

## March 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 has a Strategic Alliance with Anglo American exploring for large porphyry copper/gold deposits in Papua and West Papua.

The Company has Options to Farm-in to three gold properties in Eastern Australia; Junee and Oberon projects in New South Wales and the Mt Garnet Project in Queensland. All three projects contain drill-delineated gold resources with potential for expansion through further exploration.

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### INDONESIA

#### Trenggalek Project, East Java

- Petrological study of selected drill core from **Jerambah** hole TRDD054 confirms potential for mineralised porphyry system.
- Encouraging bench results were received at **Singgahan** and confirm the gold-copper-molybdenum anomalism in bedrock beneath the extensive soil anomaly. Anomalous intercepts include 42 m at 0.105 g/t gold, 343 ppm copper & 4 ppm molybdenum and 58 m at 0.105 g/t gold, 236 ppm copper & 2 ppm molybdenum.
- First drill hole completed at **Singgahan** intersected porphyry-style quartz-magnetite-anhydrite stockwork in altered diorite containing traces of disseminated chalcopyrite & molybdenite mineralisation.
- Additional copper-gold-molybdenum anomalies highlighted from soil sampling to the north of Jerambah.

#### Strategic Alliance with Anglo American in Papua

- No work to report for the quarter.

### AUSTRALIA

#### Junee Project, NSW

- Metallurgical test work completed on high-grade mineralisation from the Dobroyde gold deposit confirms a potential gold recovery of up to 80% by ultrafine grinding of flotation concentrate and cyanidation leaching.
- Independent review of the metallurgical test work has identified various ways to potentially improve recovery using gravity, flotation and more aggressive leaching.
- Compilation and reinterpretation of historic geophysical data to assess the potential for additional gold resources and porphyry targets in the project area are in progress.

#### Oberon Project, NSW

- Independent 3D analysis of gold-base metal distribution & geology of the Murphys gold deposit highlights potential for additional gold resources through further exploration and drilling.
- Compilation and reinterpretation of historic geophysical data to assess the potential for additional gold resources and porphyry targets in the project area are in progress.

#### Mount Garnet Project, Queensland

- Ground assessment of the potential for additional gold resources on the Triple Crown mining leases commenced in the quarter.

### CORPORATE

- Mr George Tahija advised that he proposed to retire as a Non-Executive Director at the conclusion of the AGM.
- Shares to be issued to directors and employees in lieu of fees and salary subject to shareholder approval at the AGM.

## 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<sup>2</sup> 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.

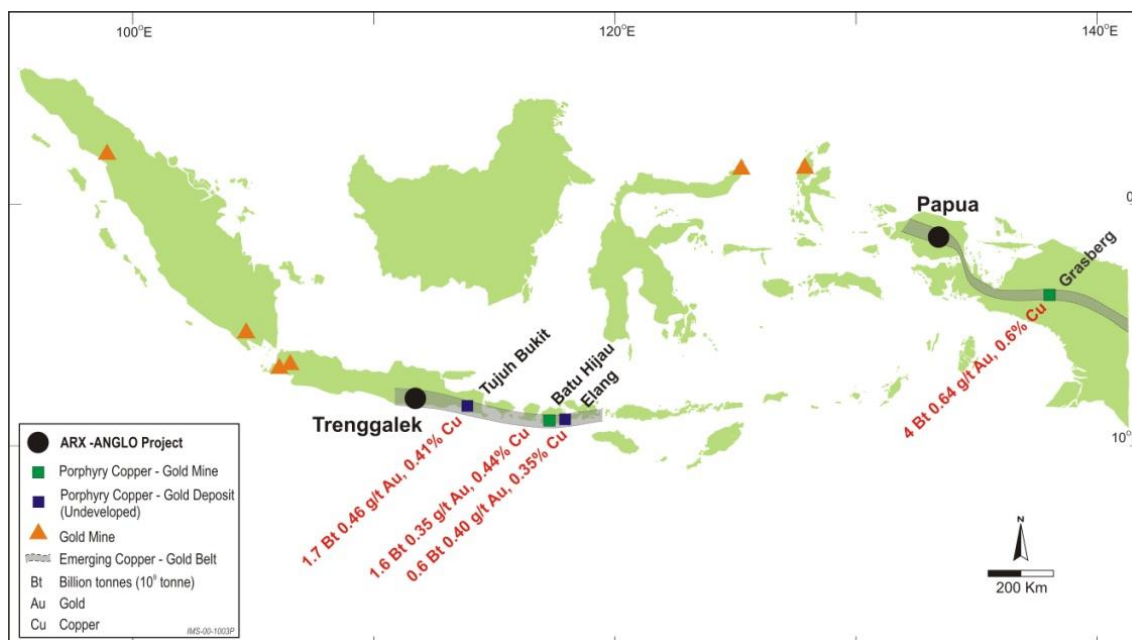


Figure 1. ARX projects & large porphyry Cu-Au deposits in Indonesia

### **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 cappings in volcanic rocks and limestones 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.

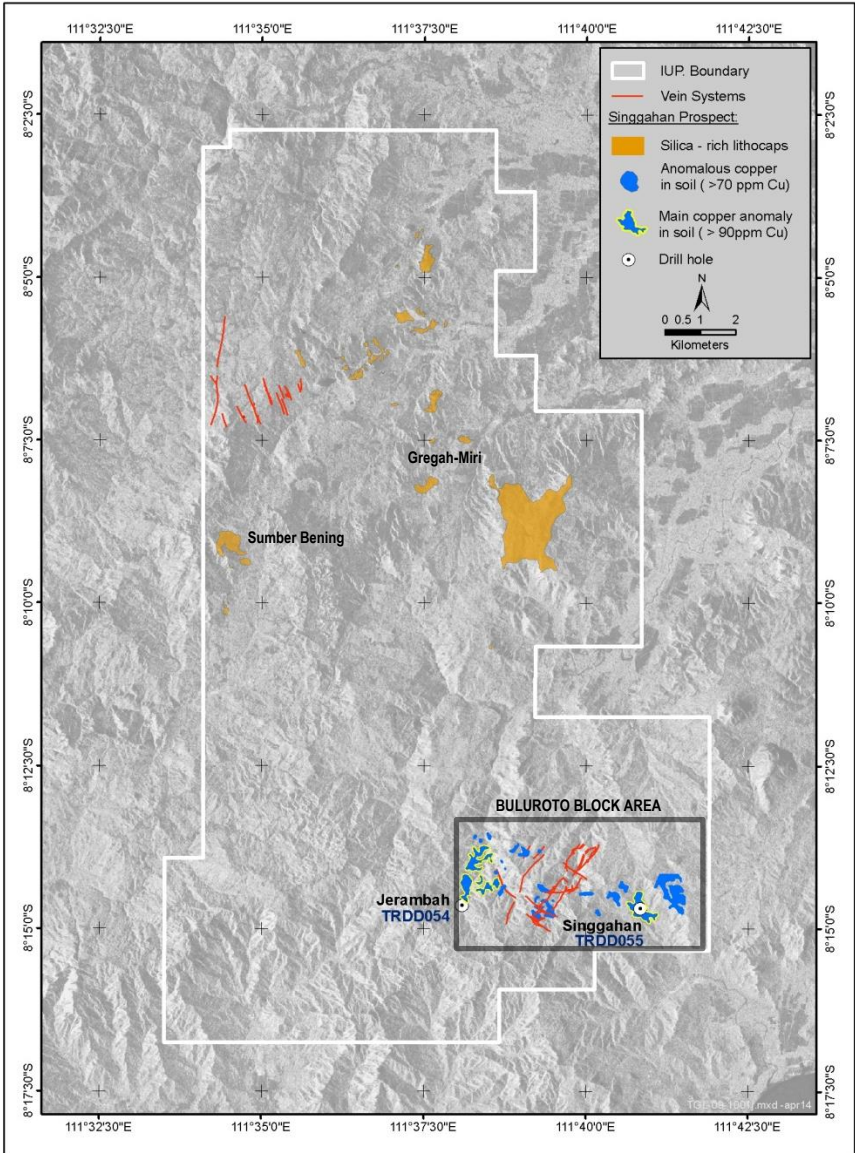


Figure 2. Trenggalek Exploration IUP showing porphyry targets

**Work Activities**

Work activities during the quarter were focussed on prospects identified within the Buluroto Block Area in the southeast corner of the IUP (Figures 2 & 3).

**Jerambah Prospect**

Jerambah is located about 5 km west of the porphyry target identified at Singgahan Prospect and about 2 km west of the Buluroto Prospect.

Jerambah was originally identified as a geophysical target from the airborne magnetics survey. Subsequent prospecting and mapping highlighted extensive silica-clay-pyrite alteration occurring within a 2 km by 1.5 km area and showed indications of higher temperature clays (dickite and pyrophyllite). The presence of these higher temperature clays indicated the occurrence of a high-sulphidation epithermal footprint and therefore potential for a porphyry system at depth.

A single diamond hole (TRDD054) was drilled to test this target late last year (See ARX announcement of 12 December 2013). The hole intersected a thick package of extensively altered but weakly mineralised

hydrothermal and diatreme-intrusion breccias cutting multiple igneous intrusive phases (andesite porphyry, diorite, quartz diorite and quartz-feldspar porphyry), bedded volcanoclastic and calcareous sedimentary rocks.

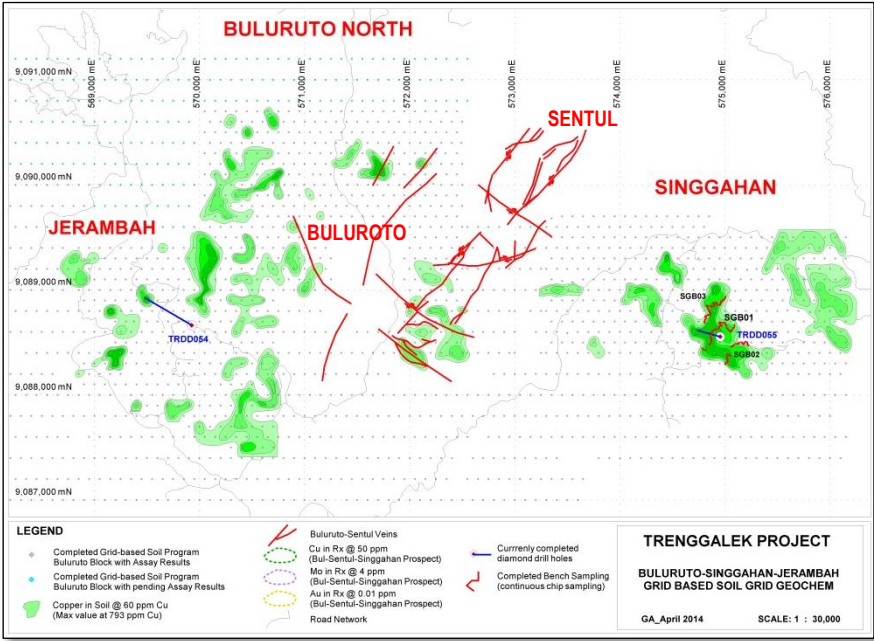
A petrological study was completed on a suite of 26 core samples collected from TRDD054 during the quarter. This was done by Anthony Coote of Applied Petrologic Services & Research in New Zealand with the aim of characterising the rock types, alteration-mineralisation assemblages, and evaluating the position that the hole may have intersected a potential porphyry system.

The results of the study confirmed that the drill hole intersected diatreme intrusion breccias and calcareous volcanoclastic rocks that are texturally and compositionally similar to the rocks hosting the Tumpangpitu porphyry copper-gold deposit located to the east of Trenggalek.

The study also highlighted evidence for porphyry-related alteration minerals in some of the drill core including garnet, vesuvianite, secondary albite, K-feldspar, biotite, magnetite, epidote, actinolite/tremolite and tourmaline. Porphyry-veined breccia intraclasts, 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 and indicate proximity to a porphyry system.

It was concluded from the petrological work that the results are highly encouraging and were interpreted to indicate that the hole intersected a peripheral position in a potential mineralised porphyry system.

Only one hole (TRDD054) has been drilled on this large target to date. More detailed mapping and surface sampling are in progress ahead of further drill hole planning.



**Figure 3. Buluroto Block Area showing distribution of copper soil anomalies (>60 ppm Cu) Singgahan bench locations, and Jerambah & Singgahan drill hole locations**

**Singgahan Prospect**

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

Grid-based soil geochemical sampling and mapping completed here in the last quarter 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 volcanoclastic rocks (see ASX announcement of 14<sup>th</sup> January 2014). The soil anomaly 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.

Benching, continuous-chip sampling, additional mapping and one scout drill hole were completed at Singgahan during the quarter.

### Benching

Contour benches were manually cut around the ridgeline to expose the source of the coincident copper-gold-molybdenum soil anomaly. A total of 1,320 m was completed in three benches (SGB01 – SGB03). Each bench was continuously rock chip sampled and assayed for gold and a multielement package including copper and molybdenum.

Long intercepts of anomalous gold-copper-molybdenum geochemistry were returned in quartz-limonite stockworked diorite and volcanoclastic rocks (see ARX announcements of 26<sup>th</sup> February 2014 and 9<sup>th</sup> April 2014) (Table 1).

The bench results 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.



Singgahan Prospect – Contour benching & limonitic quartz stockwork exposed in diorite

Table 1: Singgahan Prospect - Anomalous Bench Intercepts

Bench ID	Length (m)	Gold (g/t)	Copper (ppm)	Molybdenum (ppm)	Comment Max. individual results
SGB01	140	0.045	386	4	0.144 g/t Au, 711ppm Cu, 16ppm Mo
	100	0.063	276	5	0.172 g/t Au, 677ppm Cu, 16ppm Mo
	48	0.052	314	3	0.089 g/t Au, 627ppm Cu, 6ppm Mo
	14	0.104	416	3	0.122 g/t Au, 450ppm Cu, 8ppm Mo
	8	0.078	389	8	0.093 g/t Au, 428ppm Cu, 5ppm Mo
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 (curved and not linear)  
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

### Drilling

Scout drilling at Singgahan commenced late in the quarter. The drilling is under contract to PT. Maxidrill Indonesia using a MXD-420 man-portable diamond drill rig with a depth capacity of up to about 1,000 metres.

The first scout hole (TRDD055) was completed during the quarter and tested a coherent copper-gold-molybdenum anomaly highlighted by soil and bench sampling (Figure 4) (see ARX announcement of 9<sup>th</sup> April 2014). The hole was drilled to a final depth of 331.7m. It intersected an altered diorite intrusion beneath a capping of locally silicified and skarnified calcareous volcanoclastic rocks. A quartz-magnetite-pyrite-anhydrite stockwork containing traces of disseminated chalcopyrite and molybdenite mineralisation was intersected from about 117 to 288 m down hole in the altered diorite intrusion, providing a good indication of porphyry-style veining in this prospect area. Drill hole details and a geology summary are presented in Table 2. Splitting and sampling of the drill core was completed and assay results are awaited.

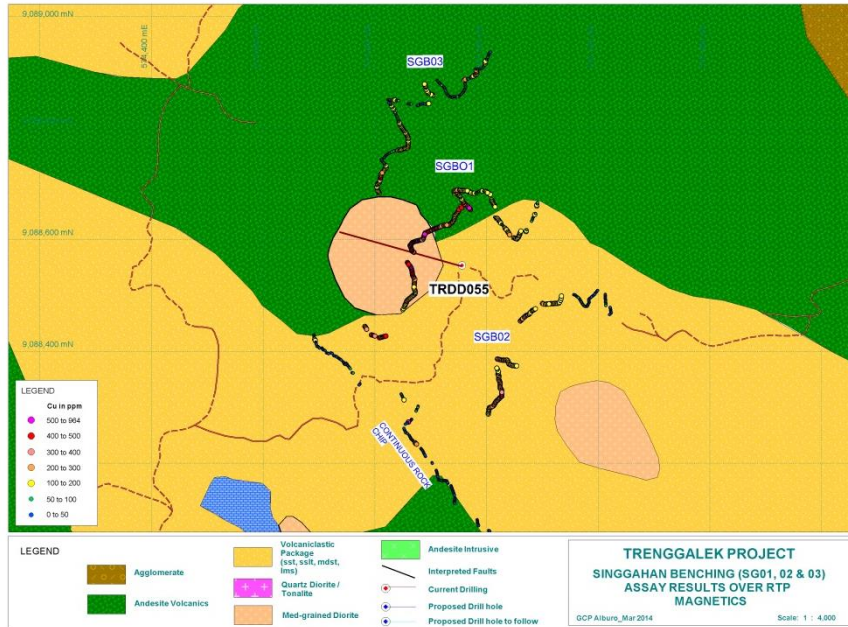


Figure 4. Singgahan Prospect – General Geology, Bench & Drill hole Locations



Singgahan Prospect – Maxidrill MXD-420 man-portable rig drilling TRDD055

Table 2. Singgahan Prospect – TRDD055 Drill Hole Details & Geology Summary

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

From (m)	To (m)	Interval (m)	Geology
0.0	6.2	6.2	Saprolitic bedrock
6.2	27.3	21.1	Silica-clay-pyrite altered volcanic pebble sandstone with weak quartz-pyrite stockwork & trace disseminated chalcopyrite-chalcocite mineralisation
21.1	65.0	43.9	Locally silicified-sulphidic (jasperoidal) calcareous volcanic sandstone, mudstone and limestone showing incipient skarn development (garnet-vesuvianite)
65.0	96.0	31.0	Silica-clay-pyrite altered medium-grained diorite with weak quartz-pyrite stockwork
96.0	117.0	21.0	Chlorite-epidote-magnetite altered medium-grained diorite/quartz diorite with weak quartz-magnetite-anhydrite-pyrite stockwork & trace disseminated chalcopyrite-molybdenite mineralisation
117.0	288.0	171.0	Chlorite-epidote-magnetite altered medium/coarse-grained diorite/quartz diorite with <b>weak-moderate</b> quartz-magnetite-anhydrite-pyrite stockwork & trace disseminated chalcopyrite-molybdenite mineralisation
288.0	310.0	22.0	Chlorite-epidote-magnetite altered medium-grained diorite/quartz diorite with weak quartz-magnetite-anhydrite-pyrite stockwork & trace disseminated chalcopyrite-molybdenite mineralisation
310.0	331.7	21.7	Silica-clay-pyrite altered medium-grained diorite with weak quartz-pyrite stockwork; brecciated and silicified at base



Singgahan Prospect – TRDD055 HQ drill core  
Quartz-magnetite-anhydrite-pyrite veined & altered diorite  
containing traces of disseminated chalcopyrite & molybdenite

### **Buluroto Block Area**

Further encouraging copper soil results were received from a large grid-based sampling program covering multiple targets in the Buluroto Block Area (Figure 3). In particular, a new cluster of coincident 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 Jerambah and Singgahan and will be followed-up by prospecting and benching in the coming months.

Exploration expenditure at Trenggalek for the quarter totalled US\$470,421, which was wholly funded by Anglo American.

### **Strategic Alliance with Anglo American in Papua**

The Company holds a 20% interest in a Strategic Alliance with Anglo American and Indonesian parties to explore for copper-gold deposits in Papua and West Papua provinces.

The Alliance currently holds three Exploration IUP tenements owned by Indonesian parties pursuant to the Strategic Alliance. These cover nearly 3,000 km<sup>2</sup> 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.

### **AUSTRALIA**

ARX holds an option to farm-in to three gold properties in Eastern Australia (Figure 5). These are the Junee and Oberon projects owned by New South Resources Pty Ltd ("NSR") in New South Wales and the Mount Garnet Project owned by Snowmist Pty Ltd ("Snowmist") in Queensland.

The company conducted further evaluation of the Junee and Oberon projects during the quarter and plans to do evaluations on Mount Garnet in the next quarter.

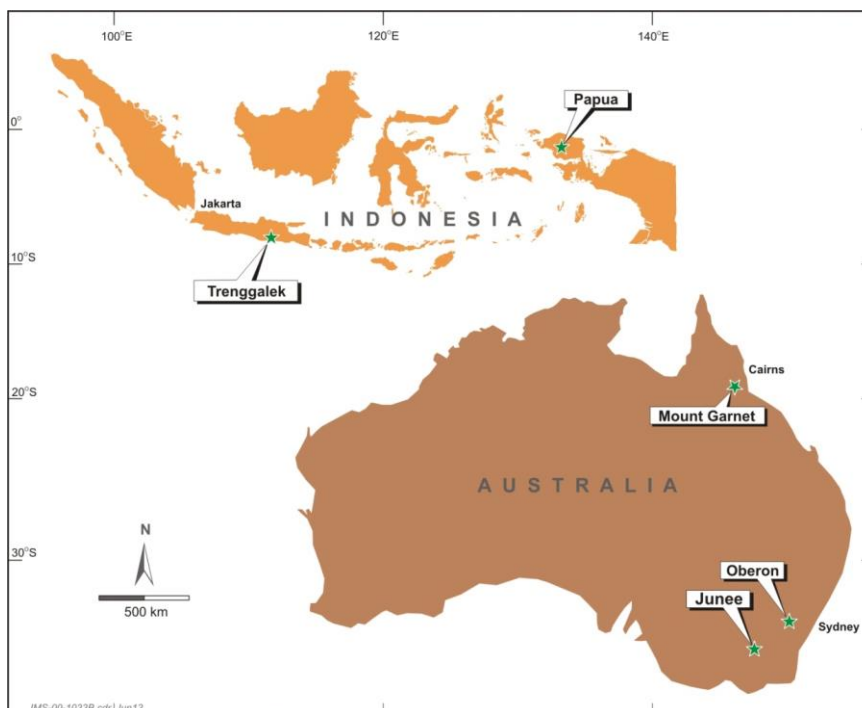


Figure 5. ARX Australian Projects under option agreements & ARX Indonesian Projects

### **Junee Project, NSW (100% NSR)**

The **Junee Project**, located near the major regional centre of Wagga Wagga, comprises four contiguous Exploration Licences (EL's 6516, 6658, 6768 & 8152) held by NSR. 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 (Figure 6).

EL 6516 contains the 77,000-ounce *Dobroyde* gold deposit (see ASX announcements of 3<sup>rd</sup> and 10<sup>th</sup> 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 9<sup>th</sup> October 2013).

Previous metallurgical test work on the Dobroyde gold deposit was independently reviewed by a metallurgical consultant on behalf of ARX during the quarter.

#### *Metallurgical Test Work*

The results of metallurgical test work on high-grade material from the Dobroyde gold deposit were received from NSR during the quarter. The test work was done on core taken from diamond hole NDD2 that was drilled by NSR at Dobroyde in late 2012.

Previous assaying of half-core split from the same hole returned a gold intercept of 22.5m at 8.75 g/t in quartz-baryte-sulphide breccia and stockwork hosted in silica-dickite-pyrophyllite-kaolinite altered andesitic volcanic rock (see ASX announcement of 4<sup>th</sup> November 2013).

The test work was commissioned by NSR with the aim of comparing the effects of industry-typical and ultrafine grind-sizes on gold recovery by froth flotation and subsequent cyanidation leaching of the higher grade gold mineralisation at Dobroyde. It was undertaken by SGS Lakefield Oretest Pty Ltd in Perth on an approximately 60-kilogram bulk sample of NQ-size half-core material that was composited over continuous 1-metre sample intervals taken from 72 to 96 metres down-hole in NDD2. The gold head grade on the bulk sample was reported at 7 g/t gold.



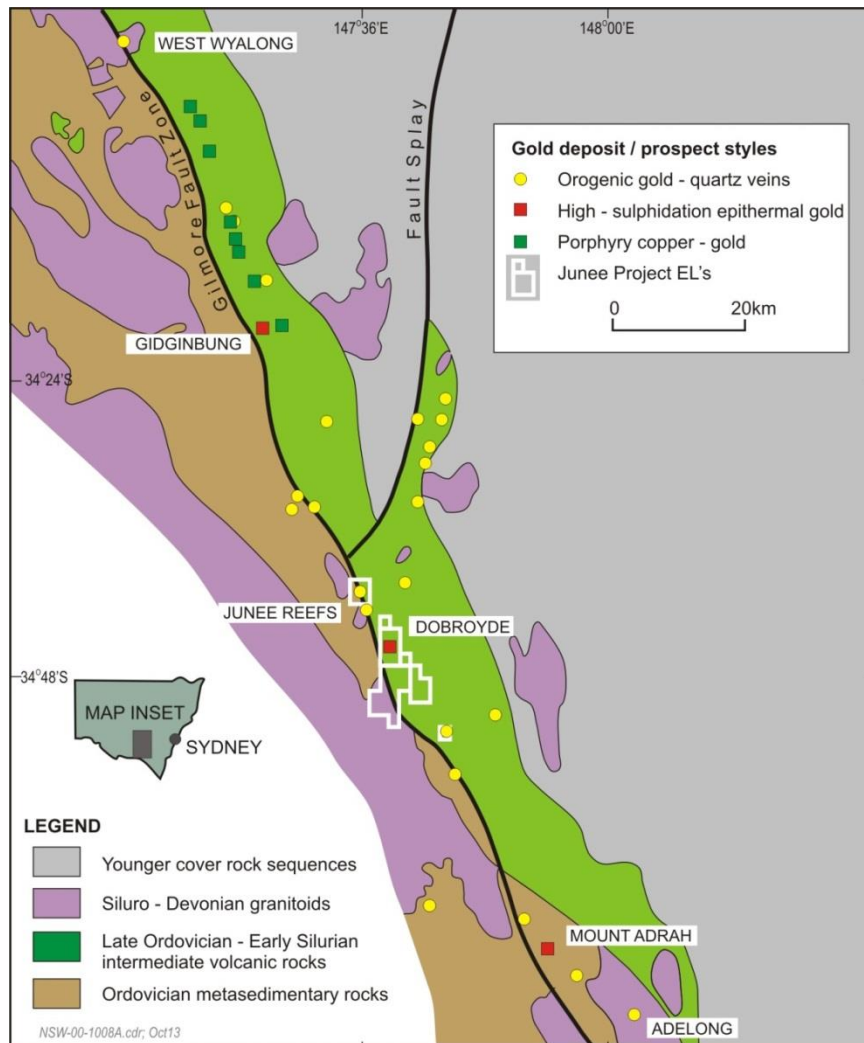


Figure 6. Junee Project Location – ARX-NSR Option Agreement

The results of the recent test work and reports derived from historical metallurgical test work done on Dobroyde were reviewed on behalf of ARX by metallurgical consultant, Tom Gibbons of Veritas Metallica Pty Ltd in Perth (see ASX announcement of 12<sup>th</sup> March 2014). His findings are summarised below.

The gold metallurgy of Dobroyde is characterised by predominantly fine-grained native gold (<60 microns) and minor auriferous telluride minerals associated with fine grained quartz, baryte and pyrite in hydrothermal breccias and stockworks.

The recent test work yielded a recovery of 82% of contained gold in the flotation concentrate and the subsequent cyanidation leach extractions on different grind sizes reported gold recoveries in the range of 70-80%, with a general trend of improved recovery with finer grind sizes.

A review of the historical metallurgical test work undertaken at Dobroyde on different samples showed that the use of cyanidation leaching of industry-standard and ultrafine-grinds on either whole rock or flotation concentrates approached 80% gold extraction in some cases.

The results of the recent test work confirmed the historical metallurgical test work results that a reasonable gold recovery can be achieved by conventional flotation and cyanidation extraction techniques applied to the Dobroyde mineralisation.

It was recommended that optimisation test work be carried out to determine whether the flotation recovery might be improved. Although the application of ultrafine grinding appears to offer no significant increase in the gold recovery, potential exists for further improved gold recovery by optimised gravity and flotation concentration, and intense cyanidation of the derived gold-bearing concentrates.

Other work in progress on Junee during the quarter included reprocessing and modelling of detailed geophysical data acquired during historic exploration work over the same area. This includes high-resolution airborne magnetics, radiometrics and a 3-Dimensional IP-Resistivity ground survey. Results from this will be used to help explore for additional gold resources and for porphyry gold-copper targets that are commonly associated with high-sulphidation epithermal gold deposits like Dobroyde.



Dobroyde Prospect – NDD2 metallurgical hole  
Drilling & logging by NSR in late 2012

ARX expenditure on the Junee Project for the quarter totalled A\$10,926.

### **Oberon Project, NSW (100% NSR)**

The **Oberon Project**, located near the major regional centre of Bathurst, comprises one large licence EL 6525 and a smaller adjoining licence EL 8110 that was recently granted to NSR (Figure 7). The total area of this tenement package is approximately 265 square-kilometres.

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 3<sup>rd</sup> and 10<sup>th</sup> July 2013) on which historic drilling 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.

Work completed during the quarter included an independent consultant's geological analysis of the *Murphys* gold deposit from the historic drilling data.

#### *Geological Analysis*

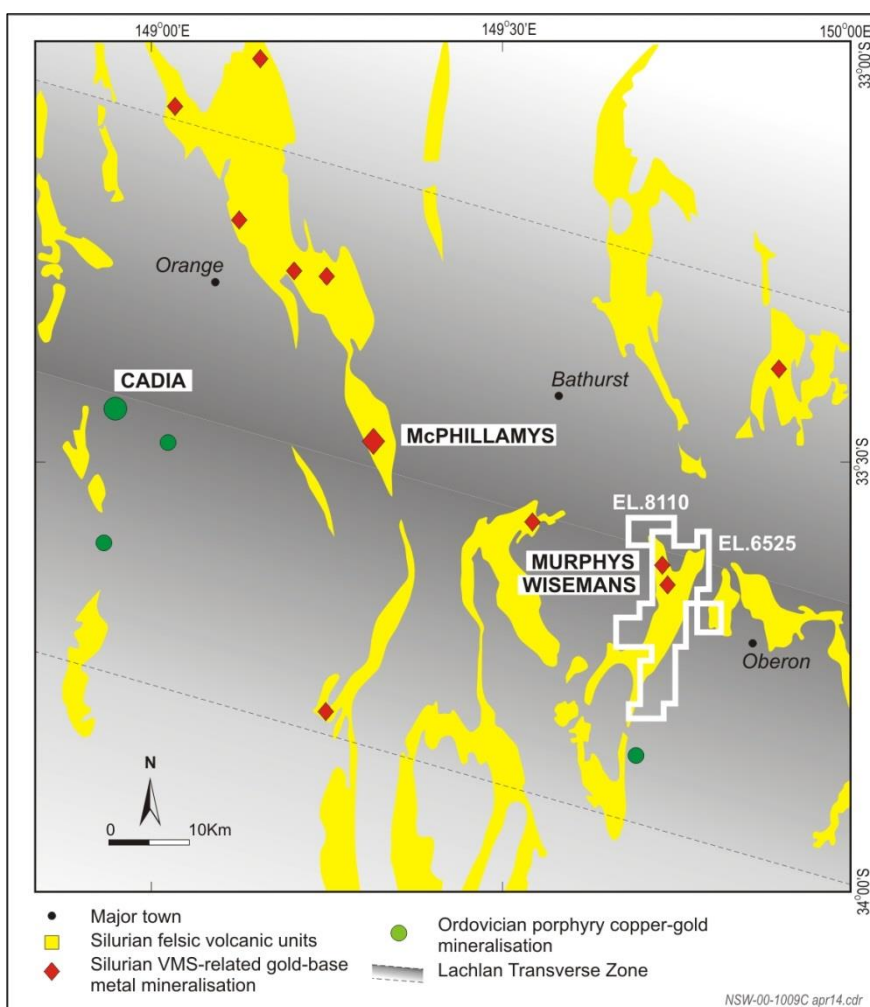
ARX commissioned Perth-based consultant, Dr Jun Cowan of Orefind Pty Ltd, to do a 3-Dimensional ("3D") exploration targeting analysis of the historic drilling database integrated with the interpretative geology of the *Murphys* gold deposit (see ASX announcement of 11<sup>th</sup> February 2014). His findings are summarised below.

The 3D analysis is based on a gold & base metal assay database, derived from 2990 metres of drilling in 27 Reverse Circulation Percussion holes and one diamond hole, and on geological data derived from past geological mapping. These datasets were analysed using Leapfrog mining software with the aim of helping to improve the geological knowledge of the mineralisation controls and to highlight potential for gold resource extensions.

The analysis confirmed that the gold resource is hosted in a multiple-deformed felsic volcanogenic sedimentary rock package located in the hanging of a major regional fault structure, the Native Dog Fault. Faulting and folding have influenced the orientation and geometry of the deposit.

It was concluded from the gold & base metal distribution patterns and integrated structural information that the mineralised system has an open low to moderate plunge to the south and that the gold mineralisation may extend at depth in this direction. This plunge direction is toward the major historic gold-base metal workings at Wisemans, located about 1 km to the south, and which is also located within EL 6525. An alternative structural model was also assessed but considered less likely.

The analysis supports the potential for an expansion to the gold resource at Murphys. The area between Murphys and Wisemans, and north of Murphys, has yet to be thoroughly explored. Murphys gold deposit has only been drill tested to about 150 m vertical depth and there is potential for a significant increase in size and possibly gold grade to be tested by further exploration drilling.



**Figure 7. Oberon Project Location – ARX-NSR Option Agreement**

Reprocessing and modelling of detailed geophysical data previously acquired over the Oberon project area are in progress by a geophysical consultant, Chris Moore of Moore Geophysics Pty Ltd. High-resolution Falcon® Airborne Gravity Gradiometer (AGG) and an airborne magnetic & radiometrics survey were flown over the entire EL 6525 in 2007. Results from this will be used to further assess the potential of the project area for additional gold resources and porphyry copper-gold targets.

On 16 April 2014 NSR was informed by the NSW Department of Resources & Energy Department that the application for renewal of Oberon EL 6525 over a reduced area had been accepted. The licence which contains the Murphys gold deposit was renewed for a further term until 7 March 2017.

ARX expenditure on the Oberon Project for the quarter totalled A\$31,664.

# Regional Geological Patterns – viewing NW

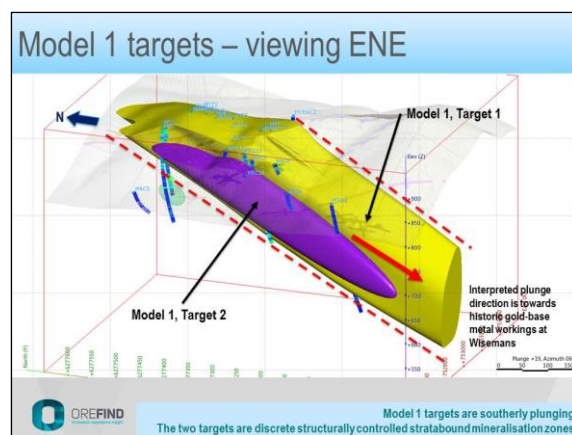
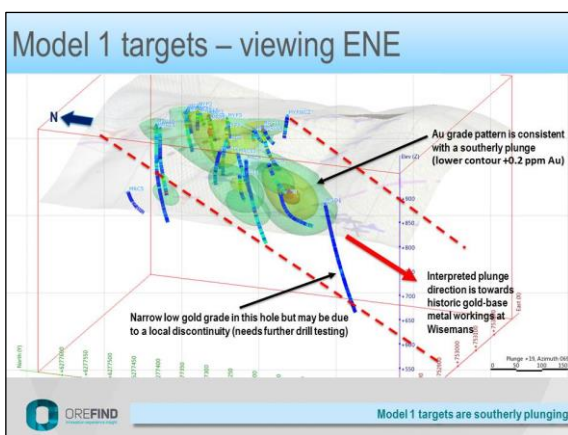
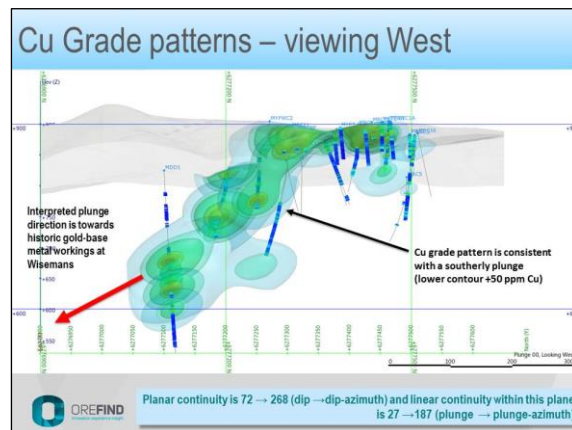
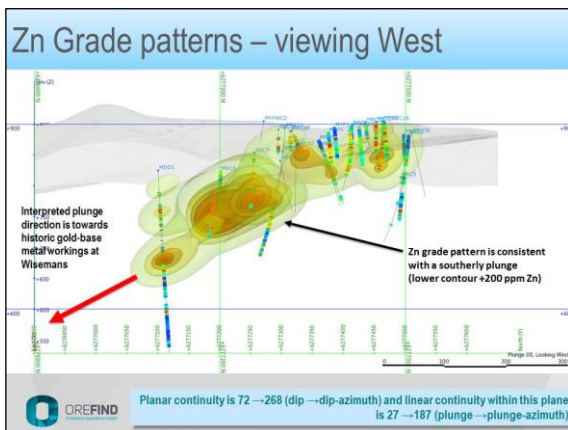
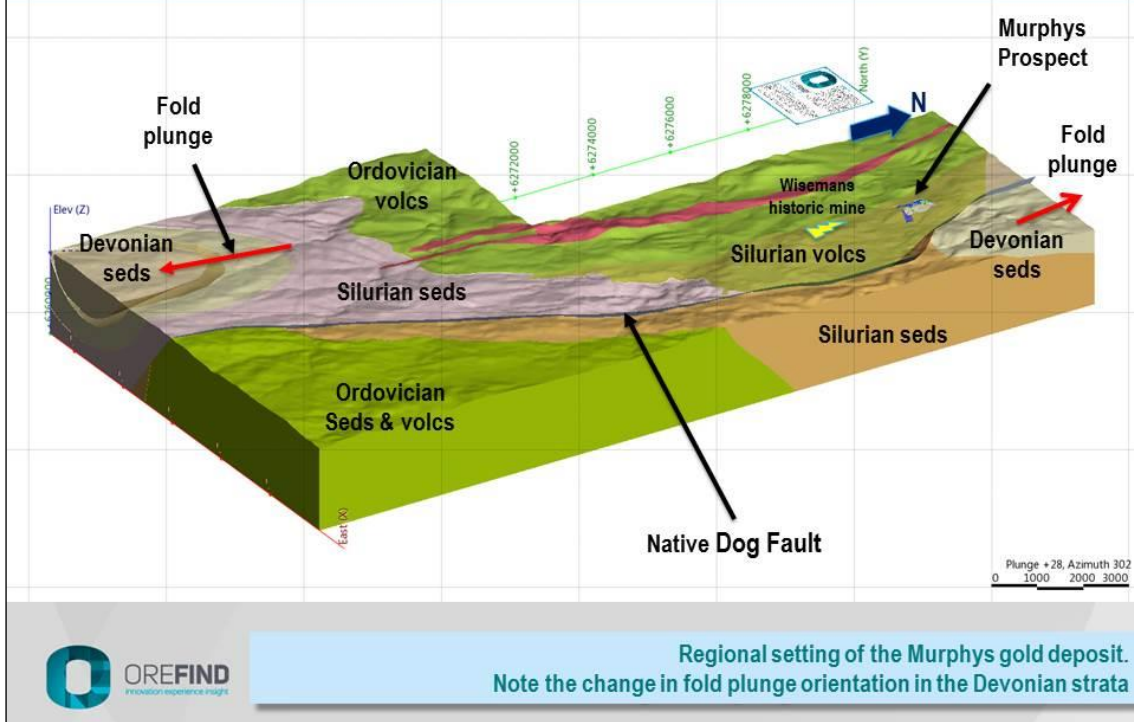


Figure 8. Murphys Prospect – Selected images from the 3D geological & targeting analysis  
 Produced by Jun Cowan of Orefind Pty Ltd



View of hill hosting the Murphys gold resource (left) & Wisemans (right) prospect

## **Mount Garnet Project, Queensland (100% Snowmist)**

The **Mount Garnet** Project, located near the major regional centre of Cairns, comprises three Mining Leases (ML's) covering about 150 hectares that are 100% held by Snowmist Pty Ltd ("Snowmist"). A new exploration licence located east of these mining leases is currently under application.

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 (see ASX announcement of 21<sup>st</sup> August 2013) 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. A ground assessment of the potential for additional gold resources commenced during the next quarter.

ARX expenditure on the Mount Garnet Project for the quarter totalled A\$24,504.



Views of Triple Crown hill hosting the Triple Crown gold resource

## **CORPORATE**

The Board of Arc Exploration Limited (ARX) was advised by Mr George S. Tahija that due to the recent stock exchange listing of Austindo Nusantara Jaya and the consequent increased time commitment that involves, Mr Tahija will be retiring from the Board of ARX at the conclusion of the company's Annual General Meeting on 22 May 2014. Mr. Tahija has agreed to remain as an advisor to the Board as may be required from time to time. Mr Tahija has been a director of ARX since 1998.

## **SHARES TO BE ISSUED TO DIRECTORS AND EMPLOYEES IN LIEU OF FEES AND SALARY**

It is proposed that subject to shareholder approval, Directors and senior executives may elect to receive shares in the Company in lieu of a portion of Directors Fees or salary that may be owing to them.

This allows 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 voluntary at the election of Directors and senior executives and shares will not be allotted without the prior approval of independent 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.

The issue price for the shares will be set out in the relevant Notice of Meeting and will be based on a volume weighted market price at the end of each quarter.

Shareholder approval is to be sought for the issue of shares in lieu of a portion of directors' fees and salaries for the June 2014 quarter totalling \$50,138 at the Company's upcoming Annual General Meeting which is to be held on 22 May 2014.

This report is dated 22 April 2014.

For further information please contact:

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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 undertaken 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 is 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](http://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.

The information in this report that relates to the following were created and reported in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.':

- Historic drilling on the Junee Project in New South Wales, Australia - created and released to the ASX on 9 October 2013 entitled New Exploration Licence in Australia;
- High-Grade Gold Validation on the Junee Project in New South Wales, Australia - created and released to the ASX on 4 November 2013 entitled High-Grade Gold Confirmed At Dobroyde;

The reports referred to above are available to view on the Company's website: [www.arcexploration.com.au](http://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 these original market announcements. 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 announcements.

**Table 3. Details of Tenements & ARX Interest**

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

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

Project	Location	Tenement	Area (km <sup>2</sup> )	ARX Interest
NIL				

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

Project	Location	Tenement	Area (km <sup>2</sup> )	ARX Interest
NIL				