ASX ANNOUNCEMENT **9 April 2014**

UPDATE ON TRENGGALEK EXPLORATION ACTIVITIES

Highlights:

- First drill hole (TRDD055) completed at Singgahan Prospect intersecting traces of chalcopyrite & molybdenite mineralisation in porphyry-style veining hosted by a diorite intrusion; assay results are awaited.
- Further encouraging bench results were received at Singgahan and confirm the gold-copper-molybdenum anomalism in bedrock beneath the extensive soil anomaly.
- A petrological study of selected drill core from Jerambah Prospect confirms the potential for a mineralised porphyry system in this prospect area.
- Additional copper-gold-molybdenum anomalies highlighted from soil sampling to the north of Jerambah.

Dr Jeffrey Malaihollo, ARX's Managing Director and CEO, commented:

> "The Company is now entering into an exciting phase of its development with a number of prospects targeting porphyry style mineralisation on the Trenggalek Project being identified.
>
> Drill core from the first hole TRDD055 completed at Singgahan shows traces of chalcopyrite and molybdenite mineralisation in porphyry-style quartz-magnetite veining. A second drill hole TRDD057 is continuing to test the prospect.
>
> Meanwhile, petrological work completed on core from TRDD054 drilled at Jerambah last year supports our conclusion that this hole has possibly intersected the periphery of a potential mineralised porphyry system.
>
> A third area, north of Jerambah, has recently returned anomalous copper, gold and molybdenum results from soil sampling and we are now planning some benches to sample the bedrock in this area.
>
> Altogether these three prospects cluster within an area of about 5-km by 3-km. Their geochemical signatures and favourable geological environment support the potential for concealed porphyry systems."

Arc Exploration Limited (ASX Code: ARX) is pleased to announce more encouraging results from porphyry exploration done together with its JV partner, Anglo American, on the Trenggalek Project located in East Java, Indonesia.

Commencement of scout drilling on the Singgahan Prospect was announced on 19th March 2014. The first scout hole (TRDD055) has been completed and tested a coherent copper-gold-molybdenum anomaly highlighted by soil and bench sampling (*See* ARX announcements of 14th January 2014 and 26th February 2014). This hole was drilled to a final depth of 331.7m and intersected an altered diorite intrusion beneath a capping of calcareous volcaniclastic rocks hosting diffuse quartz-magnetite-pyrite-anhydrite veinlets and stockworks containing traces of disseminated chalcopyrite and molybdenite mineralisation. Splitting and sampling of the drill core are in progress and assay results are anticipated within the next 2-4 weeks.

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

Sydney
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 53160118
F + 62 21 53160119

Table 1. Singgahan Prospect – TRDD055 Drill Hole Collar Details

Hole ID	mE	mN	mRL	Dip	Azimuth	Depth (m)
TRDD055	574,962	9,088,564	388	-50^0	285^0	331.7

Photos of TRDD055 drill core at 154-m (left) and 174-m (right) down-hole
Altered diorite intrusion cut by porphyry-style quartz-magnetite-pyrite-anhydrite veinlets
containing traces of chalcopyrite & molybdenite mineralisation

Further encouraging bench results were also received at Singgahan. Two more benches (SGB-02 and SGB-03) were completed on either side of bench SGB-01, which previously produced anomalous copper-gold-molybdenum intercepts including 140m at 0.045 ppm Au, 386 ppm Cu & 4 ppm Mo (*See* ARX announcement of 26 February 2014). The two new benches produced similar results, including 42m at 0.105 ppm Au, 343 ppm Cu & 4 ppm Mo in SGB-02 and 58m at 0.106 ppm Au, 236 ppm Cu & 2 ppm Mo in SGB-03 (see table below). These results have confirmed that the coherent copper-gold-molybdenum anomaly persists in bedrock over at least 500m strike-length. The width and intensity of the mineralisation at depth is currently being investigated by scout diamond drilling.

Table: SINGGAHAN - Anomalous Bench Intercepts

Bench ID	Length (m)	Gold (g/t)	Copper (ppm)	Molybdenum (ppm)	Comment Max. individual results
SGB-02	100	0.074	259	3	
incl	**42**	**0.105**	**343**	**4**	0.246 g/t Au, 406 ppm Cu, 25 ppm Mo
	42	0.074	224	2	
	38	0.068	223	4	
SGB-03	**58**	**0.105**	**236**	**2**	0.33 g/t Au, 562 ppm Cu, 7 ppm Mo
	70	0.023	167	1	
	30	0.019	122	3	
	18	0.031	227	5	

Notes: Length (m) is distance along the contour bench
Intercepts represent equally weighted results composited from adjoining 2m continuous-chip samples taken along the bench
The true-width and orientation of the gold-copper-molybdenum anomaly are uncertain

Results were received from a petrology study on 26 core samples selected from hole TRDD054, drilled at Jerambah Prospect late last year (*See* ARX announcement of 12 December 2013). Jerambah is located about 5 km west of Singgahan Prospect. The results of the petrology study have 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. More drilling is planned to test other parts of the prospect.

Further encouraging soil results were received from a large grid-based sampling program conducted in the southeast corner of the tenement area. 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 Jerambah Prospect. These anomalies are similar to those obtained at Singgahan and will be followed-up by prospecting and benching in the coming months.

Background on the Trenggalek Project

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 highly prospective Southern Mountains of East Java.

In December 2012, ARX announced that Anglo American had elected to enter into an agreement with the Company and SMN to farm into the Trenggalek Project. Exploration activities at Trenggalek are currently managed by ARX but fully funded by Anglo American.

Work thus far has identified a large high-sulphidation epithermal alteration system at Sumber Bening and other areas that may be linked to porphyry gold-copper targets at depth. The project area lies within the same belt of rocks that hosts major porphyry copper-gold deposits including Tumpangpitu in East Java, and Batu Hijau and Elang on Sumbawa.

For further information please contact:

Dr Jeff Malaihollo
Managing Director
Tel: + 62 21 531 60118
Email: jeffmalaihollo@arx.net.au

Andrew J. Cooke
Company Secretary
Tel: + 61 2 8076 6004
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 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.

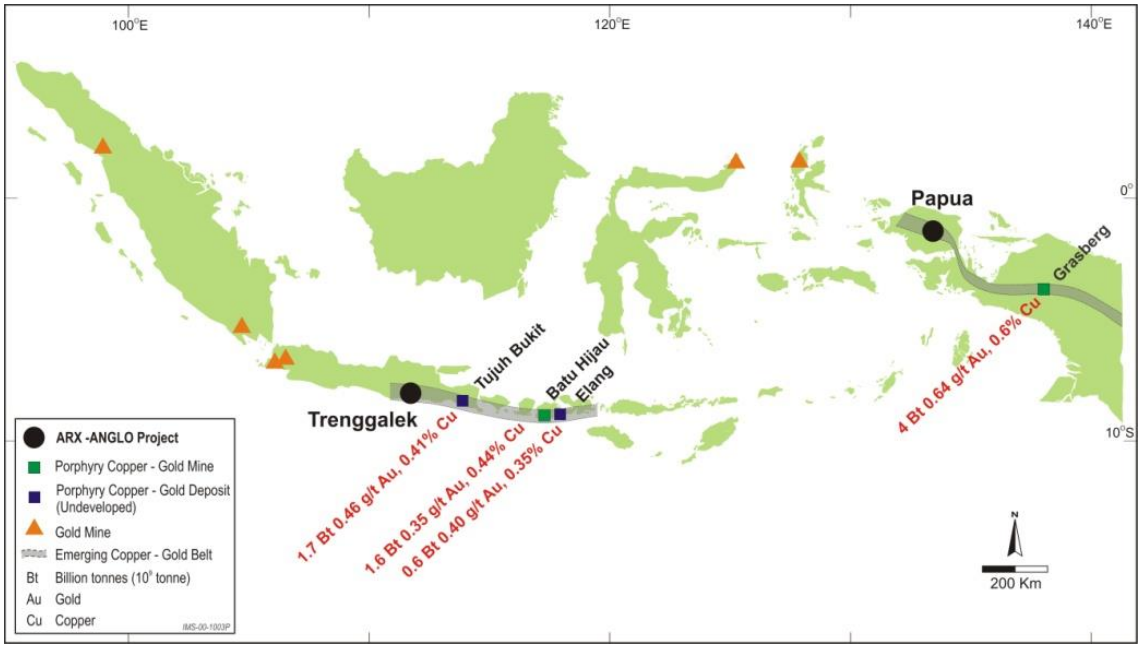

Figure 1. Trenggalek Project Location

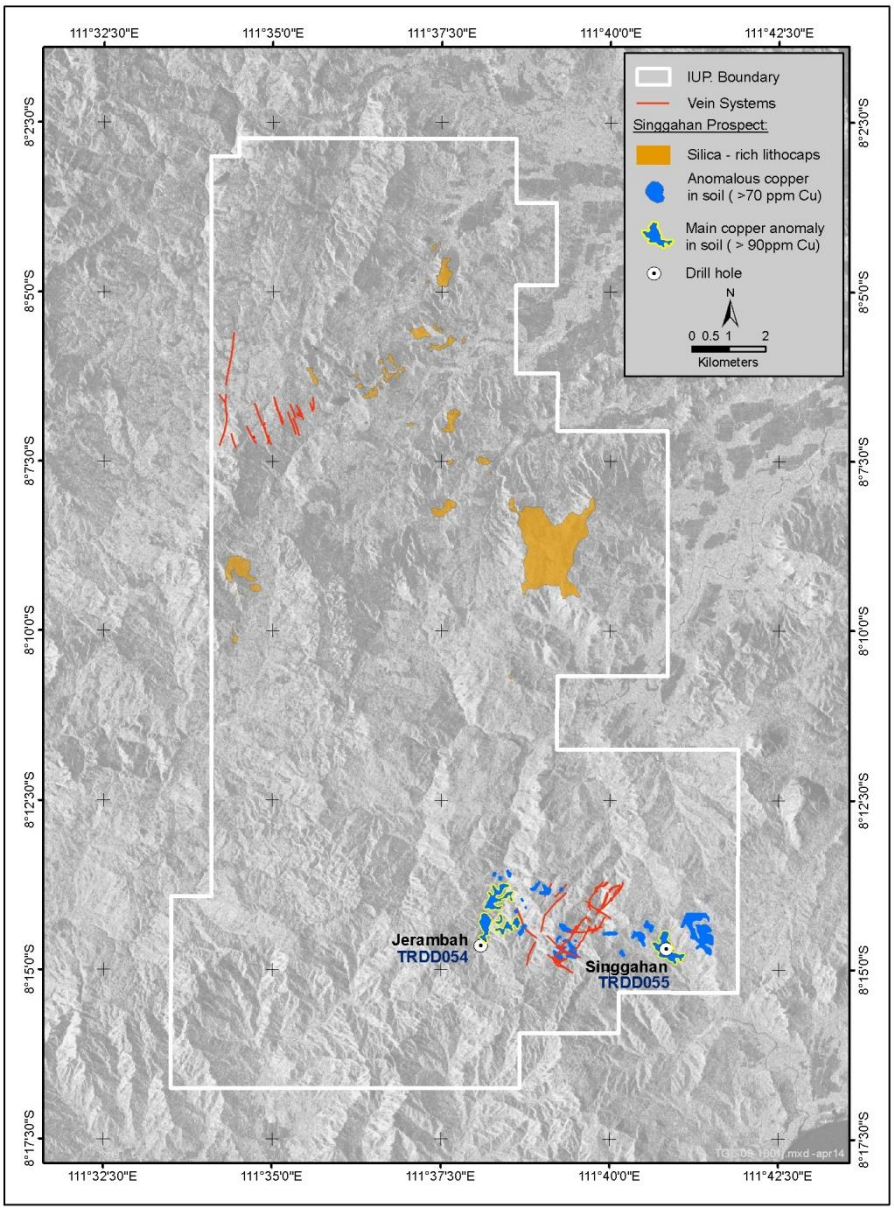

Figure 2. Trenggalek Exploration IUP showing Singgahan & Jerambah prospect location & copper soil anomalies

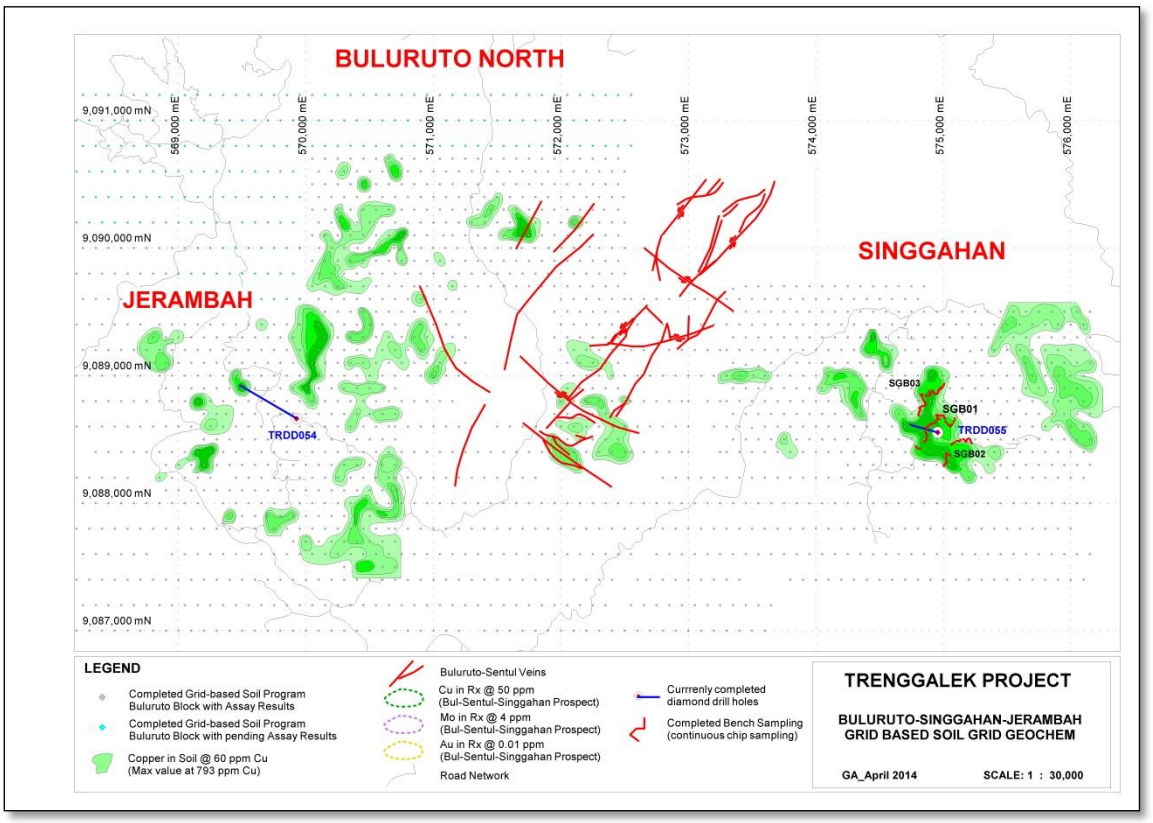

Figure 3. Singgahan, Jerambah and Buluruto North prospect locations showing soil sampling grid & copper-soil anomalies (>60 ppm Cu)

ANNEXURE: Assessment and Reporting Criteria according to 2012 JORC Code

Section 1 – Sampling Techniques and Data

Criteria	Explanation
Sampling Techniques	**Benching**: • The bench was excavated by hand, using crowbar and shovel, and followed an existing terraced contour around the ridgeline. Soil cover is shallow and skeletal (20-50cm depth) above a saprolitic bedrock interface. The bedrock is moderately weathered with primary rock textures partly preserved • The bench line and sample positions were surveyed using the slope-corrected compass-and-tape technique and the ends of the bench were with a GPS instrument • Continuous-chip samples were taken from the weathered bedrock interface; samples were collected by continuous chipping of the bedrock along 2m sample intervals • About 2-3kg of sample was collected over each 2m sample interval into uniquely labelled, calico bags • Sampling was supervised by project geologists & geotechnicians • Samples were sent by road in secured boxes to the internationally certified commercial laboratory, PT Intertek Utama Services in Jakarta. • Samples were weighed, dried and completely pulverised for sub-sampling and determination of: Gold by 50g Fire Assay/Lead Collection with AAS Finish (0.005 ppm gold DL) Copper & molybdenum as part of a 32 multielement package by four-acid mixed digest and an ICP-AES volumetric finish **Soil Sampling:** • Soil samples were taken at 100m sample intervals along 100m spaced E-W oriented gridlines surveyed by slope-corrected compass-and-tape survey technique • Soil sample pits were dug with crowbar-and-shovel • About 1-2kg soil samples were taken unsieved from 30-50cm sample depth within the C soil horizon (skeletal immature soil development) in uniquely labelled, plastic bags • Sampling was supervised by project geologists & geotechnicians • Duplicate samples & geochemical standards were submitted with each sample batch for Quality Control • Samples were sent by road in secured boxes to the internationally certified commercial laboratory, PT Intertek Utama Services in Jakarta • Samples were weighed, dried and completely pulverised for sub-sampling and determination of: Gold by 50g Fire Assay/Lead Collection with AAS Finish Thirty-two multielement package (including copper and molybdenum) by four-acid mixed

	digest with ICP-AES volumetric finish
Drilling techniques	• Not relevant; No previous drilling has been conducted at Singgahan
Drill sample recovery	• Not relevant; continuous-chip samples from the benching were collected in roughly equal volume & weight and were sampled evenly over the 2m interval to avoid bias
Logging	• Rock samples were logged descriptively by project geologists • Soil samples were logged descriptively by trained geotechnicians
Sub-sampling techniques & sample preparation	• Rock samples were collected in-situ and in bulk (unsieved) • All samples were crushed and completely pulverised and sub-split for pulp analysis at the laboratory • Soil samples were collected in-situ and bulk (unsieved) • All samples were completely pulverised and sub-split for pulp analysis at the laboratory
Quality of assay data & laboratory tests	• The laboratory inserts its own blank, standards & sub-split pulp duplicates for Quality Control and reports these results accordingly. • The Company also inserts its own sample duplicates and commercial copper/gold standards on every 25th sample for Quality Control • Results fall within acceptable levels of accuracy and precision
Verification of sampling & assaying	• No external check assaying has been done to-date
Location of data points	• Sample locations were fixed by compass-and-tape and GPS surveying
Data spacing & distribution	• Continuous-chip bedrock samples were taken on adjoining sample intervals along the contour bench; breaks along the bench were due to the presence of gullies, tracks or thick soil cover • Soil samples were collected at 100m sample centres over a rectangular grid
Orientation of data in relation to geological structure	• Uncertain; but geochemical trends in soil and structural information obtained from the bench exposures and in surrounding outcrops suggest that the bench line & orientation of data generally crosses at moderate to high angle to the prevailing mineralised trends • Further benching & mapping will help to confirm this analysis
Sample security	• Samples were bagged, sealed and dispatched under the supervision of a project manager, project geologists & geotechnicians
Audits or reviews	• No external audits or reviews of the data at this early stage

Section 2 – Reporting of Exploration Results

Criteria	Explanation
Mineral tenement and land tenure status	• The Exploration IUP tenement is held by PT Sumber Mineral Nusantara ("SMN"). ARX holds a joint venture with SMN and holds 95% of the Trenggalek Project. Anglo American has recently entered into an agreement to farm-in to the project • Singgahan Prospect is covered by freehold and government forestry land. SMN holds a valid *Pinjam-Pakai Permit* to work on the forestry land and negotiates access to freehold land with individual landowners.
Exploration by other parties	• No systematic exploration work has been previously conducted on the prospect area by other parties
Geology	• Oligo-Miocene volcanic rocks & intrusions • Targeting possible porphyry-related & epithermal copper-gold mineralisation • But insufficient data to clearly establish at this stage
Drill hole Information	• Scout diamond drilling is in progress using a man-portable MX-420 rig supplied by PT Maxidrill Indonesia. PQ-HQ-NQ size coring is being undertaken. • One hole has been completed at Singgahan. TRDD055 was drilled to a final depth of 330.7m. Core splitting & sampling are in progress. Assay results are awaited. All information relating to the sampling & assaying of this hole will be reported separately
Data aggregation methods	• Not relevant to the sample media reported
Relationship between mineralisation widths and intercept lengths	• The true-width & orientation of the gold-copper-molybdenum anomaly reported from benches SGB-02 & SGB-03 are uncertain and will be better quantified with the drilling results as information becomes available; however, the current interpretation is that the benches were cut at high-angle to the trend of the source of the extensive soil & bedrock geochemical anomaly • This relationship will be confirmed by the scout drilling currently in progress
Diagrams	• Diagrams depicting the distribution of the bench, soil, and drill hole locations & anomalies are contained in this announcement
Balanced reporting	• Representative reporting of all relevant results have been provided in this announcement
Other substantive exploration data	• None available at this early stage of work on Singgahan Prospect
Further work	• Scout diamond drilling will continue at Singgahan • Additional scout diamond drilling is proposed for Jerambah • Benching is planned to test the new soil anomalies highlighted north of Jerambah • Soil sampling is still in progress