

TRENGGALEK UPDATE

Highlights:

- The process of Anglo American exiting from the Trenggalek Project has been completed; ARX retains 95% and our local partner 5% of this project.
- Anglo American has fully funded over US\$3.5m of exploration expenditure at Trenggalek, adding substantially to the database and setting a platform for future exploration.
- Further ground exploration by ARX is in progress and focusing on potential gold and copper targets.

Arc Exploration Limited (ASX Code: ARX) announce the completion of the exit process of its former joint venture partner, Anglo American, from the Trenggalek Project located in East Java, Indonesia and its current exploration activities there.

Managing Director, Dr Jeffrey Malaihollo, commented:

"We would like to thank our former joint venture partner, Anglo American, for their support and cooperation over the past two years. Anglo American contributed over US\$3.5 million in exploration expenditure and generated a wealth of new data that has significantly advanced our understanding of the porphyry potential at Trenggalek."

We remain encouraged by the copper and gold potential at Trenggalek and will continue to explore the tenement area. Large parts of the project area are underexplored and there are multiple targets - for both epithermal gold and porphyry copper - generated from past and recent work that remain to be tested."

As announced on 9 September 2014, Anglo American decided to withdraw from the Trenggalek Project - Joint Venture due to a global rearrangement of its exploration priorities. The process of Anglo American exiting from the project is now completed and the ownership of the Trenggalek Project remains at ARX 95% and our local partner 5%.

Anglo American has fully funded exploration expenditure at Trenggalek since late 2012. The work completed under the Joint Venture is summarised below.

- A high-resolution airborne magnetics-radiometrics survey and targeting over the entire IUP tenement area.
- Structural interpretation of geophysical data over the entire Trenggalek Project.
- 3D magnetics inversion modelling of selected targets: Sumber Bening and the Buluroto block.
- A 3D Induced Polarisation - Resistivity ground survey and inversion modelling over the Sumber Bening.
- Grid soil geochemical surveys over selected targets: Sumber Bening and Buluroto block (~4,500 samples).
- 2,563 metres diamond drilling completed in 5 holes at Jerambah and Singgahan prospects.
- Petrographic evaluation of drill cores from Jerambah and Singgahan
- Spectral Analysis on over 4,000 rock samples taken from various prospects.

The partnership with Anglo American has provided the first opportunity to test the porphyry potential of the Trenggalek IUP and their contribution has significantly expanded the project database, providing a solid platform on which to plan future exploration.

The initial phase of scout drilling completed at Jerambah and Singgahan prospects earlier this year confirmed the presence of porphyry systems at both prospects (See ARX March 2014, June 2014 & September 2014 Quarterly Activities Reports).

The Company firmly believes that the Trenggalek Project still has significant copper and gold potential and is substantially underexplored. Multiple targets remain to be tested within the project area, including the large high-sulphidation alteration system identified at Sumber Bening on the western side of the IUP (See ARX September 2013 Quarterly Activities Report), and other potential porphyry targets highlighted from a 2D interpretation of the airborne magnetics and radiometrics (See ARX March 2013 Quarterly Activities Report and Figure 1).

ARX is now conducting further field mapping and prospecting to evaluate the potential new porphyry targets and is re-evaluating some of the original epithermal gold prospects for previously untested potential.

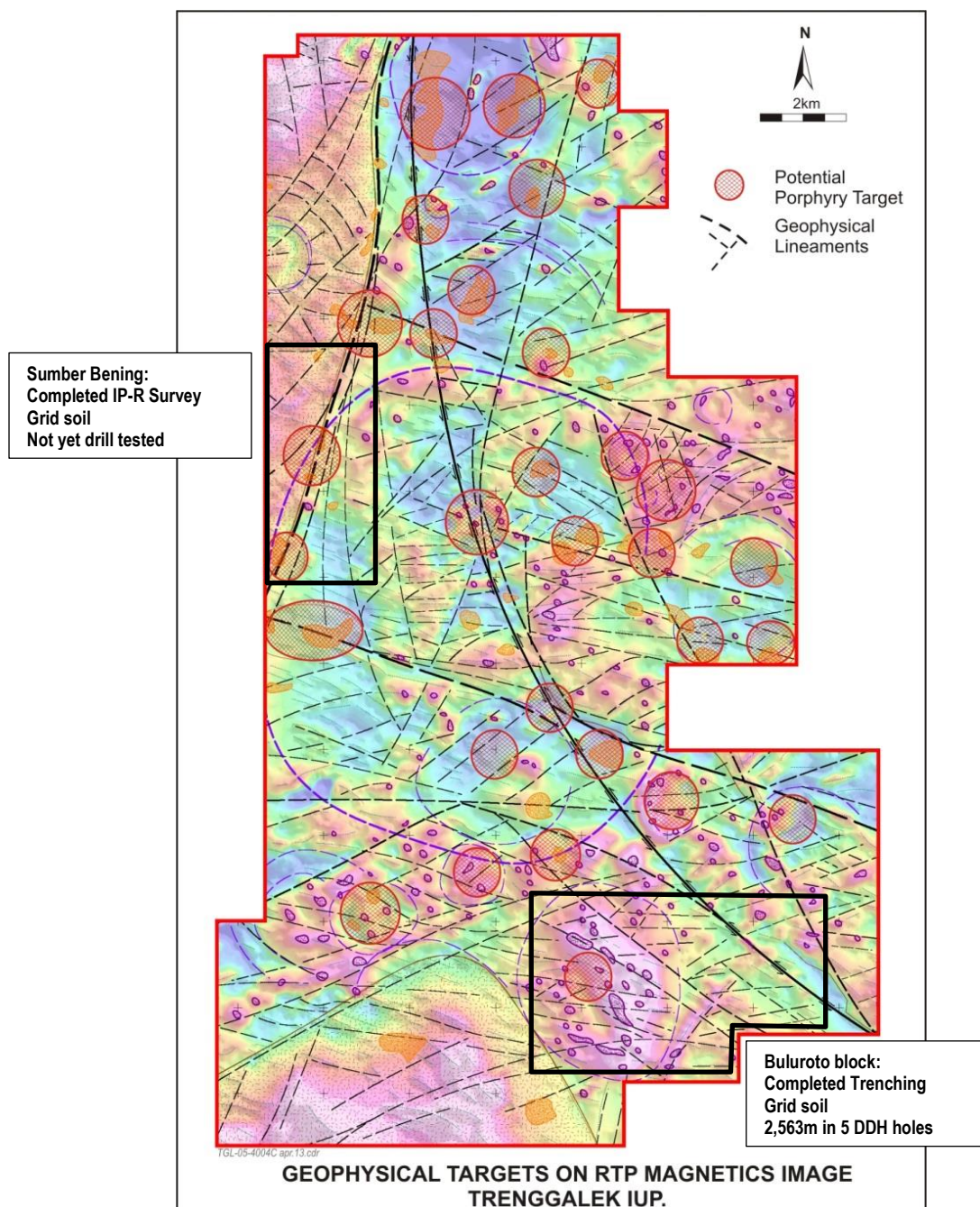


Figure 1.

Early exploration work carried out by ARX, prior to the Anglo American JV, concentrated on testing of intermediate-sulphidation epithermal gold-bearing veins, breccias, jasperoid and high-grade float targets at multiple prospects identified within the IUP. These gold targets are hosted by Oligo-Miocene age volcanic and volcanoclastic rocks, limestone, subvolcanic plugs and possible diatreme breccias. Several of the prospects have had limited drill testing and produced some significant gold-silver intercepts including 9 m at 4.5 g/t Au & 8 g/t Ag at Sentul, 13.7 m at 3.2 g/t Au & 60 g/t Ag at Buluroto, and 6.6 m at 4.9 g/t Au & 149 g/t Ag at Kojan. High-grade gold-vein float occurrences identified at the Jati and Jombok have yet to be traced to source and remain a valid exploration target.

The discovery of a high-sulphidation epithermal alteration system at Sumber Bening in late 2011, and other similar alteration systems since, supported the potential for deeper porphyry gold-copper targets within the Trenggalek IUP.

Initial drilling of targets identified at Jerambah and Singgahan prospects with Anglo American in 2014 confirmed the occurrence of porphyry-style veining and alteration associated with multiple diorite-quartz diorite-tonalite intrusions and diatreme breccias. The large alteration systems defining these prospects and at other potential porphyry target areas identified within the IUP are open and remain to be explored.

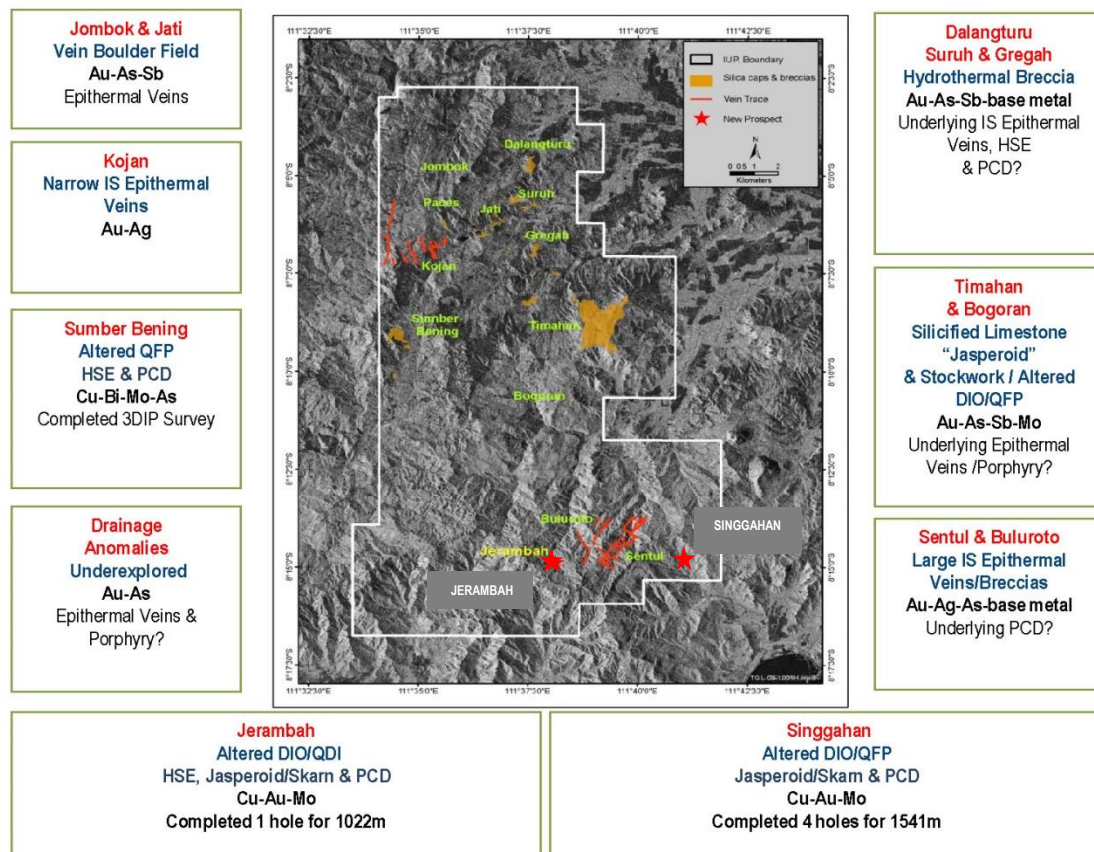


Figure 2 Trenggalek IUP - Prospects

About Trenggalek

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

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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.