



17 December 2008

ASX/MEDIA ANNOUNCEMENT

REPLACEMENT CONVERTIBLE NOTES ISSUED

Arc Exploration Limited advises that Convertible Notes which matured 30 November 2008 have been replaced by the issue of new Convertible Notes.

The new Convertible Notes together have a face value of \$2,084,310 and are convertible at \$3.00 on or before 29 January 2010. Interest on the new Convertible Notes is to be calculated at 10.0% and capitalized. The new Convertible Notes are otherwise on the same terms as the matured notes.

The Company's Appendix 3B in relation to the issue of the new Convertible Notes is annexed hereto.

ABOUT ARC EXPLORATION LIMITED (ARX)

Formed in 1983, Arc Exploration Limited is an Australian listed exploration company focused on exploring Indonesia.

The Company has a 95% joint venture interest with PT Sumber Mineral Nusantara in the Trenggalek and Pekalongan and tenements located in East and Central Java respectively, areas prospective for high-grade epithermal gold/silver deposits. The Company also holds a 95% joint venture interest in the Bima prospect in East Sumbawa which is prospective for high-grade epithermal gold-silver and bulk tonnage porphyry-style gold-base metal deposits.

In addition, the Company has a strategic alliance with the Anglo American Group to explore for large porphyry copper/gold deposits in Papua.

The Company also retains a 95% interest in the Cibaliung Gold Project, a high-grade epithermal gold/silver vein system located southwest of Jakarta in Banten Province, western Java. Cibaliung is expected to produce at an overall annual rate of 70,000 oz (gold equivalent).

For further information please contact:

John C. Carlile
Managing Director

Email: carlile1@attglobal.net

Andrew J. Cooke
Company Secretary
Tel: + 61 2 9419 8044

Email: andrewcooke@arx.net.au

Or visit the website www.arcexploration.com.au

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

Sydney
Suite 1502, Level 15
Keycorp Tower B
799 Pacific Highway
Chatswood NSW 2067
Australia

T + 61 2 9419 8044
F + 61 2 9419 8099
E info@arx.net.au

Jakarta
The Garden Centre
5th Floor, Suite #5-01
Cilandak Commercial Estate
Jl. Raya KKO Cilandak
Jakarta, Indonesia

T + 62 21 782 7020
F + 62 21 782 7021

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

ARC EXPLORATION LIMITED

ABN

48 002 678 640

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Convertible Notes |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 2,084,310 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Convertible at \$3.00 on or before 29 January 2010. Interest calculated at 10.0% and capitalised. |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No</p>						
<p>5 Issue price or consideration</p>	<p>\$2,084,310</p>						
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Replace Convertible Notes matured 30 November 2008.</p>						
<p>7 Dates of entering ⁺securities into uncertificated holdings or despatch of certificates</p>	<p>16 December 2008</p>						
<p>8 Number and ⁺class of all ⁺securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1478 1021 1523">Number</th> <th data-bbox="1021 1478 1283 1523">⁺Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1523 1021 1612">149,761,711</td> <td data-bbox="1021 1523 1283 1612">Ordinary Fully Paid Shares</td> </tr> <tr> <td data-bbox="686 1612 1021 1742">7,940,729</td> <td data-bbox="1021 1612 1283 1742">June 2012 Options</td> </tr> </tbody> </table>	Number	⁺ Class	149,761,711	Ordinary Fully Paid Shares	7,940,729	June 2012 Options
Number	⁺ Class						
149,761,711	Ordinary Fully Paid Shares						
7,940,729	June 2012 Options						

⁺ See chapter 19 for defined terms.

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	
	160,000	Employee Options @ \$3.50 expiry 31/07/10
	1,280,000)	Director Options – ARXAA @ 50.0 cents expiry 12/03/13
)	
)	
2,640,000)	Employee Options - ARXAA @ 50.0 cents expiry 12/03/13	
	2,084,210 Notes Convertible into 694,770 shares	Convertible Notes: ARXA[] with right to convert the note amount at \$3.00 maturing 29 Jan 2010
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Same

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	
15	+Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- 18 Names of countries in which the entity has ⁺security holders who will not be sent new issue documents
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue
- 23 Fee or commission payable to the broker to the issue
- 24 Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺security holders
- 25 If the issue is contingent on ⁺security holders' approval, the date of the meeting
- 26 Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled
- 27 If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders
- 28 Date rights trading will begin (if applicable)
- 29 Date rights trading will end (if applicable)
- 30 How do ⁺security holders sell their entitlements *in full* through a

+ See chapter 19 for defined terms.

broker?	<input type="text"/>
31 How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	<input type="text"/>
32 How do +security holders dispose of their entitlements (except by sale through a broker)?	<input type="text"/>
33 +Despatch date	<input type="text"/>

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

--

39 Class of +securities for which
 quotation is sought

--

40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

--

41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

--

	Number	+Class
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	

+ See chapter 19 for defined terms.

