ASX ANNOUNCEMENT **19 October 2017**

UPDATE ON TRENGGALEK, INDONESIA

- Previous drilling at Jerambah suggests that the one hole drilled was on the margin of an anticipated copper-gold system.
- Induced Polarisation and Ground Magnetic surveys now completed at Jerambah.
- These results combined with re-interpretation of aeromagnetic data, spectral analyses, re-mapping and re-sampling of the area have identified two drill targets.
- Scout drilling has commenced.

Arc Exploration Limited (ASX Code: ARX) is pleased to announce this update on the Jerambah Prospect (Figure 1) at the Trenggalek Project located in East Java, Indonesia. The Project lies in the prospective Southern Mountains Province of East Java, which contains the large Tumpangpitu porphyry copper-gold deposit in the Tujuh Bukit district.

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 km^2, is valid until November 2018. The Company is in the process of renewing a forestry permit affecting 3,393 ha within the tenement area. PT Danusa Tambang Nusantara (Danusa), a subsidiary of one of the largest contract miners in Indonesia, is currently managing and funding exploration work at Trenggalek.

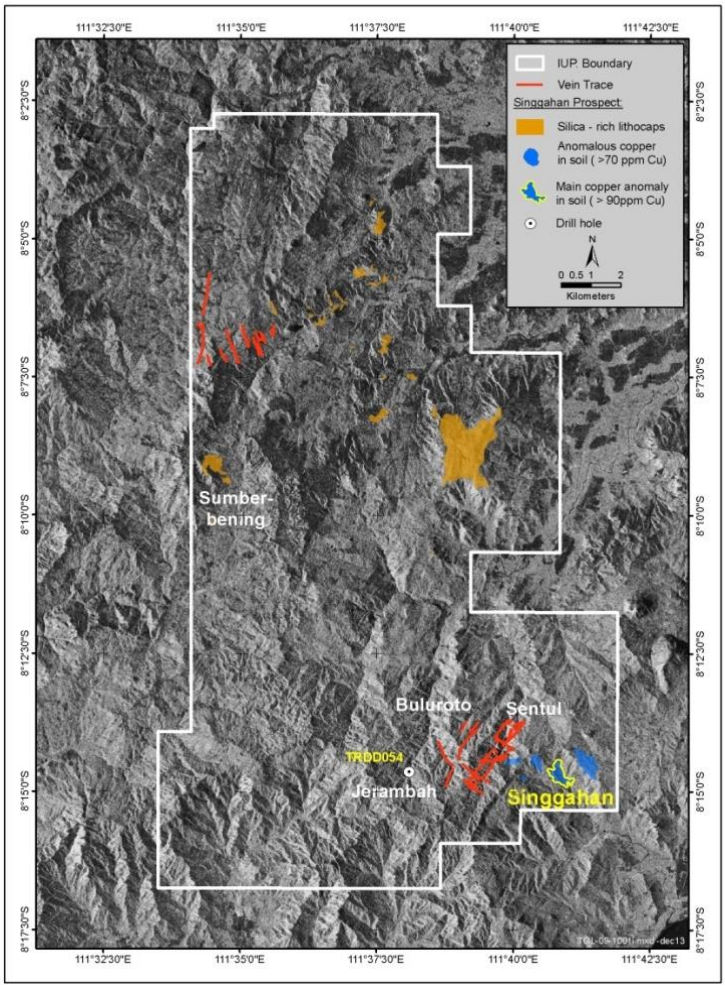

Figure 1. Trenggalek Exploration IUP

Arc Exploration Limited
ABN 48 002 678 640
www.arcexploration.com.au

Sydney
ABN 48 002 678 640
Level 8, 65 York Street.
Sydney NSW 2000
Australia
T + 61 2 8076 6004
F + 61 2 8215 1600
E info@arx.net.au

Jakarta
Perkantoran CBD/BIDEX
Blok F, No.5
Jl. Pahlawan Seribu
BSD City - Tangerang 15321
Indonesia
T + 62 21 531 60118
F + 62 21 531 60119

The Jerambah Prospect is located about 5 km west of Singgahan Prospect. It is an extensive 2km by 1.5km silica-clay-pyrite alteration zone centred on igneous intrusions mapped at surface. The prospect 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. Jerambah was tested by a single drill hole during the Anglo-American Joint Venture. The hole (TRDD054) was drilled to a depth of 1,022m and intersected an extensive hydrothermal alteration and pyrite mineralisation with traces of base metal mineralisation in a prospective rock package (see announcement of 12 December 2013 and Quarterly Report ending 31 December 2013).

Petrological study on 26 core samples from Hole TRDD054 confirmed that the intrusion breccias and calcareous volcaniclastic rocks intersected in TRDD054 contain porphyry-associated alteration mineral assemblages that include garnet, vesuvianite, secondary albite, K-feldspar, biotite, magnetite, epidote, actinolite/tremolite and tourmaline. Porphyry vein-quartz fragments in the intrusion breccias, extensive anhydrite veining, common traces of disseminated chalcopyrite and molybdenite mineralisation, and narrow structurally controlled zones of overprinting high-sulphidation epithermal alteration (pyrophyllite-dickite-rich) carrying traces of enargite and tennantite/tetrahedrite mineralisation, were also identified. These petrology results are interpreted to indicate that the hole has intersected a peripheral position in a potential mineralised porphyry system (see announcement of 9 April 2014).

Subsequent soil sampling and spectral analyses show a new cluster of overlapping spotty copper-gold-molybdenum anomalies reporting up to 348 ppm Cu, 0.095 ppm Au and 59 ppm Mo was highlighted to the north of Hole TRDD054 (see announcement 9 April 2014). In more recent months this area was re-mapped and re-sampled on a more detailed basis and a combined Induced Polarisation ("IP") and ground magnetic surveys were conducted (Figure 2).

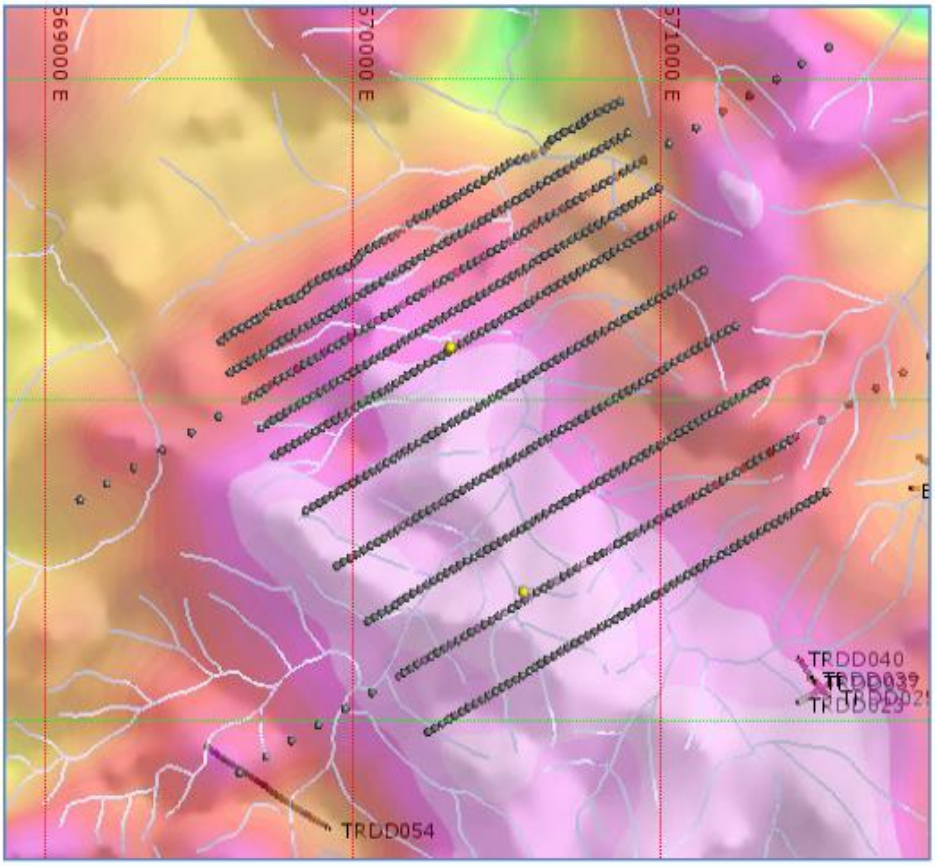

Figure 2. Grid lines of Induced Polarisation survey northeast of Hole TRDD054 superimposed on a aeromagnetic image.

Detailed Mapping, Induced Polarisation and Ground Magnetic Surveys:

Detailed re-mapping and re-sampling of the Jerambah Prospect was conducted from early July 2017 during which time outcrops of diorite with quartz-sericite-(chlorite) alteration and quartz stockworks were identified (assaying 0.15% Cu and 0.15g/t Au). Alteration zones were mapped with the aid of Terraspec machine.

An Induced Polarisation survey conducted undertaken in July and August 2017 along 10 lines using a 50m dipole spacing with 2 additional lines using a 200m dipole spacing to obtain a deeper profile. IP pseudo-sections show continuous chargeability anomaly of > 30 ms with medium resistivity of 150 ohm-m covered by what is interpreted to be advanced argillic volcaniclastic unit.

The Ground magnetic survey confirmed the mapping results that the area is dominated by dioritic rocks with a strong NW-SE structural control (Figure 3).

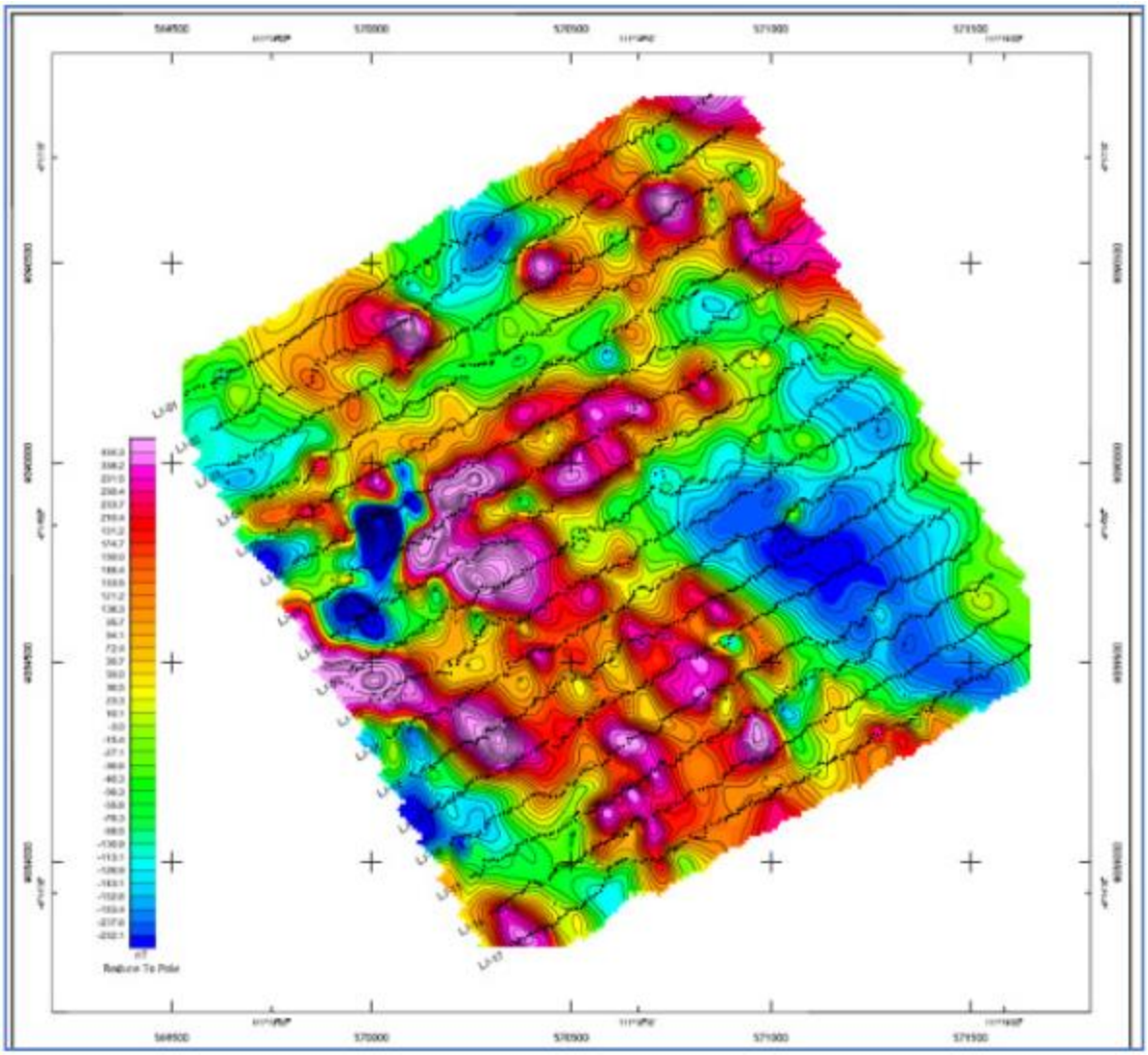

Figure 3. Ground magnetic results confirming strong NW-SE structural control.

The Induced Polarisation and Ground Magnetic results combined with re-interpretation of aeromagnetic data, spectral analyses, re-mapping and re-sampling of the area have identified two drill targets.

Danusa has advised that scout drilling has commenced to test these targets.

For further information please contact:

Andrew J. Cooke
Non-Executive Director
Company Secretary
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 Dr Jeffrey Malaihollo, who is a Fellow of the Australian Institute of Mining and Metallurgy and Fellow of the Geological Society of London. Dr Malaihollo 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.' Dr Malaihollo is a consultant to the Company and a director of the Company's subsidiary in Indonesia and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

JORC Code, 2012 Edition – Table 3 Report template

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *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.*	• An Induced Polarisation survey conducted undertaken in July and August 2017 along 10 lines using a 50m dipole spacing with 2 additional lines using a 200m dipole spacing to obtain a deeper profile.
Drilling techniques	• *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).*	• N/A
Drill sample recovery	• *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.*	• N/A
Logging	• *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.*	• N/A
Sub-sampling techniques and sample preparation	• *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.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.*	• N/A

Criteria	JORC Code explanation	Commentary
	• *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.*	
Quality of assay data and laboratory tests	• *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.*	• N/A
Verification of sampling and assaying	• *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.*	• N/A
Location of data points	• *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.*	N/A
Data spacing and distribution	• *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.*	• The results in this announcement relate to an Induced Polarisation survey conducted undertaken in July and August 2017 along 10 lines using a 50m dipole spacing with 2 additional lines using a 200m dipole spacing to obtain a deeper profile. • There is insufficient data to establish a mineral resource.
Orientation of data in relation to geological structure	• *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.*	N/A
Sample security	• *The measures taken to ensure sample security.*	• N/A
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• N/A

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *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.*	• Trenggalek Exploration IUP ("Izin Usaha Pertambangan") is held by PT. Sumber Mineral Nusantara ("SMN"). Total area is 29,969 ha (about 300 square-km) valid until 2 November 2018. • ARX holds a joint venture with SMN and has a 95% interest in the Trenggalek Project. • On 18 November 2015 ARX announced that it had signed formal documentation with PT Danusa Tambang Nusantara to explore the Trenggalek IUP for gold and base metals to earn equity in the project. • Sentul & Buluroto prospects lie within the SE corner of the Trenggalek Exploration IUP. These prospects lie mainly within government forestry land having production & partly protected status. SMN holds a valid *Pinjam-Pakai* Permit to work on the forestry land and negotiates access to other land with individual landowners.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Sentul & Buluroto prospects were previously identified by PT Aneka Tambang ('Antam') under a KP licence that they held over the same area in the 1990's; Antam did very limited surface trenching and drilling on both prospects. • ARX did scout drilling on the Sentul and Buluroto prospects in 2010 and 2011; results from which have been reported in previous ARX:ASX announcements, quarterly & annual reports. *A summary of the best drilling results is included in the next section – Geology.* • ARX held a joint venture with Anglo American for two years from late 2012 until late 2014, exploring for porphyry copper. • The partnership with Anglo American provided the first opportunity to test the porphyry potential of the Trenggalek IUP and significantly expanded the project database, providing a solid platform on which to plan future exploration.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Trenggalek is located in the Southern Mountains of East Java, which comprises an older segment of the highly prospective Sunda-Banda magmatic arc. • The Southern Mountains is composed of Oligo-Miocene and younger volcanosedimentary rocks, limestone and intermediate-felsic igneous intrusions that are prospective for epithermal-style and porphyry-related gold-base metal deposits. • The giant Tumpangpitu porphyry copper-gold-molybdenum and associated epithermal gold-silver deposit is located about 200 km from Trenggalek at the eastern end of the Southern Mountains. Tumpangpitu is believed to be hosted in rocks that are similar to those underlying the Trenggalek project area. • **Sentul** and **Buluroto** prospects are located in the SE corner of the IUP. Both prospects contain large intermediate-sulphidation epithermal vein systems hosted in andesitic-dacitic volcaniclastic rocks with minor intercalated limestone intruded by high-level andesite-dacite plugs.

Criteria	JORC Code explanation	Commentary
		• **Sentul** consists of two main parallel NE-SW trending quartz-chalcedony-sulphide veins (West and East Sentul) connected by sigmoidal en echelon veins; the veins are up to 10-15 m wide and have greater than 10 km collective strike length. • **Buluroto** contains a hydrothermal breccia pod (150-200m long, up to 20m wide) developed at the confluence of two <1-5m wide quartz-chalcedony-sulphide veins that are each 1-2 km long. • These epithermal vein systems are composed of polyphasal microcrystalline to fine-grained quartz, chalcedony, minor carbonate and disseminated sulphides (pyrite, arsenopyrite, base metal sulphides). The veins show hydrothermal breccia, banded and massive textures. Wall rock alteration is predominantly illitic clay/sericite, chlorite & pyrite with epidote becoming more prominent at deeper levels of the system. • Previous drilling by ARX on the **West Sentul** Vein totalled 2002-m in 14 holes and returned some narrow high-grade gold intercepts (>10 g/t gold) within thick vein structures, including a best intercept of 2 m at 17.2 g/t gold & 13 g/t silver within 9 m at 4.5 g/t gold & 8 g/t silver in the deepest hole TRDD-4; this vein has been drill tested to less than 175-m vertical depth. • Previous drilling by ARX on the **East Sentul** Vein totalled 475-m in 6 holes and returned a best mineralized intercept of 3 m at 5.53 g/t gold & 14 g/t silver in hole TRDD-12; this vein has been drill tested to less than 75-m vertical depth. • Previous drilling by ARX on the **Buluroto** breccia pod totalled 652-m in 5 holes and returned a best intercept of 2 m at 8.7 g/t gold & 48 g/t silver within 13.7 m at 3.2 g/t gold & 60 g/t silver in hole TRDD-32; this breccia pod has been drill tested to less than 125-m vertical depth. • Sentul & Buluroto are located close to 'porphyry targets' identified at nearby **Jerambah** & **Singgahan** prospects that were scout drilled in partnership with Anglo American in 2014; the IUP is considered have good potential for porphyry-related gold-base metal deposits.

Drill hole Information	• *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:*
	  ○ *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.*
		• N/A

Data aggregation methods	• *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*	• Not relevant to the results in this announcement.

Criteria	JORC Code explanation	Commentary
	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.*	
Relationship between mineralisation widths and intercept lengths	• *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 nature should be reported.* • *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').*	• Not relevant to the results in this announcement.
Diagrams	• *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.*	• Diagrams are included with this announcement.
Balanced reporting	• *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.*	• Representative reporting of the relevant results has been provided in this announcement.
Other substantive exploration data	• *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.*	• Encouraging results were reported in the *ARX March 2015 Qtly Rpt* from cyanide bottle-roll leach testing done on samples of weathered to fresh gold-mineralised quartz vein material from the Sentul West Vein; gold extractions averaging 81% were returned. • Suggesting that gold-bearing veins discovered at Sentul may be amenable to processing by conventional carbon-in-pulp processing methods if a significant gold resource is defined.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Drilling on the Jerambah progress is currently in progress testing for mineralisation within the target areas identified by the work reported in this announcement.