

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

The year just gone has seen a number of developments, in Australia and Indonesia. We have continued our program of diversification into Australia while retaining our project at Trenggalek in Java. Within the budgetary constraints within which a junior explorer must operate, our results have been encouraging in a geological sense leading to our decision to exercise the options we held to farm-in to the Junee and Oberon gold-base metal projects. At Trenggalek we drilled four holes aggregating 1,541 metres and also identified new targets within the tenement.

During 2014 we introduced a new shareholder, Treasure Key Investments, by way of equity placement. TKI is now our largest shareholder and we welcome them to ARX. Mr Max Ramajaya also joined our board.

All the above is positive. We have a range of good projects within the company including ones with established gold resources. But we need funds to develop them. Our policy remains to introduce large mining companies to joint venture with us, providing the funding we need to take things further. As previously advised, following a reorganisation of global priorities, our joint venture partner, Anglo-American, withdrew from Trenggalek last September. At the time of withdrawal Anglo had spent US\$3.5m on the project, at no cost to Arc and with our interests not being diluted. In relation to one of our other projects we are in discussions with other global majors looking to farm in. But we all know that there is a time factor involved before these discussions turn into a binding agreement and nothing can be guaranteed.

Our company is run very frugally and we have no debt. We have cash in the bank. But we have ongoing and regular obligations to meet and it is necessary that we raise funds from the broader shareholding base very soon to allow the company to both continue and then to undertake project development. No matter what economies we make, that is just a fact of life for exploration companies. We last approached the broader shareholder base for funding in 2010 so we do not do so very often. I believe that Arc is a strong investment proposition for those interested in the gold exploration sector—ultimately though it is a matter for shareholders as a whole and as always you will be kept fully informed.

For further information please contact:

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