

COMMENCEMENT OF DRILLING AT TRENGGALEK, INDONESIA

Highlights:

- A new phase of drilling has commenced on the Trenggalek Project in Indonesia.
- The targets are epithermal gold vein systems on the Sentul and Buluroto prospects

Managing Director, Dr Jeffrey Malaihollo, commented:

"We are pleased to announce the commencement of a new phase of drilling on the Sentul and Buluroto prospects, where previous drilling campaigns have returned some significant gold intercepts. Only about 5-10% of the total strike-lengths of both vein systems have been previously drill tested. The current drilling programme will step-out from the previous drilling and test the greater part of each vein system for a potential gold resource. We will keep the market informed of progress at Trenggalek when the results are available"

Following the announcements of 29 September 2015 and 18 November 2015, Arc Exploration Limited (ASX Code: ARX) is pleased to announce the commencement of the first phase of exploration drilling by our new exploration partner, PT Danusa Tambang Nusantara on the Trenggalek Project located in East Java, Indonesia (Figure 1).

Whilst recognising the porphyry gold-copper potential of the Trenggalek Project identified during the Anglo American Joint Venture, Danusa will initially concentrate on exploring and evaluating the epithermal gold veins.

Previous drilling on the Sentul and Buluroto prospects, located in the southeastern segment of the IUP tenement area, returned some significant gold and silver intersections including 9.65m @ 4.5 g/t Au & 8 g/t Ag at Sentul and 13.7m @ 3.2 g/t Au & 60 g/t Ag at Buluroto.

Danusa is managing and fully funding the exploration program.

INDONESIAN ARCHIPELAGO Major Gold Deposits



Figure 1. Trenggalek Project Location Map

About Trenggalek

The Trenggalek Project is an Exploration IUP tenement covering about 300 km² located in the same magmatic arc that hosts the Tumpangpitu porphyry copper-gold deposit in the Southern Mountains of East Java, and the Batu Hijau-Elang porphyry copper-gold deposits located on Sumbawa. The project has excellent infrastructure with a network of sealed to graded roads traversing almost all of the tenement area.

In November 2015, ARX announced that PT Danusa Tambang Nusantara (“Danusa”) signed formal documentation with ARX and SMN to explore the Trenggalek Project. Danusa will fund First Stage of exploration for a total of US\$ 1,500,000 over the next 10 months and has the option to continue on to the Second and Third Stages of exploration within a total framework of 30 months. Exploration activities at Trenggalek are currently managed by Danusa.

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