

CAPITAL RAISINGS AND COMMENCEMENT OF DRILLING PROGRAMME

Highlights

- **Share Placement to raise \$404,357;**
- **Rights Issue to raise \$3.1 million;**
- **Strategic Alliance with Indonesian drilling contractor; and**
- **Drilling to commence at 95% owned high-grade epithermal Trenggalek gold project located in East Java, Indonesia.**

Arc Exploration Limited (ASX Code: "ARX") is pleased to announce a number of strategic initiatives designed to take the Company forward. The initiatives involve capital raisings, a strategic alliance with an Indonesian drilling contractor and plans to commence drilling at ARX's gold project located at Trenggalek in East Java, Indonesia.

SHARE PLACEMENT

Arc Exploration Limited has today completed a Placement of 22,464,276 fully paid ordinary shares in the Company at 1.8 cents per share, with one option attached to each two shares applied for, to raise A\$404,357 ("Share Placement"), before costs of the issue.

The issue of these shares fall within the 15% capacity afforded by ASX Listing Rule 7.1. The options attached to the Share Placement will be issued subject to shareholder approval and be exercisable at 3.6 cents at any time until 31 January 2011.

RIGHTS ISSUE

The Board of Directors has resolved to undertake a non-renounceable pro-rata rights issue ("Rights Issue") that will be structured as follows:

- A non-renounceable pro-rata entitlement offer to acquire one new share for every existing share (1 for 1) held in the Company to raise up to A\$3.1 million;
- The new shares will be offered at 1.8 cents per share.
- Shareholders who subscribe for their rights will also be issued one option for every 2 new shares subscribed for. The options are exercisable at 3.6 cents per share at any time until 31 January 2011;
- Shareholders will be offered the opportunity to participate in any shortfall that may arise ("Shortfall"). Shareholder approval will be sought to allow Directors (including those who are presently shareholders) to participate in the Shortfall.
- The Rights Issue will not be underwritten. However ARX will work with the holder of an Australian Financial Services Licence to place any Shortfall arising under the Rights Issue.

The Company proposes to despatch a Prospectus to eligible shareholders on or about 27 October 2009.

STRATEGIC ALLIANCE WITH DRILLING CONTRACTOR

ARX has entered into a strategic alliance with a leading drilling contractor in Indonesia with extensive experience in the conduct of major drilling projects throughout the country. As a result of this alliance the drilling contractor will undertake a 5,000 metre diamond core drilling program at the Company's Trenggalek Project at its own cost in exchange for shares and options in ARX.

The Drilling Agreement is a fixed priced contract valued at US\$825,000 (approximately A\$1,000,000).

Subject to shareholder approval ARX will pay for the drilling services to be provided by the issue of fully paid ordinary shares and options on the same pricing and terms referred to above in respect of the Placement and Rights Issue and for the value of the contract as it is performed. The shares issued to the drilling contractor will be voluntarily escrowed until 30 June 2010.

OPTIONS PLACEMENT

The Board has also resolved to conduct a placement, subject to shareholder approval, of 75 million options with an exercise price of 3.6 cents and an expiry date of 31 January 2011 at an issue price of 0.2 cents to raise \$150,000, before costs of the issue ("Options Placement").

FORWARD PLANS

Once in funds, ARX will focus on exploring for gold in Indonesia where the Company's senior management have a proven track record. The Managing Director John Carlile established and led the exploration team at Newcrest Mining that discovered high-grade epithermal gold in the Gosowong District on Halmahera and the Exploration Manager Brad Wake led the exploration team at Aurora Gold that discovered the epithermal gold project at Toka Tindung in North Sulawesi.

Initial exploration will be conducted on the Trenggalek Project which contains several outcropping gold mineralised veins and locally high-grade vein float. Trenggalek has the potential to become a major new gold district containing multiple deposits. Drilling is expected to commence in early 2010.

ARX has a 95% joint venture interest in the Trenggalek tenement which covers an area of 30,044 hectares in East Java. Access to the project is excellent.

The geological setting shows strong similarity to areas hosting world-class gold deposits on the same and similar volcanic arcs in Indonesia (e.g. Pongkor: +4 million gold-ounces and Gosowong: +3 million gold-ounces).

Work already completed by ARX has confirmed the presence of three previously defined gold-bearing vein systems and has also identified several new outcropping gold-bearing veins and areas of high-grade vein float. The above three vein systems, (Sentul, Buluroto and Kojan), have been traced over a strike length of several kilometres and earlier work returned intercepts of up to 10 metres at 12.6 g/t gold in trenching and 2.6 metres at 10.1 g/t gold in diamond drilling at Buluroto. Trenching by ARX returned 3 metres at 7.6 g/t gold and a grab sample of 149 g/t gold at Sentul. ARX believes that there is significant potential to discover multiple high-grade ore-shoots along the vein structures.

In the northern half of the KP several new areas of gold-bearing vein float have been identified with the higher grade samples returning between 7 to 46 g/t gold. The primary source(s) of this vein float remains to be identified but its distribution within a 30 square kilometre area, and its association with near-surface hot spring features, indicates good potential for discovering multiple shallowly eroded, high-grade epithermal gold-vein deposits in the project area.



Other than Trenggalek, further work will also be conducted during 2010 to advance exploration targets defined on the Company’s Bima Project in East Sumbawa, and to identify new projects from generative work.

The information in this report that relates to Exploration Results is based on information compiled by Mr. Brad Wake, who is a member of the Australian Institute of Geoscientists. Mr. Wake has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.’ Mr. Wake consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

CAPITAL STRUCTURE

On completion of the Share Placement, Rights Issue and Options Placement, assuming the issues are fully subscribed, the Company will have the following capital structure:

Current Shares on Issue:	149,761,711
Share Placement	22,464,256
Rights Issue	172,225,967
Total	344,451,934

Options:

\$0.025 – 6 July 2012 (unlisted)	17,775,000
\$0.75 – 30 June 2012 (Listed)	7,940,729
\$0.036 – 31 January 2011 (Listed)	172,345,112

ABOUT ARC EXPLORATION LIMITED

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

ARX aims to generate value through exploration and the discovery of high-grade gold, silver and associated base metal deposits within Indonesia's highly prospective magmatic arcs and associated terranes. ARX plans to build a pipeline of exploration projects to be farmed out to established mining companies once ARX has created value through exploration and resource definition.

The Company has a 95% joint venture interest with PT Sumber Mineral Nusantara in the Trenggalek tenement located in East Java and a 95% interest in the Bima tenement located in East Sumbawa of West Nusa Tenggara Province.

In association with Anglo American Group, the Company is also exploring for large porphyry copper-gold deposits in Papua.

For further information please contact:

Andrew J. Cooke
Company Secretary

Tel: + 61 2 9419 8044

Email: andrewcooke@arx.net.au

Or visit the website:

www.arcexploration.com.au