

**INTENTION TO PROCEED WITH OPTION ON
NEW AUSTRALIAN GOLD PROJECTS**

Arc Exploration Limited (ASX Code: ARX) is pleased to announce that it has completed its due diligence and elected to proceed with an option to farm-in to earn up to 80% of two gold-copper properties, Junee and Oberon, held by New South Resources Limited ("NSR") under exploration licences(ELs) in New South Wales.

The due diligence has confirmed that each of the projects contains a JORC-compliant gold resource, 77,000 ounces gold on the Junee project and 150,000 ounces gold on the Oberon project. A Statement of Resources relating to each project has been compiled by an independent consultant and is presented below.

Key commercial terms are:

- ARX has entered a 1 year Option Period on both projects for a minimum expenditure of A\$ 100,000 on Junee and A\$ 135,000 on Oberon.
- ARX may then earn a 51% interest, in one or both projects, by sole funding A\$ 500,000 within two years on each project it elects to progress.
- ARX may then earn up to an 80% interest, in one or both projects, by sole funding a further A\$ 580,000 within a further one year on each project it elects to progress.

The two projects occur in large gold and copper producing districts that lie within belts of Ordovician and Silurian volcano-sedimentary rocks hosting porphyry gold-copper, orogenic gold and VMS gold-base metal deposits.

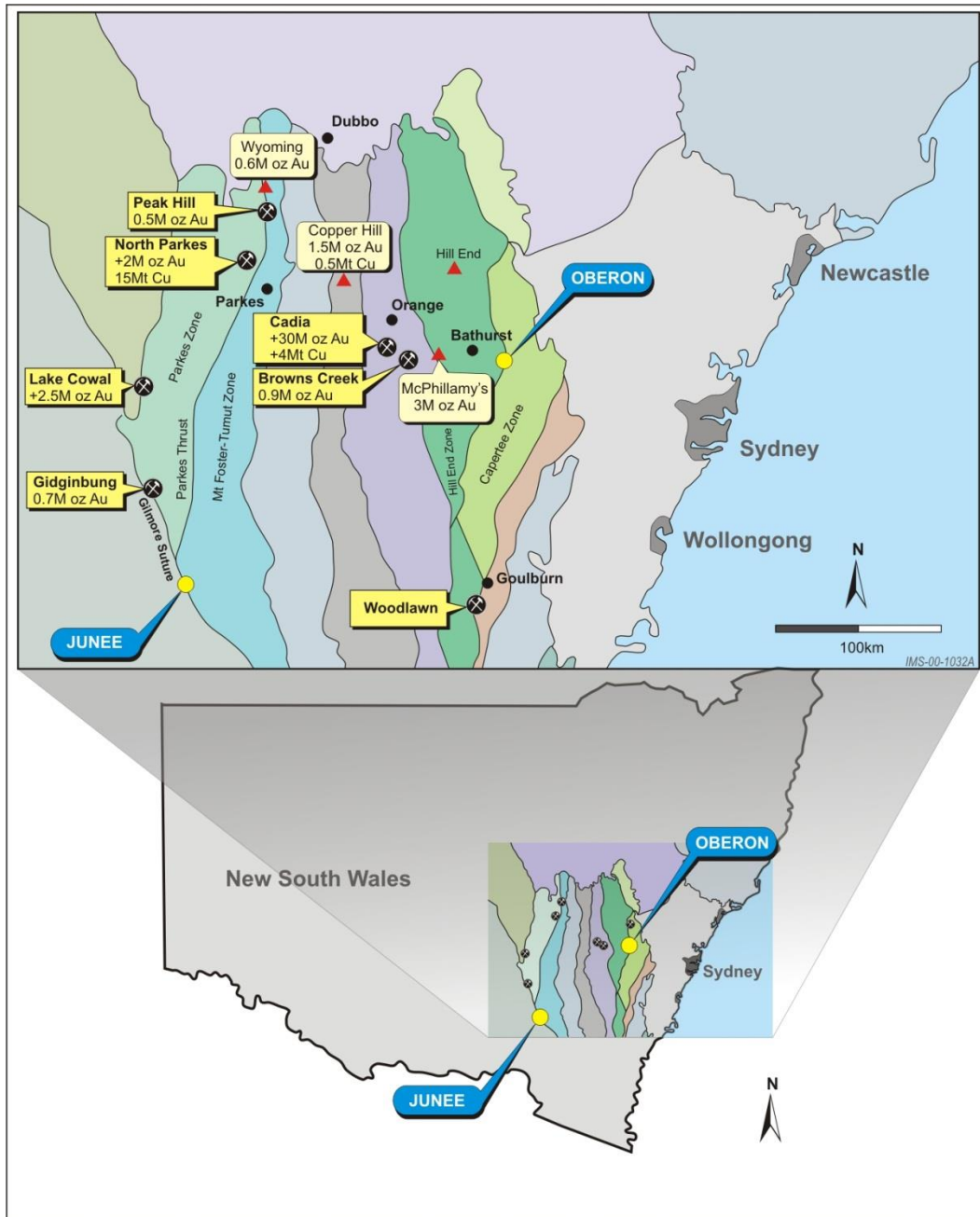
ARX plans to initiate a program of geophysical and geological interpretation and targeting on both projects during the initial 12-month Option Period. Both projects have potential to be expanded through extending the existing resources as well as the discovery of new resources.

Managing Director, Mr. John Carlile, commented:

"The decision to proceed with the options on these two projects sets the platform to establish a firm foothold for ARX in a major gold and copper producing province that has excellent potential for further discoveries and growth.

We will focus on expanding the known JORC resources and also aim to generate new targets using the detailed geophysical and geological databases established by NSR and previous explorers. We need only look to the nearby Northparkes and Cadia districts to highlight the potential for major exploration successes through the application of new knowledge and persistence in a mature exploration environment.

I look forward to reporting the results as they come to hand".



Location Plan Showing New Project Areas

Background on the Junee and Oberon Project Areas

The two projects occur in the Lachlan Orogen, a complex geological province endowed with world-class gold and gold-copper deposits.

The **Junee Project**, which contains the *Dobroyde* gold deposit, comprises three exploration licences covering about 70 km² along a belt of productive Ordovician volcanic rocks that host several different styles of gold mineralisation including high-sulphidation epithermal gold (Gidginbung, Peak Hill), low-sulphidation epithermal gold (Cowal) and porphyry copper-gold (Northparkes).

Dobroyde is a high-sulphidation epithermal gold deposit discovered in outcrop by Getty Oil in the early 1980's. It has an estimated gold-resource of 77,000 ounces (mainly unoxidised) that occurs in structurally controlled zones of siliceous alteration and cross-cutting baryte veins surrounded by clay-rich alteration zones in andesitic volcanic host rocks. Initial mineralogical and metallurgical studies indicate that the gold is largely free milling.

The **Oberon Project**, which contains the *Murphys* gold deposit, comprises one exploration licence covering about 254 km² across belts of Siluro-Devonian and Ordovician volcanic rocks. The Siluro-Devonian rocks host gold-rich VMS-related (Lewis Ponds) and orogenic gold (Hill End, Lucknow) mineralisation. Ordovician volcanic rocks in the project area are similar 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 within the project area and the edges of these intrusions are prospective for gold skarn deposits (Lucky Draw, Browns Creek).

Murphys is a VMS-related or orogenic gold deposit discovered by Newmont Mining in the late 1970's. It has an estimated gold-resource of 150,000 ounces (mainly unoxidised) that occurs in sulphidic quartz stockwork and quartz-muscovite-sulphide altered rhyodacitic volcanoclastic rocks. Test work is required on the mineralogy and metallurgy of the gold mineralisation at *Murphys*.

The gold resources identified in the both the Dobroyde and *Murphys* deposits have been drilled to only shallow depths (<200m) and are believed to be open at depth and potentially along strike. There is good potential to discover additional resources at other prospects identified within the respective project areas.

Statement of Resources

Prepared by Dr Ian Blayden of Geological & Management Services Pty Ltd on behalf of ARX from internal reports compiled by NSR. Reported at a 0.3 g/t gold cut-off:

DEPOSIT	Indicated Resource			Inferred Resource			Contained Metal	
	Dry tonnes	Gold (g/t)	Silver (g/t)	Dry tonnes	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)
Dobroyde (Junee)	2,080,000	1.15	-	-	-	-	77,000	-
Murphys (Oberon)	-	-	-	5,300,000	0.89	2.2	150,000	372,000

The mineral resource estimates were made with wire-framed block models constructed from geologically-controlled and grade-controlled cross-sections of the mineralisation envelope and using Ordinary Kriging in Minesight Mine Planning software. The estimates were based on 92 RC & diamond holes at Dobroyde and 14 RC holes at *Murphys*. The resource estimates are reported at a 0.3 g/t gold cut-off based on other deposits of similar style, volume and grade. The Dobroyde and *Murphys* resources are classified as Indicated and Inferred, respectively, based on the available drilling control and confidence in the geological and mineralisation continuity.

Dr Blayden's full report may be viewed on the Company's website at www.arcexploration.com.au.

Competent Person Statements

The information in the Statement of Resources was prepared by Dr Ian Blayden, who is a Member of the Australian Institute of Mining and Metallurgy and is Principal Consultant with Geological and Management Services Pty Ltd. All resource estimate models and reports used in preparing the Statement of Resources pertaining to the Dobroyde (Junee) and *Murphys* (Oberon) deposits were independently audited and reviewed by Dr Ian Blayden. Dr Blayden has sufficient experience that is relevant that to mineral resource estimations and to the style of deposits under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Dr Blayden 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 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 Competent Persons as defined in the 2004 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.

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