ARC EXPLORATION

26 February 2014

TRENGGALEK BENCHING PROGRAM RESULTS

Highlights:

- First bench results at Singgahan Prospect, Trenggalek, confirm gold-copper-molybdenum anomalism in bedrock beneath soil anomaly;
- Anomalous gold-copper-molybdenum intercepts returned including 140m at 0.045 ppm Au, 386 ppm Cu & 4 ppm Mo and 100m at 0.063 ppm Au, 276 ppm Cu & 5 ppm Mo;
- Remnants of quartz stockwork with magnetite, chalcopyrite and pyrite detected in weathered bedrock.

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

> "The first assay results from continuous-chip samples of a bench designed to investigate the source of a coincident gold-copper-molybdenum soil anomaly reported from Singgahan Prospect last month were received. The results highlight a broad zone of anomalous gold-copper-molybdenum geochemistry in the weathered bedrock. This geochemical signature is encouraging and may indicate the presence of a porphyry system at depth.
>
> Furthermore, mapping of the bench and in the surrounding areas has identified outcrops of an altered diorite intrusion with remnants of quartz stockwork containing disseminated magnetite, pyrite and chalcopyrite mineralisation, typical of porphyry copper-style systems.
>
> Additional benching is in progress. The results of this program will be integrated with geological and geophysical data to plan a scout drilling program."

Arc Exploration Limited (ASX Code: ARX) is pleased to announce encouraging rock chip results obtained from initial benching conducted on the Singgahan Prospect located in the south-eastern corner of the Trenggalek Exploration IUP.

Contour benching is still in progress along ridgelines hosting a 500-m wide by 1,000-m long coincident gold-copper-molybdenum soil anomaly that was reported last month (see ARX announcement of 14th January 2014).

The first bench, SGB01, was completed for a total length of 530 metres. Results from continuous-chip sampling have been received and these show long intercepts of anomalous gold-copper-molybdenum geochemistry returned in a weathered, hydrothermally altered diorite intrusion containing diffuse limonitic quartz stockwork. Relict exposures of fresh rock show chlorite-magnetite-feldspar alteration locally overprinted by silica-clay/mica-pyrite alteration, and disseminated pyrite-chalcopyrite-magnetite mineralisation in the quartz stockwork. Intercepts are summarised in the following table.

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Table: SINGGAHAN - 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

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

Further benching is in progress and the results will be integrated with detailed geological mapping, spectral analyses to identify alteration minerals, and airborne magnetics & radiometrics data to further define the target.

A program of grid-based soil sampling covering the south-eastern corner of the Trenggalek IUP, including Singgahan, and geological mapping are also in progress to identify new targets. This work is estimated to be completed in about six weeks.

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 km2 in the 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.

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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.

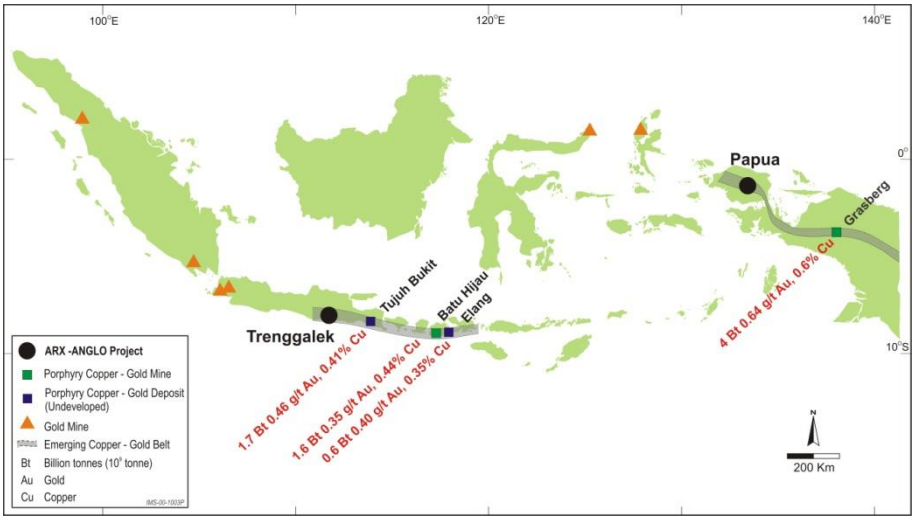

Figure 1. Trenggalek Project Location

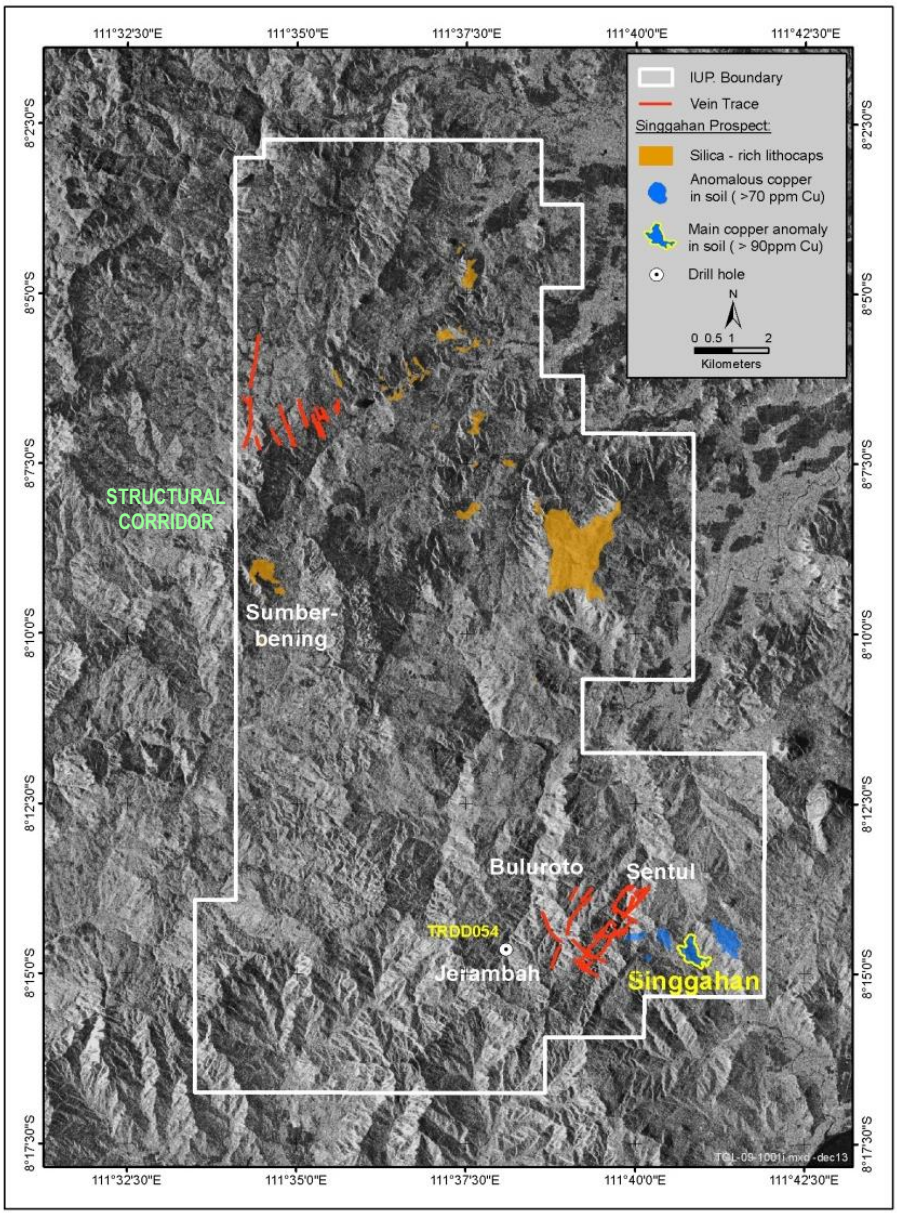

Figure 2. Trenggalek IUP - Singgahan Prospect Location

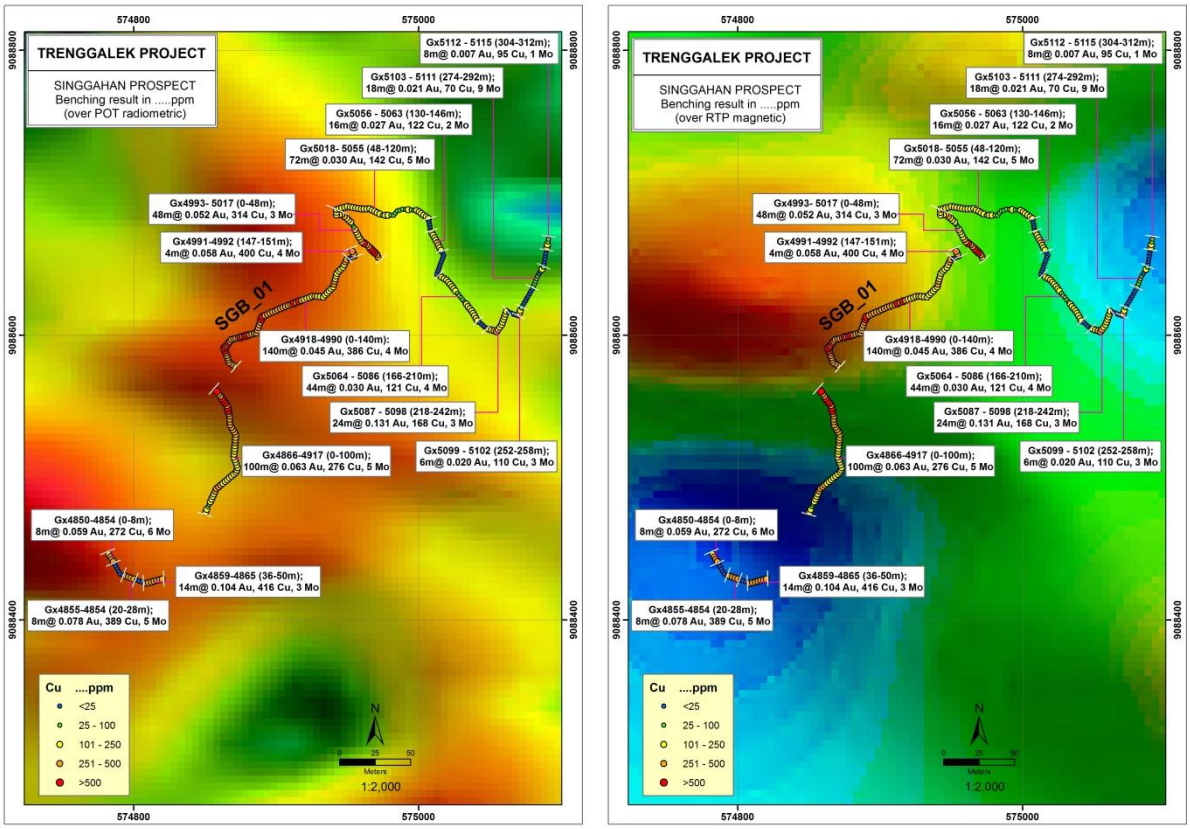

Figure 3. Singgahan Prospect – Bench SGB01 Location & Results

ANNEXURE: Assessment and Reporting Criteria according to 2012 JORC Code

Section 1 – Sampling Techniques and Data

Criteria	Explanation
Sampling Techniques	• 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
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
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
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	• Samples were taken at continuous (adjoining) intervals along the contour bench; breaks along the bench were due to the presence of gullies, tracks or thick soil cover
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	• Not relevant; No previous drilling has been done at Singgahan
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 bench SGB01 are uncertain; however, the current interpretation is that the bench is cut at high-angle to the trend of the anomaly • This relationship will be confirmed by additional benching & scout drilling
Diagrams	• Diagrams depicting the distribution of the bench, sample locations & anomalies are attached
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	• Follow-up work is planned to include further benching, rockchip geochemical sampling and spectral analyses/interpretation, and scout diamond drilling