June 2014 Quarter Activities Report

ABOUT ARC EXPLORATION LIMITED

Arc Exploration Limited **(ASX Code: ARX)** is an Australian listed gold company focused on exploration in Indonesia and Australia.

The Company has a joint venture interest with PT Sumber Mineral Nusantara on the Trenggalek Project in East Java. This project lies on the Sunda-Banda magmatic arc and is prospective for high-grade epithermal gold-silver veins and porphyry copper-gold systems.

The Company also has interests in Australia. It exercised its Options to Farm-in to two gold properties in New South Wales, Junee and Oberon. And holds an Option to Farm-in to another gold property in the Mount Garnet district of Far North Queensland.

All three projects in Australia contain drill-delineated gold resources with potential for expansion through further exploration.

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INDONESIA

Trenggalek Project, East Java

- Initial drilling phase completed at **Singgahan**. Total of 1541.7 m completed in four holes.
- Encouraging assay and petrology results confirm the porphyry target at Singgahan and support the porphyry potential of the Trenggalek project area.
- Low-grade copper and gold mineralisation intersected in altered porphyry intrusions and calcareous volcaniclastic rocks, including:
  - 17.2 m at 0.65 g/t gold from 27.5 m depth & 38 m at 320 ppm copper (0.032% Cu) from 150 m depth in **TRDD055**
  - 12.0 m at 670 ppm copper (0.067% Cu) & 0.1 g/t gold from 371.4 m was returned in **TRDD057**
  - 14.0 m at 0.24 g/t gold from 128.0 m depth & 70 m at 373 ppm copper (0.037% Cu) from 142 depth in **TRDD058**

Strategic Alliance with Anglo American in Papua

- Strategic Alliance with Anglo American in Papua expired during the quarter. The three existing tenements remain and will continue to be governed under the terms of the previous agreement.

AUSTRALIA

NSW Project Options

- ARX exercised its options to proceed to farm-in on the Junee & Oberon projects owned by New South Resources Pty Ltd.

Junee Project, NSW

- 3D inversion modelling on historic geophysical data collected over the Dobroyde gold deposit was undertaken; interpretation is in progress.

Oberon Project, NSW

- Encouraging surface rock chip results returned from reconnaissance sampling on several prospects, including:
  - Ten (10) samples taken from Holmwood and Native Dog prospects at the Oberon Project returned copper results ranging from 0.1 to 7.2% Cu and gold results ranging from 0.02 to 4.07 g/t Au, highlighting possible porphyry copper-gold potential.
  - One (1) sample of massive sulphide dump material taken from the historic Phoenix mine workings, located about 3 km south of Murphys gold deposit, Oberon, returned 18.2% zinc, 9.27% lead, 1.56% copper, 1.26 g/t gold and 240 g/t silver, highlights gold-silver-rich VMS potential.

Mount Garnet Project, Queensland

- ARX was granted a new exploration permit, EPM 25343, covering about 17 km^2 near the Triple Crown gold deposit and mining township of Mount Garnet.

INDONESIA

ARX is exploring for gold and base metal deposits along Indonesia's highly prospective magmatic arcs and associated geological terranes (Figure 1). The primary exploration targets are porphyry-related copper-gold and high-grade epithermal gold-silver veins.

Trenggalek Project, East Java (95% ARX)

ARX has a joint venture with PT. Sumber Mineral Nusantara ("SMN"), an Indonesian company which holds the Trenggalek Exploration IUP tenement that covers an area of approximately 300 km^2 in the Southern Mountains of East Java.

Anglo American has entered 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.

SMN holds a *Pinjam-Pakai* ("Borrow Use") Forestry Permit for the Trenggalek IUP which is valid until the 3 November 2015 and allows the company to conduct exploration work on several targets in production forestry areas within the tenement.

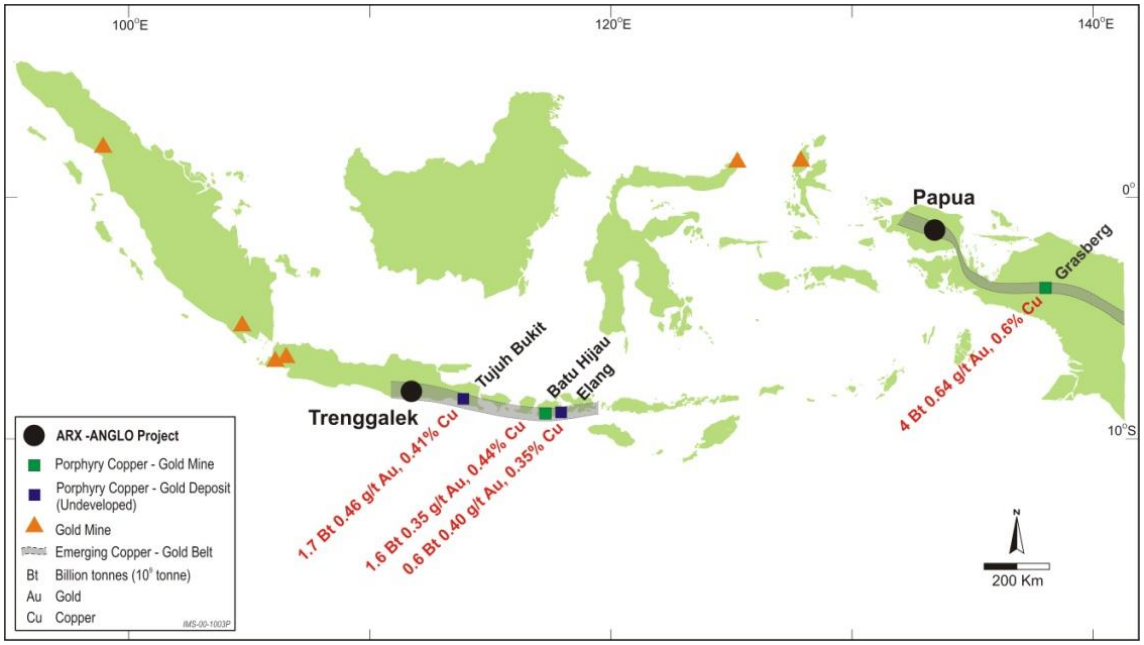


Figure 1. ARX projects & major porphyry Cu-Au deposits in Indonesia

Targets

The focus of early exploration work by ARX on the tenement was on gold. Several shallow intermediate-sulphidation epithermal quartz vein systems associated with hydrothermal breccias and silica capping in volcanic rocks and limestone were identified and had limited drill testing.

A new phase of exploration commenced in late 2011 for porphyry copper-gold targets. This followed the discovery of a high-sulphidation epithermal alteration system at Sumber Bening on the western side of the IUP. Other similar alteration systems have since been identified in the project area and these could be linked to porphyry gold-copper targets at depth (Figure 2).

Potential for major porphyry copper-gold deposits in the region is highlighted by the discovery of the Tumpangpitu deposit in the Tujuh Bukit district, located some 200 km to the east of Trenggalek. Tumpangpitu is in the same belt of rocks hosting the giant Batu Hijau and Elang copper-gold deposits on Sumbawa within the Sunda-Banda magmatic arc. Trenggalek contains a similar package of rocks to those hosting these three major porphyry deposits.

The Joint Venture with Anglo American announced in 2012 provides an opportunity to test the porphyry potential of the Trenggalek tenement.

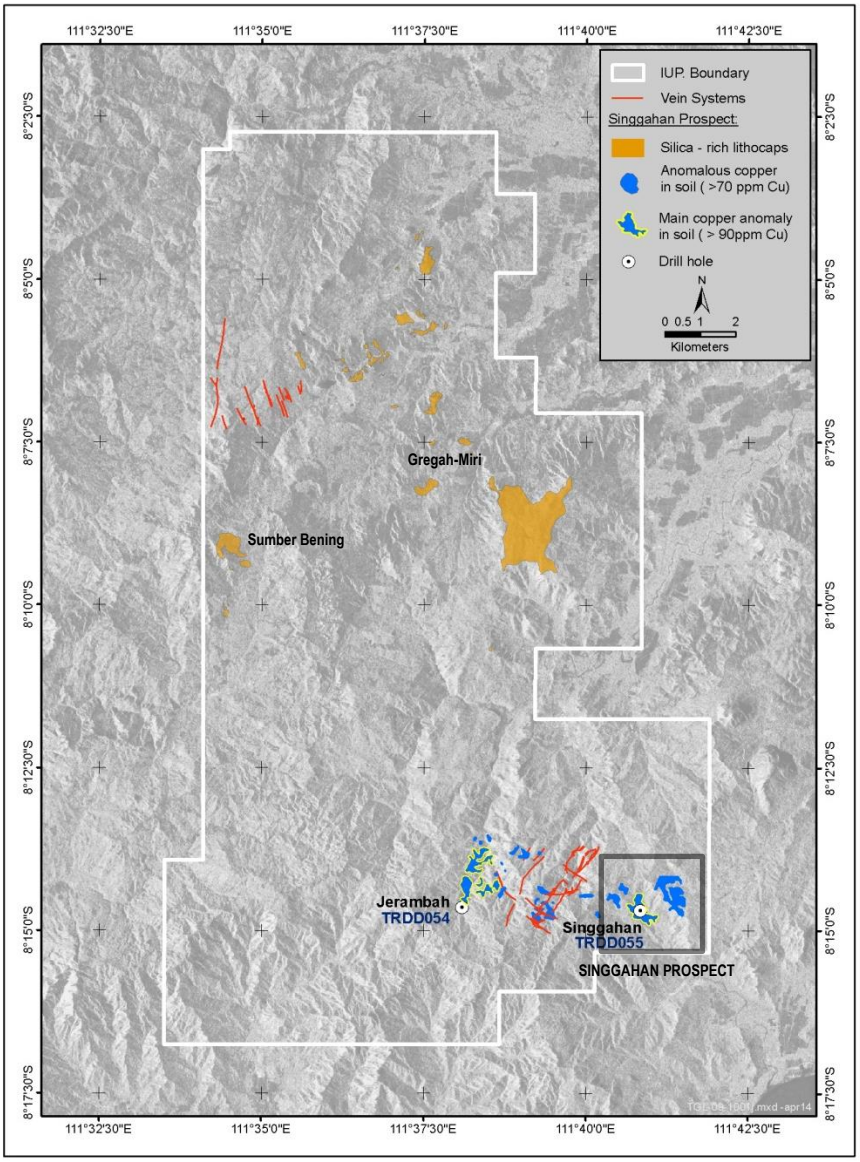


Figure 2. Trenggalek Exploration IUP showing potential porphyry targets

Work Activities

The primary activity during the quarter was drilling at Singgahan prospect located in the southeast corner of the IUP.

Singgahan Prospect

Singgahan is located about 3km east of Buluroto Prospect. It was originally highlighted by a gold-copper drainage anomaly and as a target generated from the airborne magnetics survey flown in 2012.

Previous grid-based soil sampling at Singgahan produced several geochemical anomalies within the grid area, the most significant of which was an approximately 500-m wide and 1,000-m long coincident gold-copper-molybdenum anomaly underlain by a silica-chlorite-clay-pyrite altered diorite intrusion and volcaniclastic rocks (*see* ASX announcement of 14th January 2014). Continuous-chip sampling from benches excavated across this soil anomaly also produced some broad anomalous copper-gold-molybdenum intercepts (*see* ASX announcements of 26th February & 9th April 2014). Singgahan occurs within a prominent northwest-trending structural corridor that extends across the IUP and includes several other major prospects including Sentul, Buluroto, Jerambah and Sumber Bening.

The first phase of scout diamond drilling at Singgahan was completed in the quarter. A total 1,541 m was drilled in four inclined diamond holes (TRDD055-58) (*see* Table 1). Assay results were received and have been previously announced (*see* ARX announcements of 12th May 2014 and 21st July 2014). Significant intercepts are summarised in Table 2. These holes have tested only part of the extensive copper-gold-molybdenum soil anomaly that is underlain by a discrete magnetic-high target centred on an altered diorite intrusion (Figures 3 & 4).

Singgahan Prospect – Maxidrill MXD-420 man-portable rig drilling TRDD058

Table 1. SINGGAHAN PROSPECT - Drill-hole Details

Hole ID	mE	mN	mRL	Dip	Azimuth (mag.)	Depth (m)
TRDD055	574,956	9,088,554	351	-50^0	285^0	331.7
TRDD056	575,099	9,088,517	310	-65^0	210^0	30.8*
TRDD057	574,958	9,088,554	351	-70^0	105^0	383.4
TRDD058	574,753	9,098,639	471	-75^0	125^0	795.8

*Hole TRDD056 abandoned short of targeted depth because of poor ground conditions

Table 2. SINGGAHAN PROSPECT - Significant Intercepts

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (ppm)	Mo (ppm)	As (ppm)	Sb (ppm)
TRDD055	16.0	27.5	11.5	0.06	250	3		
	27.5	44.7	17.2	0.65	104	28	5700	61
	98.0	120.0	22.0	0.02	230	5		
	150.0	188.0	38.0	0.05	320	9		
TRDD056	28.7	30.3	1.6	0.17	167	29	3000	42
TRDD057	0.0	6.0	6.0	0.04	346	2		
	148.0	182.0	34.0	0.06	257	1		
	371.4	383.4	12.0	0.10	670	3		
TRDD058	14.0	22.0	8.0	0.16	315	21		
	43.0	104.1	61.1	0.04	313	6		
	108.0	118.0	10.0	0.07	73	6	2180	21
	128.0	142.0	14.0	0.24	122	13	8387	98
	142.0	212.0	70.0	0.05	373	4		
	220.0	256.0	36.0	0.03	252	5		
	306.0	320.0	14.0	0.06	301	3		
	402.0	410.0	8.0	0.21	100	13	3427	50
	410.0	416.0	6.0	0.02	290	5		

TRDD055 intersected low-grade copper-gold-molybdenum mineralisation in a quartz-anhydrite-magnetite-sulphide veined diorite intrusion and intrusion breccia. Multiple low-grade intercepts were returned including 38 m at 320 ppm copper (or 0.032% Cu), 0.05 g/t gold & 9 ppm molybdenum from 150 m down-hole. The peak result within this interval was 2 m at 0.069% Cu, 0.129 g/t Au & 27 ppm Mo.

A significant gold intercept of 17.2 m at 0.65 g/t gold from 27.5 m down-hole with elevated associated arsenic-antimony-molybdenum was returned in silicified and incipient skarnified calcareous volcaniclastic rocks near the upper contact with the mineralised diorite. The peak result within this interval was 2m at 1.08 g/t Au with 1.03% As, 96 ppm Sb & 26 ppm Mo.

TRDD056 was collared about 150 m east of TRDD055. This hole was abandoned at a depth of 30.8 m due to poor ground conditions and water ingress. The bottom of the hole returned an anomalous gold intercept with elevated associated arsenic-antimony-molybdenum of 1.6 m at 0.17 g/t Au with 0.3% As, 42 ppm Sb & 29 ppm Mo in altered silicified volcaniclastic rocks.

TRDD057 was collared on the same drill pad as TRDD055 but drilled in the opposite direction to test the eastern edge of the soil anomaly and a magnetic low zone. The hole intersected a fault zone at the top of the hole and then a weakly mineralised, silica-clay-pyrite altered polymictic breccia and containing scattered quartz-pyrite veined intraclasts and a deeper quartz diorite/tonalite intrusion cut by minor quartz-pyrite veining with traces of disseminated chalcopyrite and molybdenite mineralisation.

A stronger developed zone of quartz-pyrite veining was intersected over the final 12 metres of this hole within silica-clay-pyrite altered volcaniclastic rocks and returned an intercept of 12 m at 670 ppm copper (or 0.067% Cu) and 0.1 g/t gold from 371.4 m. The peak result within this interval was 1.9 m at 810 ppm Cu (or 0.081% Cu), 0.14 g/t Au & 7 ppm Mo. The hole was terminated in mineralisation.

TRDD058 was collared as a scissor hole to TRDD055. TRDD058 was testing for a possible increase in grade on the down-dip projection of the low-grade intercepts obtained in TRDD055.

The upper part of TRDD058 intersected low-grade copper-gold-molybdenum mineralisation in a quartz-anhydrite-magnetite-sulphide veined diorite intrusion and intrusion breccia. Multiple low-grade intercepts were returned including a best intercept of 70 m at 373 ppm copper (or 0.037% Cu), 0.05 g/t gold & 4 ppm molybdenum from 142 m down-hole. The peak result within this interval was 1.9 m at 0.10% Cu, 0.13 g/t Au & 8 ppm Mo. Similar intercepts were obtained in TRDD055, which is collared about 200 m to the east of TRDD058.

A gold intercept of 14 m at 0.24 g/t gold from 128 m down-hole with elevated associated arsenic-antimony-molybdenum was returned in silicified calcareous volcaniclastic rocks near the upper contact with the mineralised diorite. The peak result within this interval was 2 m at 0.36 g/t Au with 1.68% As, 197 ppm Sb & 9 ppm Mo. This intercept correlates with a similar gold intercept returned in TRDD055 about 150 m to the east.

Silicified and locally skarnified calcareous volcaniclastic rocks were intersected in the lower part of the hole beneath the mineralised diorite. These rocks returned patchy elevated arsenic and molybdenum results of up to 1230 ppm As & 46 ppm Mo.

Synopsis of the drilling results

The four holes drilled at Singgahan complete a fence of holes across part of an extensive copper-gold-molybdenum soil anomaly and coincident magnetic-high anomaly. The source of the soil geochemical anomaly is interpreted to be a weakly mineralised intrusion breccia cropping out at surface. The source of the magnetic high is a small mineralised diorite intrusion that appears to be rootless as modelled by a 3D magnetics inversion analysis. The high-magnetic signature of the diorite is attributed to abundant secondary magnetite occurring as disseminations in porphyry-style quartz-anhydrite veins and potassic-propylitic alteration.

The diorite and associated intrusion breccia intersected in holes TRDD055 and TRDD058 cut a thick package of calcareous volcaniclastic rocks that are silicified and skarnified on the margins of the intrusion. These alteration features are consistent with a porphyry environment. The mineralised diorite and intrusion breccias returned broad low-grade copper-molybdenum-gold intercepts of the order of +200-500 ppm Cu, +5-10 ppm Mo and +0.02-0.05 g/t Au. Similar older weakly mineralised intrusions are recorded at Tumpangpitu and in the Batu Hijau mining district.

The altered quartz diorite/tonalite intrusion and associated breccias intersected in TRDD057 are separated from the magnetic diorite intersected in holes TRDD055 and TRDD058 by a major fault structure. The very bottom of TRDD057 yielded the strongest copper-gold intercept of the program in multiple porphyry-style quartz-pyrite veins hosted in argillic-phyllic altered volcaniclastic rocks. This mineralisation is open and there may be potential for increasing copper-gold-molybdenum grades at depth and surrounding this hole. Quartz diorite/tonalite intrusive phases are associated with higher grade mineralisation in the Tumpangpitu and Batu Hijau porphyry copper-gold deposits.

A petrological investigation completed on selected core samples has confirmed the porphyry target at Singgahan. Copper sulphide mineralisation occurs in the form of disseminated chalcopyrite and lesser bornite associated with high-temperature porphyry-related alteration minerals (K-feldspar, magnetite, biotite, actinolite/tremolite) and porphyry-style quartz-magnetite-anhydrite veining. Minor disseminated chalcopyrite and molybdenite also occurs in later overprinting alteration assemblages.

Work at Trenggalek for the remainder of the year will focus on modelling of the drilling results and target generation on other parts of the IUP that are considered underexplored but highly prospective for potential porphyry systems. The rig was demobilised to Jakarta at the end of the quarter.

Exploration expenditure at Trenggalek for the quarter totalled US$ 666,979, which was wholly funded by Anglo American.

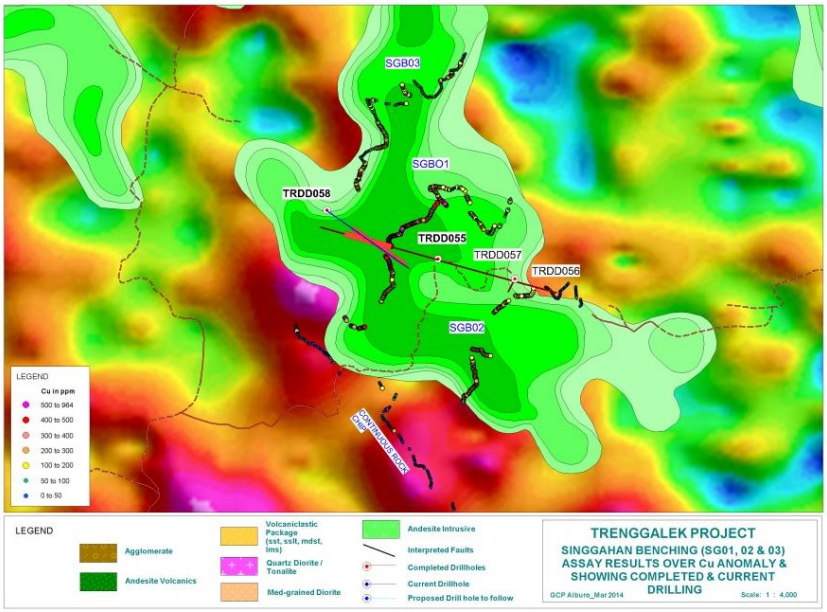


Figure 3. Singgahan Prospect – Drill hole Locations in relation to the Copper Soil Anomaly (green >200 ppm Cu) & Benches

TRDD058 – Quartz-anhydrite-magnetite-pyrite±chalcopyrite veining in medium-green, propylitic/potassic altered diorite

TRDD057 – Quartz-pyrite±chalcopyrite veining in medium-grey, argillic-phyllic/potassic altered tonalite & volcaniclastic rocks at bottom of hole

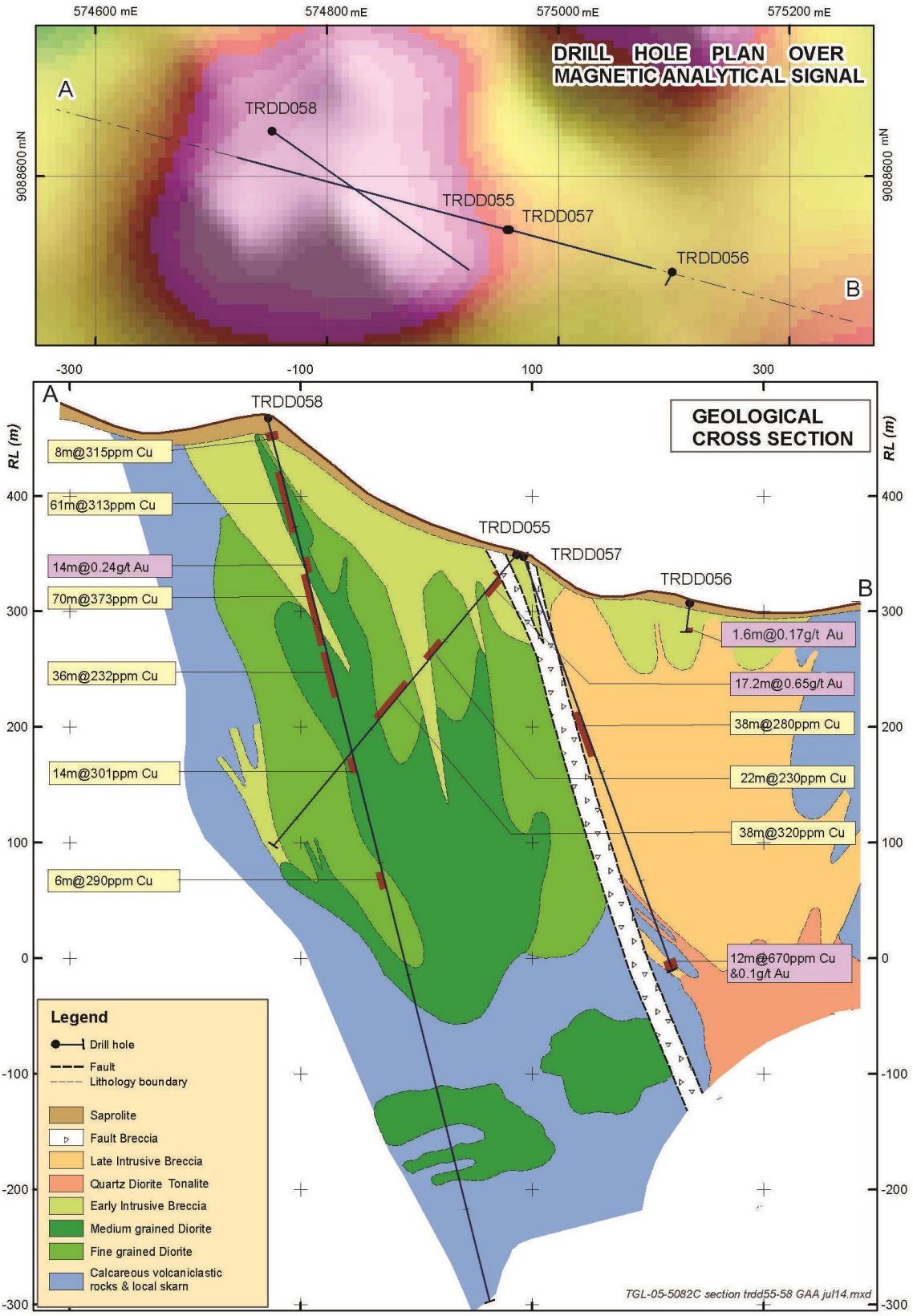


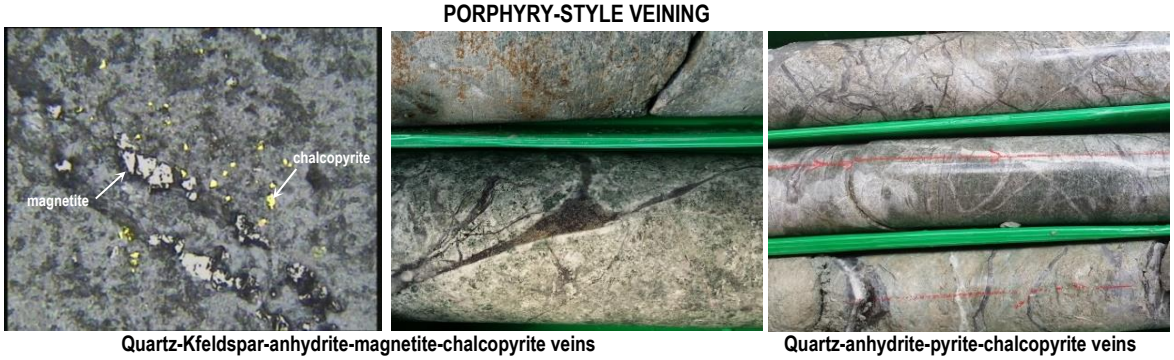
Figure 4. Singgahan Prospect – Interpretative Cross Section Showing Drill-hole Traces & Significant Copper & Gold Intercepts

SINGGAHAN PROSPECT – DRILL CORE ROCK PHOTOS & PHOTOMICROGRAPHS
(Petrology by Anthony Coote of Applied Petrological Services "ASPAR")

PORPHYRY-STYLE MINERALISATION

Disseminated chalcopyrite (yellow), bornite (purple grey) & magnetite (light grey) propylitic-potassic altered diorite (TRDD055 & 58)

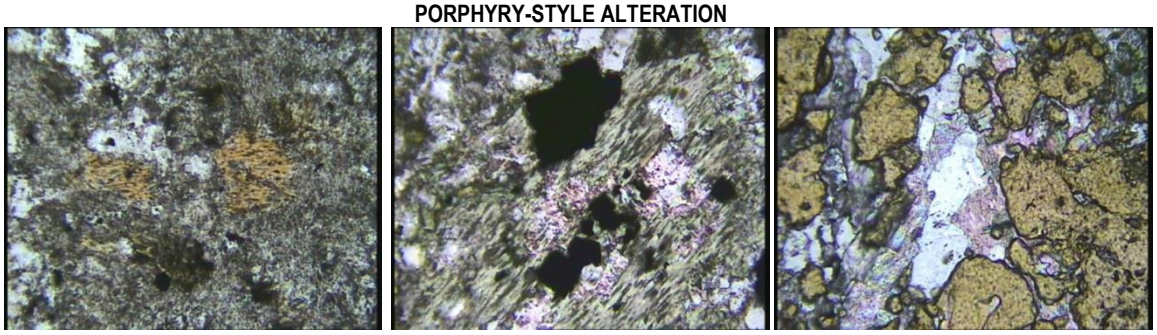
PORPHYRY-STYLE VEINING



Quartz-Kfeldspar-anhydrite-magnetite-chalcopyrite veins in propyltic-potassic altered diorite (TRDD055 & 58)

Quartz-anhydrite-pyrite-chalcopyrite veins in phyllic-potassic altered tonalite (TRDD057)

PORPHYRY-STYLE ALTERATION



Quartz-Kfeldspar-biotite/chlorite-anhydrite-magnetite alteration in diorite / quartz diorite (TRDD057 & 58)

Garnet-anhydrite-quartz (calc-silicate) alteration in calcareous volcaniclastic rock (TRDD058)

Strategic Alliance with Anglo American in Papua

The Company's Strategic Alliance with Anglo American and Indonesian parties to explore for copper-gold deposits in Papua and West Papua provinces expired in May 2014 (*see* ASX announcement of 21st May 2014).

However, the three existing Exploration IUP tenements that are owned by Indonesian parties, pursuant to the Strategic Alliance, remain and continue to be governed under the terms of the Strategic Alliance Agreement.

These cover nearly 3,000 km^2 at the centre of the Bird's Head peninsula in West Papua Province which cover prospective ground in the same region that hosts Grasberg - Indonesia's largest porphyry copper-gold deposit.

Anglo American is responsible for managing and funding all exploration activities in West Papua.

No work was undertaken during the quarter. The parties are conducting a review of the three tenements.

AUSTRALIA

ARX exercised its respective options to proceed to Farm-in on the Junee and Oberon projects owned by New South Resources Pty Ltd ("NSR"), located in New South Wales (*see* ASX announcement of 30th June 2014). ARX has now signed the Farm-in Agreements for both projects.

The key commercial terms as previously announced on the 3rd July 2013 are:

- ARX may earn a 51% interest by sole funding A$ 500,000 on each of the projects within two years of signing the Farm-in Agreements.
- ARX may then earn up to an 80% interest, in one or both projects, by sole funding a further A$ 580,000 within a further one year on each project it elects to progress.

These two projects are located within the Lachlan Orogen, a complex geological province endowed with world-class gold and gold-copper deposits.

ARX also holds an option to farm-in to a gold property owned by Snowmist Pty Ltd ("Snowmist") in Mount Garnet mining district of Far North Queensland (Figure 5). This option period extends until August 2015.

The company conducted further evaluation of the Oberon Project during the quarter and plans to do exploration on both Oberon and Junee in the next quarter.

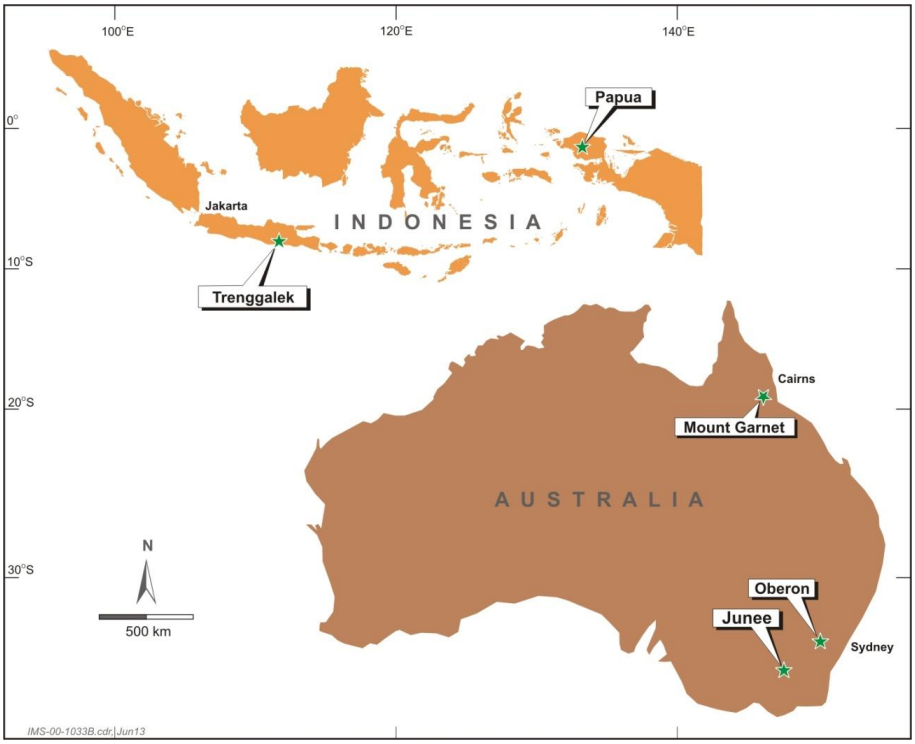


Figure 5. Indonesian & Australian Projects

Junee Project, NSW (100% NSR)

The **Junee Project** is located close to existing mine operations and development infrastructure near the major regional centre of Wagga Wagga. It comprises four Exploration Licences (EL's 6516, 6658, 6768 & 8152). The total area of this tenement package is about 87 square-kilometres (Figure 6).

These tenements straddle the major regional Gilmore Fault Zone and contain rocks of the Junee-Narromine Volcanic Belt, part of the highly prospective Ordovician-Early Silurian Macquarie Volcanic Arc in the Lachlan Orogen. Large porphyry-related gold and gold-copper deposits, such as Northparkes, Gidginbung and Cowal, occur along this fertile volcanic belt and their distribution is believed to be spatially related to the Gilmore Fault Zone and its associated fault splays.

EL 6516 contains the 77,000-ounce *Dobroyde* gold deposit (*see* ASX announcements of 3rd and 10th July 2013) on which historic drilling has produced some spectacular high-grade gold intercepts within a low-grade mineralisation envelope, including 22m at 37.3 g/t gold, 16m at 10.5 g/t gold and 6m at 18.2 g/t gold (*see* ASX announcements of 9th October 2013).

A review of historic geophysical data collected over the Dobroyde gold deposit and surrounding area was undertaken by a geophysical consultant from Moore Geophysics of Melbourne. Three-dimensional geophysical inversion modelling was performed on airborne magnetic and ground chargeability & resistivity datasets acquired from previous detailed surveys.

The derived 3D inversion models will be interpreted by the geophysical consultant with the aim of identifying potential targets for additional gold resources and possible porphyry copper-gold systems. The initial follow-up will comprise ground validation work, surface geochemical sampling, and possibly drill testing if results justify. The results of the geophysical modelling should be available in the next quarter.

ARX expenditure on the Junee Project for the quarter totalled A$35,704.

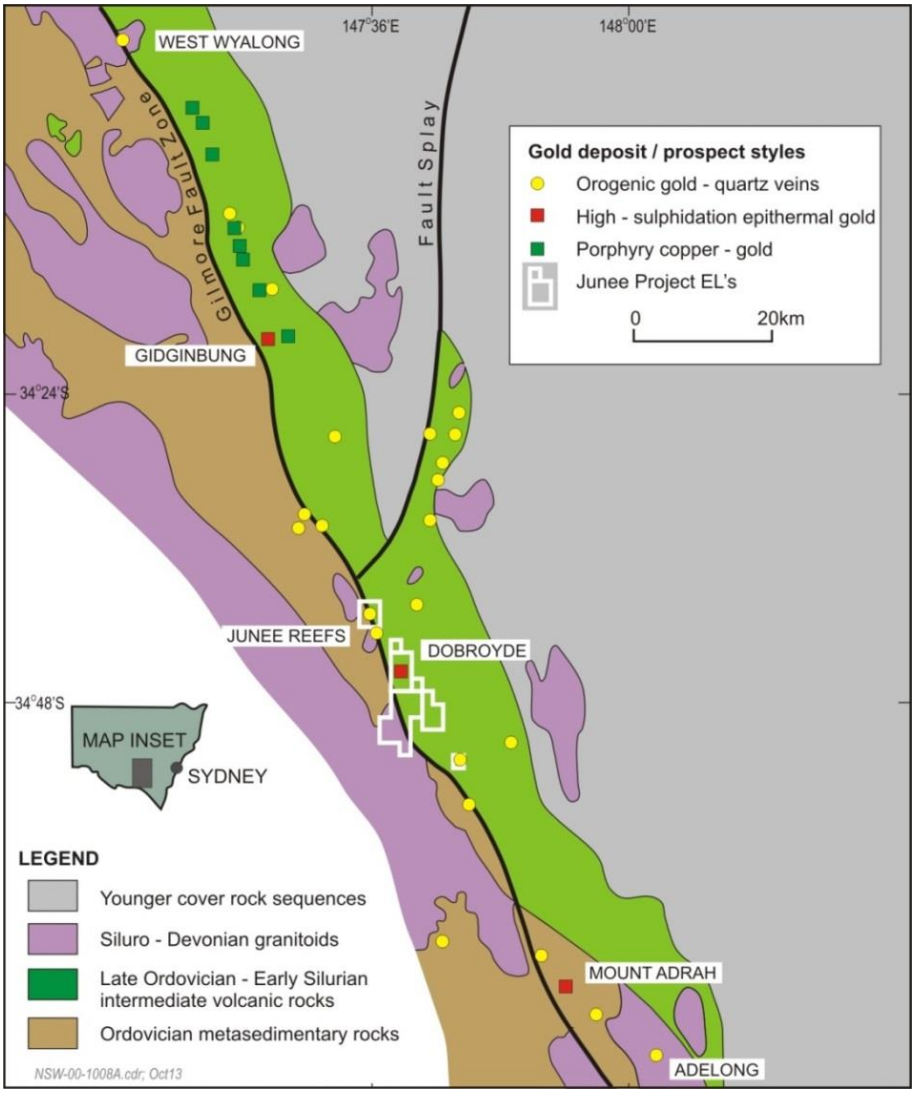


Figure 6. Junee Project Location

Oberon Project, NSW (100% NSR)

The **Oberon Project** is located close to existing mine operations and development infrastructure near the major regional centre of Bathurst. It comprises one large licence EL 6525 and a smaller adjoining licence EL 8110. The total area of this tenement package is approximately 171 square-kilometres (Figure 7).

The project area covers Siluro-Devonian and Ordovician volcanic rocks of the Hill End Trough and the Macquarie Volcanic Arc and is located on the eastern side of the Lachlan Orogen. The Siluro-Devonian volcanosedimentary rocks in this region are host to VMS-related gold-base metal (McPhillamys, Lewis Ponds) and orogenic gold-vein (Hill End, Lucknow) deposits. Ordovician volcanic rocks within the project area are of a similar age and composition to those hosting the multiple gold-copper porphyry and gold-copper skarn deposits found in the nearby Cadia district. The Oberon Project area is therefore prospective for similar styles of mineralisation. Carboniferous granites intrude both of the older rock sequences and the edges of these intrusions are prospective for gold skarn deposits (Lucky Draw, Browns Creek).

EL 6525 contains the 150,000-ounce *Murphys* gold deposit (*see* ASX announcements of 3rd and 10th July 2013) from historic drilling which has produced some broad low-grade gold intercepts including 49m at 0.75 g/t gold, 23m at 1.05 g/t gold and 34m at 0.62 g/t gold.

Reconnaissance rock chip sampling was undertaken during the quarter on several historic prospects. A total of thirty one (31) rock chip samples were collected. Sample locations are shown in Figure 8. Results are summarized below.

Native Dog
Sixteen (16) rock chip grab samples were taken from outcrops of partly oxidised, silicified and sulphidic quartz-stockworked basaltic andesite breccias and metasedimentary rocks of the Rockley Volcanics. Eleven samples returned gold results ranging from 0.1 to 4.07 g/t Au and five samples returned 0.1 to 0.23% Cu. Arsenic and antimony are also strongly elevated in the results.

There are no historic mine records from this area but limited previous shallow RAB and RC drill testing have confirmed the presence of significant gold-multielement anomalies within the prospect area. The anomalous rock samples are distributed over about 1.5 km strike-length of prospective stratigraphy. A previous pole-dipole IP survey conducted in the northern part of the prospect area produced large chargeability anomalies that may indicate the presence of gold-bearing sulphidic alteration systems and potential for porphyry copper-gold at depth.

Holmwood
Six (6) rock chip grab samples were taken from dumps on two small historic mine workings located on this prospect. Five samples of partly oxidised quartz-sulphide veins hosted in basaltic andesite of the Rockley Volcanics returned copper results ranging from 1.1 to 7.1% copper and gold results of up to 0.94 g/t Au. The mine workings are located about 600 m apart. Limited previous RC drilling on this prospect tested magnetic anomalies located off the line of workings and intersected low-grade copper mineralisation (several 100's ppm Cu) disseminated through the mafic volcanic rocks. These early results highlight potential for porphyry copper-gold mineralisation in the prospect area.

Phoenix – Mabel
Four (4) rock chip grab samples were taken from dumps on two small historic base metal mine workings located about 3-4 km south of the Murphys gold deposit and within the same package of altered felsic volcanic host rocks. One sample of gold-silver-base metal rich massive sulphide dump material taken from the Phoenix workings returned 18.2% zinc, 9.27% lead, 1.56% copper, 1.26 g/t gold and 240 g/t silver. Three samples taken from the Mabel workings returned 0.19 to 1.76 g/t gold and 27 to 93 g/t silver in baryte-rich material containing disseminated base metal sulphide mineralisation.

Limited previous drilling was conducted beneath these workings and the results of this are believed to have been inconclusive. There is potential for gold-silver-rich VMS and bulk disseminated gold-sulphide mineralisation similar to the Murphys gold deposit, along and surrounding this line of significant historic workings.

Follow-up geological mapping, orientation soil sampling, petrological studies and geophysical evaluations are planned to further evaluate the porphyry potential of the Native Dog and Holmwood prospects in the next quarter.

Reprocessing and modelling of detailed geophysical data previously acquired over the Oberon project area are still in progress by a geophysical consultant from Moore Geophysics of Melbourne. Results from this will be used to further assess the potential of the project area for additional gold resources and porphyry copper-gold targets.

ARX expenditure on the Oberon Project for the quarter totalled A$78,568.

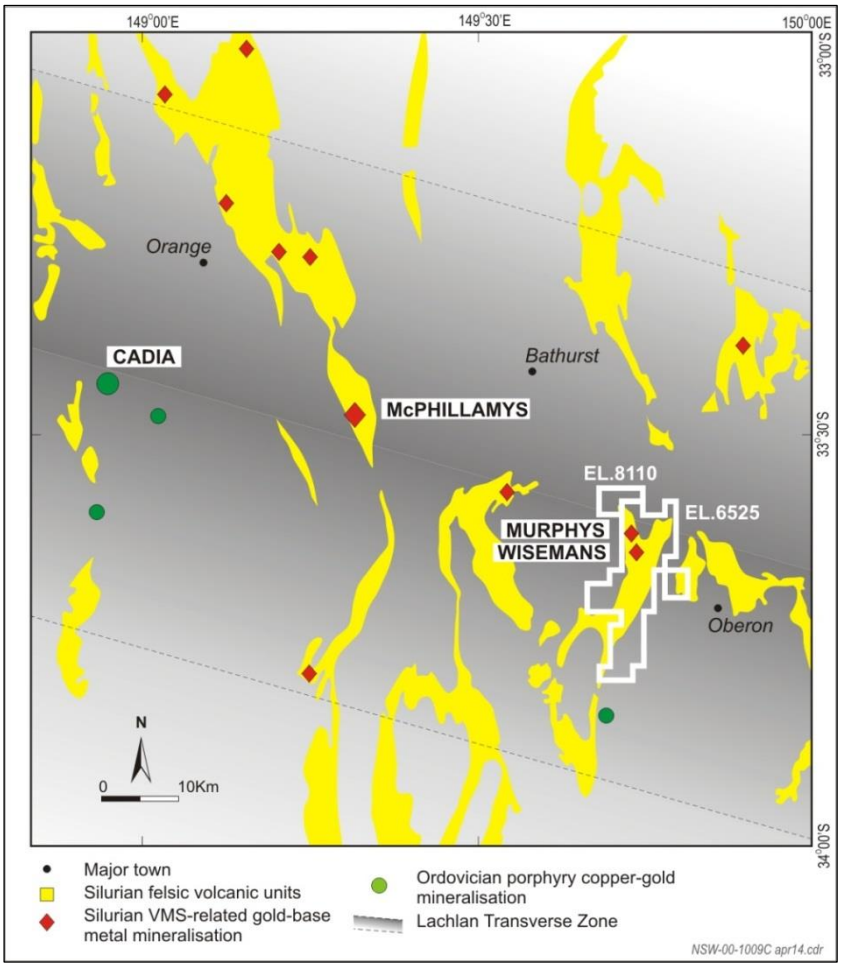


Figure 7. Oberon Project Location

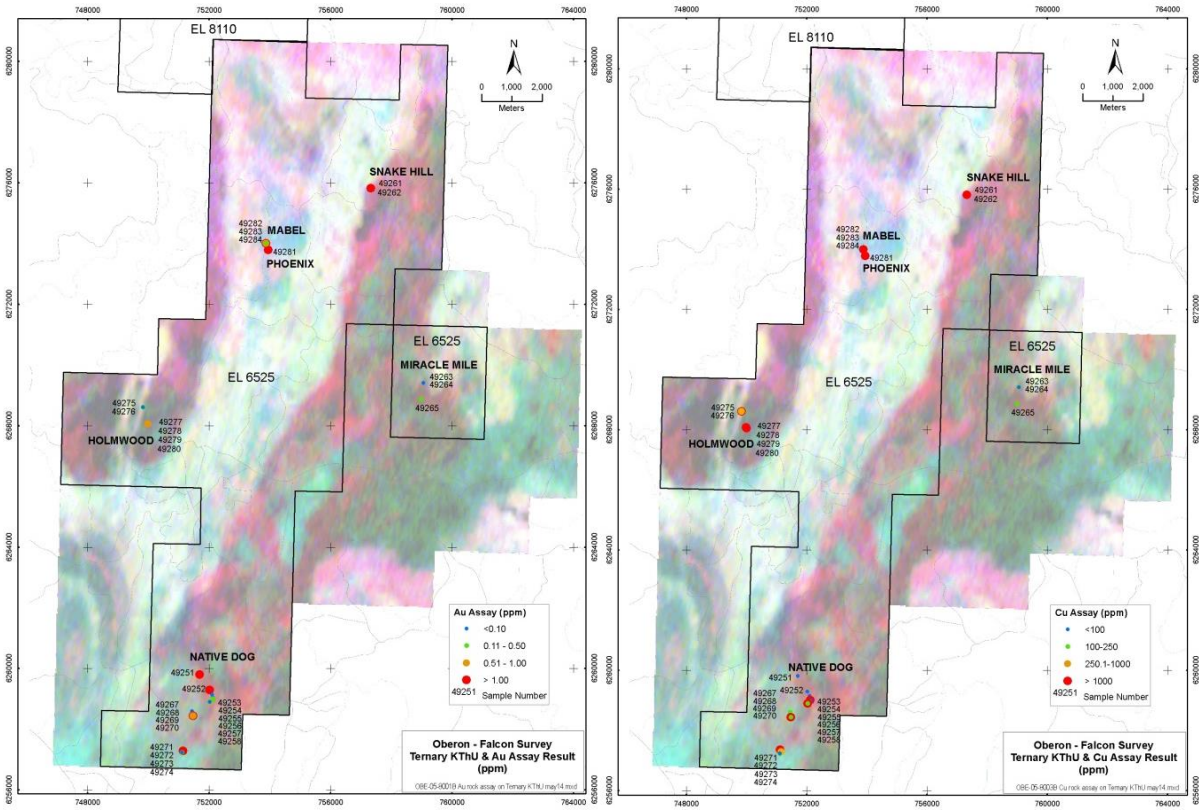


Figure 8. Oberon Project – Rock Chip Sample Locations Showing Gold (left) and Copper (right) Results

Mount Garnet Project, Queensland (100% Snowmist)

The **Mount Garnet** Project is located close to mine operations and development infrastructure west of the major regional centre of Cairns. It comprises three Mining Leases (ML's) covering about 150 hectares that are 100% held by Snowmist Pty Ltd ("Snowmist").

ARX was recently granted a new minerals exploration permit, EPM 25343, comprising six sub-blocks that cover about 17 square-kilometres of prospective ground located close to the Triple Crown mining leases on which ARX holds an option to Farm-in (*see* ASX announcements of 21st August 2013 and 9th July 2014).

The project lies within the Mt 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.

One of the mining leases contains the 69,000-ounce *Triple Crown* gold deposit 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.

The new exploration permit is believed to contain the same package of rocks that is host to Triple Crown and may be prospective for additional gold resources and other metals including tin and base metals. ARX intends to commence an initial program of surface prospecting and rock chip sampling.

ARX expenditure on the Mount Garnet Project for the quarter totalled A$10,315.

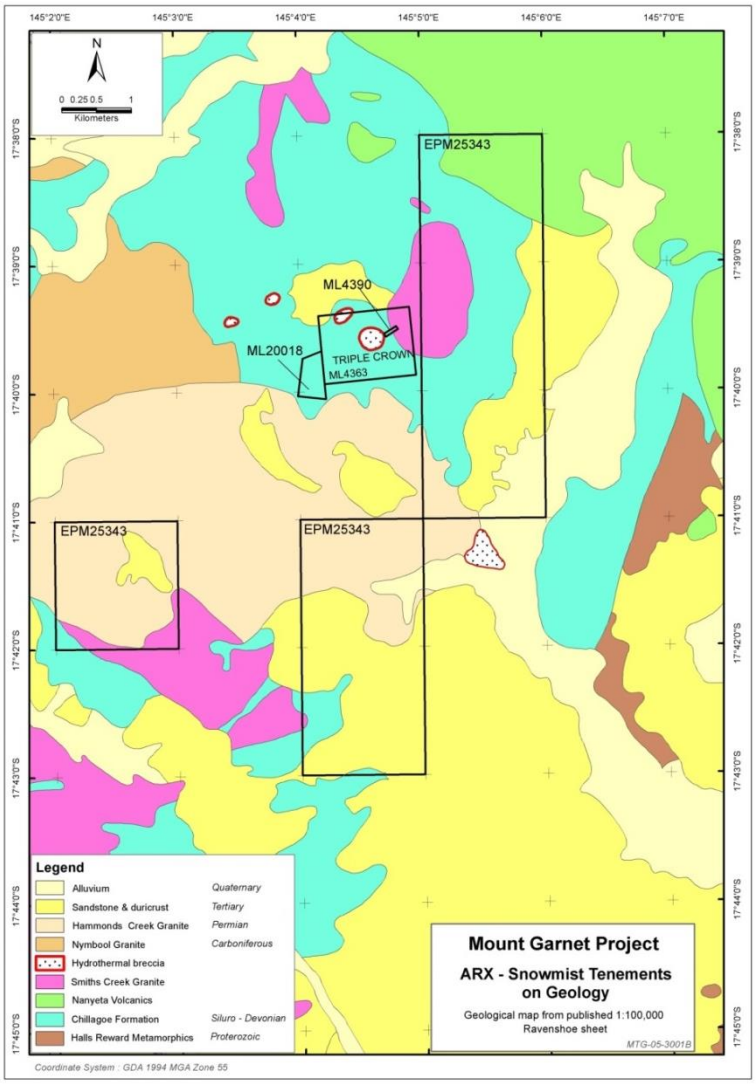


Figure 8. Mount Garnet Project Location

CORPORATE

SHARES ISSUED TO DIRECTORS AND EMPLOYEES IN LIEU OF FEES AND SALARY

Following shareholders' approval at the AGM, a total of 8,356,333 shares were issued in lieu of a portion of directors' fees and salaries for the June 2014 quarter totalling $50,138. The issue price of A$ 0.06 / share was based on a volume weighted average price of the Company's ordinary shares as traded on the Australian Securities Exchange (ASX) over the 10 days on which the shares traded prior to 4 April 2014 being the day on which the Notice of Annual General Meeting was finalised with the ASX. There are now 924,890,131 fully paid shares outstanding in the Company.

The issuance of these shares allows for greater participation by Directors and senior executives as shareholders in the Company whilst the Company is actively exploring and at the same time conserves the Company's cash resources.

The scheme is ongoing and voluntary at the election of Directors and senior executives and further shares will not be allotted without the prior approval of shareholders at a general meeting of the Company. Should shareholders not approve the issue of such shares the outstanding fees/salary will be paid in cash.

This report is dated 24 July 2014.

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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 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.

The information in this report that relates to:

- the *Dobroyde* and *Murphy* gold resources are extracted from the report entitled Junee and Oberon Projects - Statement of Resources created and released to the ASX on 10 July 2013.
- the *Triple Crown* gold resource is extracted from the report entitled Mount Garnet Project - Statement of Resources created and released to the ASX on 21 August 2013.

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 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.

Table 3. Details of Tenements & ARX Interest

Project	Location	Tenement	Area (km^2)	ARX Interest
Trenggalek	East Java, INDONESIA	Exploration IUP	300 km^2	95%
Papua	West Papua, INDONESIA	Exploration IUP	994 km^2	20%
		Exploration IUP	994 km^2	20%
		Exploration IUP	1000 km^2	20%
Oberon	New South Wales, AUSTRALIA	EL 6525	160 km^2	Option Exercised
		EL 8110	11 km^2	Option Exercised
Junee	New South Wales, AUSTRALIA	EL 6516	17 km^2	Option Exercised
		EL 6658	14 km^2	Option Exercised
		EL 6768	20 km^2	Option Exercised
		EL 8152	36 km^2	100%
Mount Garnet	Queensland, AUSTRALIA	ML 4363	129 ha	Under Option
		ML 20018	21 ha	Under Option
		ML 4390	1 ha	Under Option
		EPM 25343	17 km^2	100%

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

Project	Location	Tenement	Area (km^2)	ARX Interest
NIL				

Table 5. Beneficial Interest in Farm-In or Farm-Out Acquired/Disposed of during the Quarter

Project	Location	Tenement	Area (km^2)	ARX Interest
NIL				