zinc-copper and tin skarns and gold-breccia deposits in the Mount Garnet-Herberton mining district (Figure 2).

ARX recently completed soil sampling over two historic mineral prospects, Triple Crown South and Stockies, originally identified by AOG Minerals in the 1980's. The Triple Crown South soil grid is located within ML 4363 and ML 20018 about 1 km to the immediate west of the 69,000 oz Triple Crown gold deposit and is underlain by northeast-striking gossanous calc-silicate rocks that are interpreted to be possible mineralized skarn. The Stockies soil grid is located within EPM 25343 about 1.5 km east of Triple Crown and is underlain by gossanous, brecciated metasedimentary rocks that could indicate the presence of a mineralized skarn at depth. Both prospects are located close to the old Mount Garnet zinc skarn mine.

The contoured soil results presented in Figures 3(a) and 3(b) highlight large areas (>500 m length) of anomalous base metal geochemistry across both grids. The anomalies are defined by >75 ppm copper, >200 ppm lead, 75 ppm zinc at Stockies and >50 ppm copper, >100 ppm lead, >250 ppm zinc at Triple Crown South. Maximum soil results obtained on both grids were 314 ppm Cu, 3180 ppm Pb, 440 ppm Zn at Stockies and 237 ppm Cu, 1310 ppm Pb, 3290 ppm Zn at Triple Crown South.

These results compare favourably with the size and tenor of zinc, lead and copper anomalies reported from historic fine-fraction soil sampling over the Mount Garnet zinc-copper skarn deposit (Hartley & Williamson, 1995), which is located about 3 km south of Stockies and 4.5 km southeast of Triple Crown South. The Mount Garnet skarn deposit had a zinc-copper resource of about 2 Mt at 9% Zn & 0.5% Cu prior to mining (Figure 4).

Follow-up work at Triple Crown South and Stockies is in progress and includes geological mapping and rock chip sampling to provide further definition of the soil geochemical anomalies.

Background on the Mount Garnet Project

The **Mount Garnet** Project, located near the major regional centre of Cairns, comprises three Mining Leases (ML's 4363, 4390, 20018) covering about 150 hectares that are 100% held by Snowmist Pty Ltd ("Snowmist"), and an exploration tenement (EPM 25343) covering about 17 km² that is held by Arc Exploration Limited ("ARX").

The project lies in the Mount Garnet tin-base metal mining subdistrict of the Herberton Tinfield and at the southern end of a belt of Siluro-Devonian metasedimentary rocks intruded by Permo-Carboniferous granites that are host to the large Mungana/Red Dome gold-base metal skarn, quartz-stockwork and breccia deposits in the Chillagoe mining district, located about 100 km to the northwest of Mount Garnet.

ML 4390 held by Snowmist contains the 69,000-ounce *Triple Crown* gold deposit (see ASX announcement of 21st August 2013) on which historic drilling has produced some broad low-grade gold intercepts including 22m at 2.33 g/t gold, 51m at 1.73 g/t gold and 35m at 1.39 g/t gold.

Triple Crown is a pipe-like gold-breccia and stockwork deposit that has only been drilled to shallow depth (<200m) and is believed to be open at depth. Several surrounding gold and base metal prospects have also been identified. The Company believes that there is significant potential for discovering additional gold resources at Triple Crown and has recently recognized the potential for high-grade base metal skarn targets within the tenement package.

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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 undertaken 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.

The information in this report that relates to the Triple Crown gold resource is extracted from the report entitled Intention To Proceed With Option On Queensland Gold Project created and released to the ASX on 21 August 2013.

The report referred to above is 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 the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. 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 announcement.

References:

Hartley, JS, and Williamson, G (1995). Mount Garnet zinc rich skarn, in *Proceeding of the 17th IGES Townsville Minerals of North Queensland: Geology and Geochemistry*, pp 239-245.

Mungana Gold Mines (2014). North Queensland Zinc Strategy: Investor Presentation – 24th July 2014 (<http://www.munganagoldmines.com.au/sites/>)



Figure 1. Mount Garnet Project Location

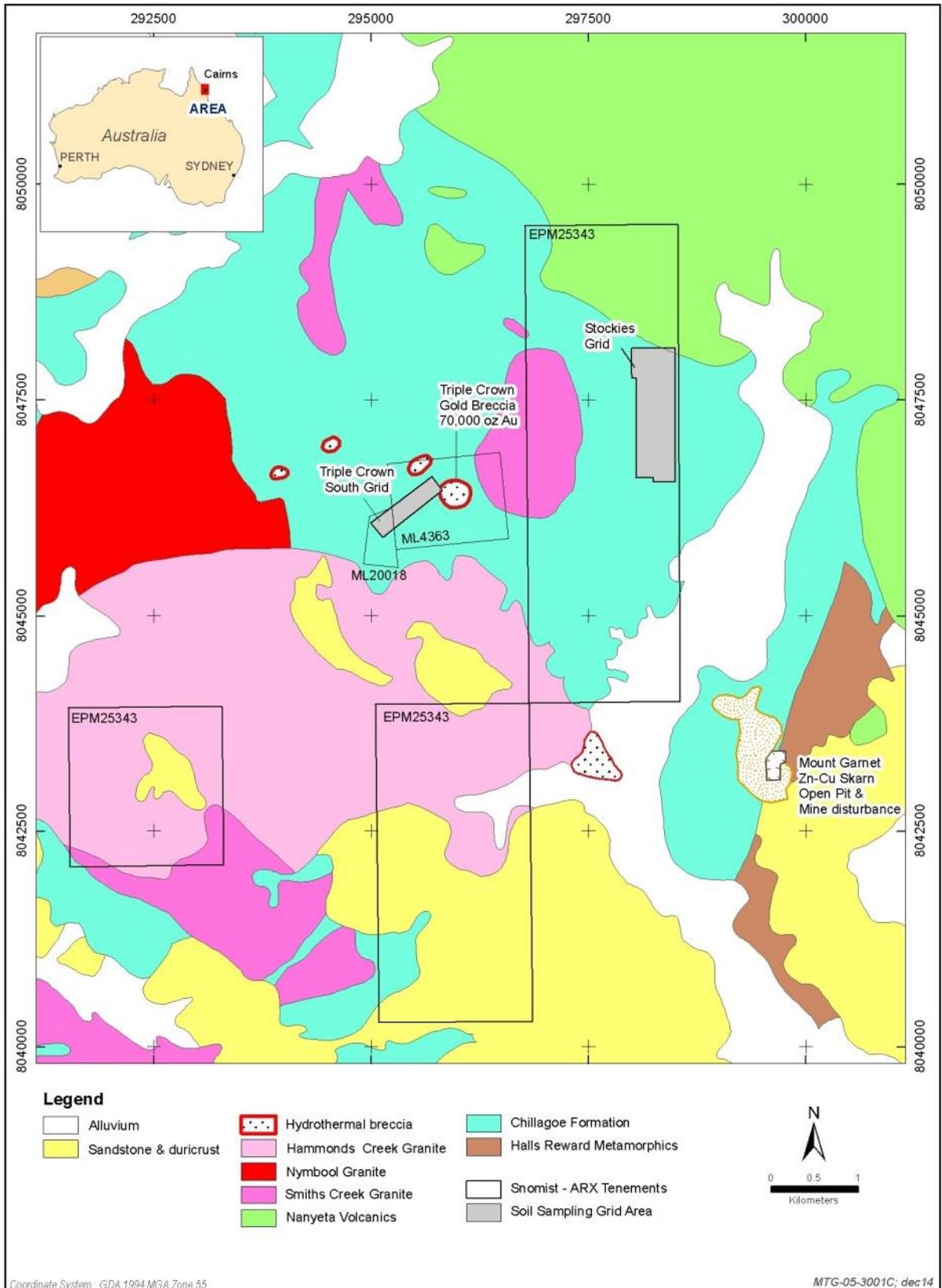


Figure 2. Chillagoe – Mount Garnet Mining Districts

Figure 3(a). STOCKIES PROSPECT – Contoured Soil Geochemical Results

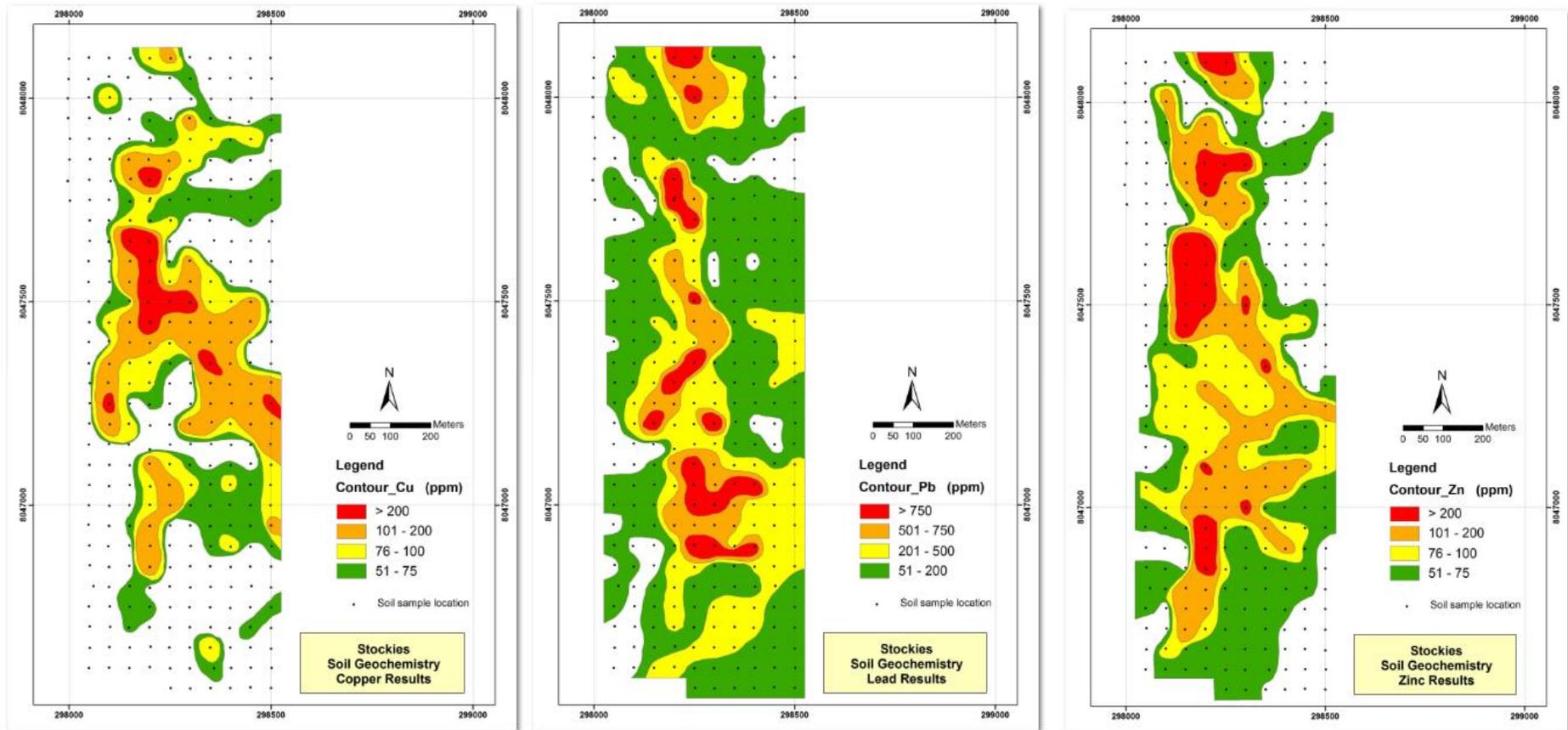


Figure 3(b). TRIPLE CROWN SOUTH PROSPECT – Contoured Soil Geochemical Results

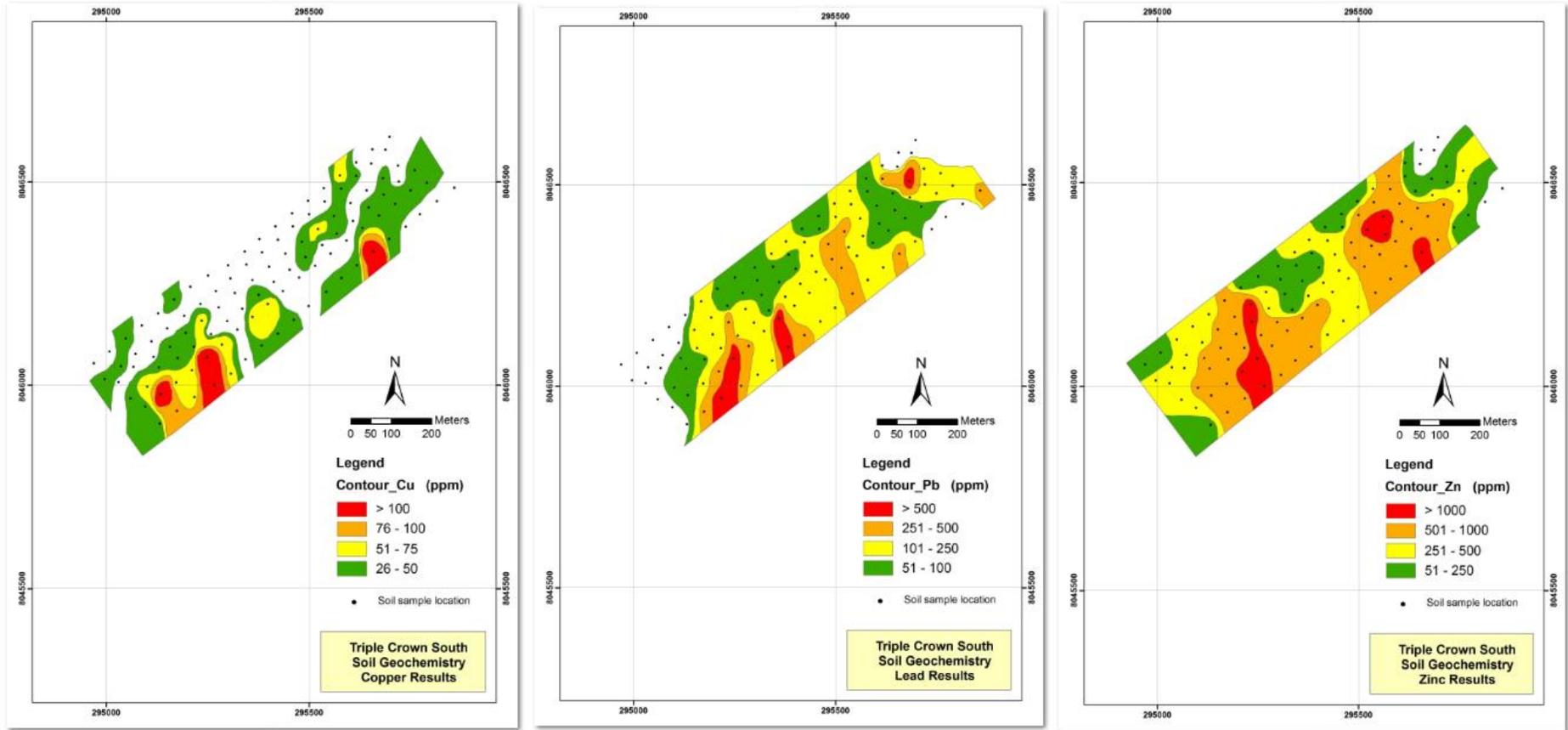
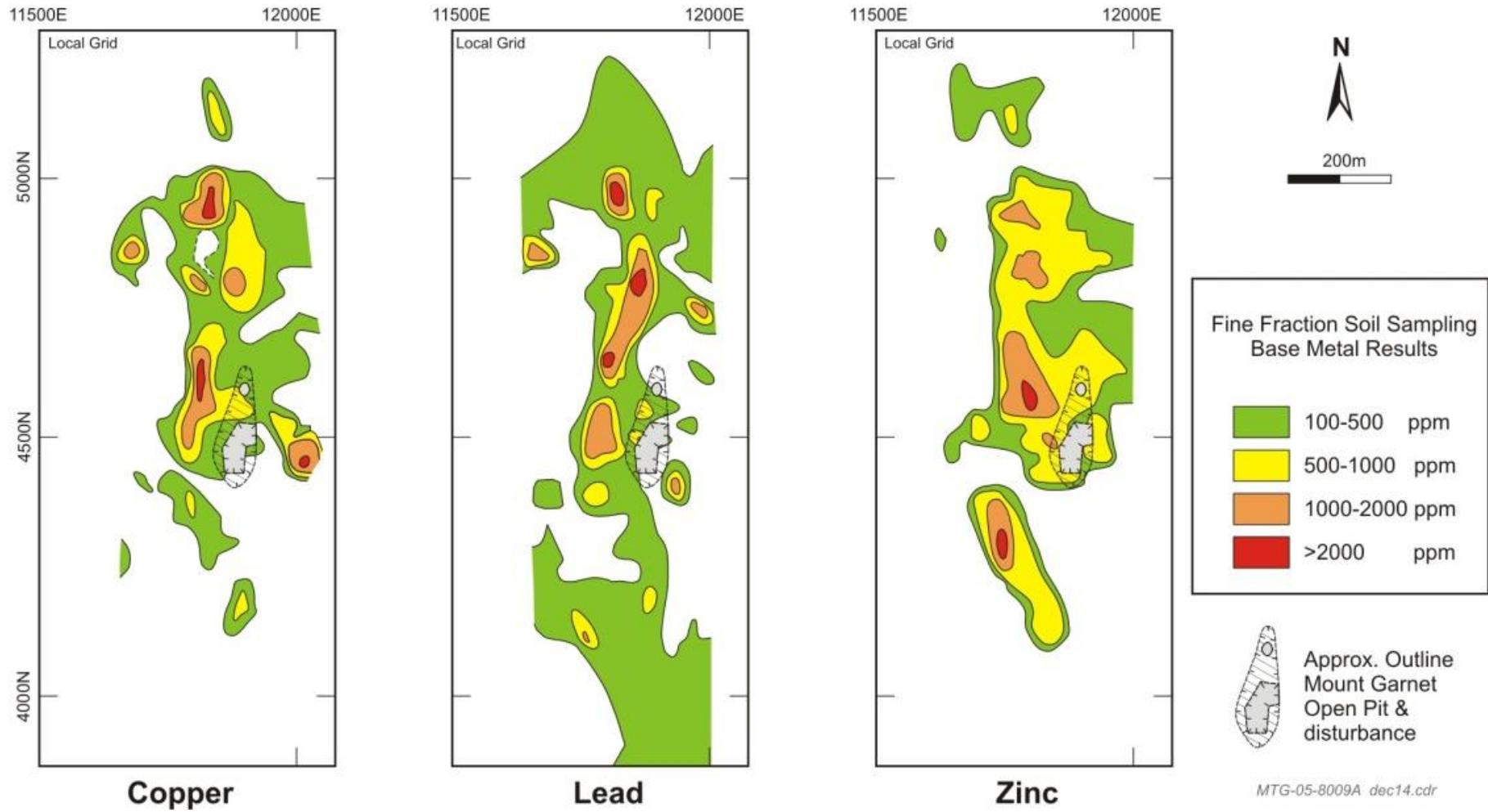


Figure 4. MOUNT GARNET ZINC SKARN DEPOSIT – Historic Soil Results (Hartley & Williamson, 1995)



JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> 462 soil samples were collected on two separate grids on 50-m spaced sample-centres at predetermined GPS locations Samples were collected from the C horizon of shallow soil at an average depth of 10 to 20 cm using a hand-held pick A nominal 50-100g of minus-80 mesh (minus 180 micron) soil sample was collected through a nylon-mesh sieve and placed into sequentially labelled, plastic bags Samples transported by road in secured boxes to the commercial assaying laboratory, ALS Chemex in Townsville Samples were weighed, dried and split for sub-sampling for determination of: <ul style="list-style-type: none"> Gold by 30g Fire Assay/Lead Collection with AAS Finish (Au-AA21) 35 multielement package by aqua regia digest with ICP-AES volumetric finish (ME-ICP41)
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> Not applicable
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> Not applicable
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> Soil samples were logged & described by a consultant geologist recording detailed soil sample descriptions, local geology & cultural features
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. 	<ul style="list-style-type: none"> Soil samples were dry sieved on site to collect a minus 80 mesh fraction (minus 180 micron) The entire sieved fraction was submitted to the laboratory for sample preparation and analysis of a sub-split Sample preparation was undertaken under clean laboratory conditions & internal laboratory controls were in place to avoid potential cross

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>contamination of samples</p> <ul style="list-style-type: none"> Repeat sampling within 5m of some selected sample sites was undertaken to investigate the representivity of the in-situ sample material Sampling methodology & sample size are considered appropriate for the prevailing field conditions & geological target
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> The sample preparation & assaying techniques used are considered appropriate to the sample medium reported; assaying was done on a sub-split of the original sample material The laboratory inserts its own blank, standards & sub-split pulp duplicates for Quality Control and reports these results accordingly. The Company also submitted its own duplicate samples for Quality Control Results fall within acceptable levels of accuracy and precision
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Comparison of the duplicate sample results No external check assaying was done on the soil samples The company adopts its own internal data verification, data entry & data storage protocols There was no adjustment of the original assay data reported by ALS Chemex
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> The soil sample locations were fixed with a GPS instrument (Model Garmin 60CSx); there is a margin of error estimated to be $\pm 5m$ The grid system used to record the GPS readings is UTM – GDA95/Zone 55K
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> Soil samples were collected at 50m sample centres over rectangular grids The data spacing is considered sufficient to establish the position, shape and dimensions of the derived soil anomalies No sample compositing was applied
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> The soil sample grids were planned to run across and at high angle (orthogonal) to the prevailing mineralized structural trends
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Samples were bagged, sealed and accompanied to the laboratory under the supervision of a consultant geologist & senior geotechnician
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> No external audits or reviews of the sampling techniques & data have been conducted at this stage

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> Stockies Prospect is located within EPM 25343 held by Arc Exploration Limited Triple Crown South Prospect is located within MLs 4363 & 20018 held by Snowmist Pty Ltd and on which Arc Exploration Limited currently holds an Option Agreement (See ARX announcement dated 21st August 2013) There are no known impediments to maintaining the licences to operating in this area
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> Historic soil sampling was done by AOG Minerals at both Stockies & Triple Crown South in the mid-1980's The current survey has attempted to reestablish the approximate position of the original grids and to confirm the presence and tenor of any gold and base metal anomalies developed in the soils
<i>Geology</i>	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Permo-Carboniferous granite-related breccia & skarn-hosted gold-base metal deposits located within the highly prospective Chillagoe Formation in the historic Mount Garnet tin-base metal mining district
<i>Drill hole Information</i>	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> Not applicable to the activity reported
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> Not applicable to the activity reported
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its 	<ul style="list-style-type: none"> Not applicable to the activity reported

Criteria	JORC Code explanation	Commentary
	<p><i>nature should be reported.</i></p> <ul style="list-style-type: none"> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> 	
Diagrams	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> Diagrams depicting the distribution of soil sample locations & anomalies are attached
Balanced reporting	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> Representative reporting of all relevant results have been provided in this announcement
Other substantive exploration data	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> No other substantive exploration data to report at this stage
Further work	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> Further work may include mapping, ground geophysics (IP/Resistivity) & possible drilling to test the bedrock source(s) of the soil anomalies, if results justify