

ARC EXPLORATION LIMITED

ABN 48 002 678 640

PROSPECTUS

NON-RENOUNCEABLE RIGHTS ISSUE

For a pro-rata non-renounceable rights issue to Shareholders of 1 New Share for every 1 Share held on the Record Date at 1.8 cents per Share with 1 attaching New Option exercisable for 3.6 cents for every 2 New Shares subscribed to raise up to approximately \$3.1 million.

This is an important document and requires your immediate attention. It should be read in its entirety. If you do not understand its contents, or are in doubt as to how to act, you should consult your stockbroker or professional adviser.

The Rights Issue closes at 5.00pm Sydney time on 16 November 2009.

Important Information

This Prospectus is dated 13 October 2009 and was lodged with ASIC on that date. Neither ASIC nor the ASX, nor any of their officers, take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

No New Shares or New Options will be issued on the basis of this Prospectus after the Expiry Date. New Shares and New Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. ARX will apply to ASX for the New Shares and New Options to be quoted on ASX within 7 days after the date of this Prospectus.

Foreign jurisdictions

The New Shares and New Options being offered under this Prospectus are being offered to Eligible Shareholders, being Shareholders with registered addresses in Australia, New Zealand, Singapore and Indonesia on the terms and conditions described in Sections 1.1 and 1.2 of this Prospectus. Based on previous advice as adopted by the Directors in making the offer to Eligible Shareholders in New Zealand, ARX is relying on the *Securities Act (Overseas Companies) Exemption Notice 2002* (NZ), by virtue of which this Prospectus is not required to be registered in New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia, New Zealand, Singapore and Indonesia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the New Shares and New Options, or otherwise permit an offering of the New Shares and New Options, in any jurisdiction outside of Australia, New Zealand, Singapore and Indonesia. In particular, this Prospectus does not constitute an offer for sale of the New Shares and New Options in the United States or to U.S. persons. The New Shares and New Options have not been, and will not be, registered under the U.S. Securities Act and must not be offered or sold within the United States or to U.S. persons unless they are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

Investment decisions

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the offer of New Shares and New Options pursuant to this Prospectus having regard to their objectives, financial situation, tax position and needs.

Future performance

Except as required by law, and only then to the extent so required, neither ARX nor any other person warrants the future performance of ARX, or any return on any investment made pursuant to this Prospectus. An investment in the New Shares and New Options offered by this Prospectus should be considered speculative.

Continuously quoted securities

This is a Prospectus for an offer of continuously quoted securities and options over continuously quoted securities (as defined in the Corporations Act) of ARX and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

Prospectus availability

Eligible Shareholders can obtain a copy of this Prospectus during the period of the Rights Issue by contacting the Company Secretary, Mr Andrew Cooke on + 61 2 9419 8044. Eligible Shareholders will only be entitled to exercise their Rights and take up New Shares and New Options in accordance with the instructions in the personalised Entitlement and Acceptance Form which accompanies a paper copy of this Prospectus.

Terms of the Rights Issue

Subject to compliance with the Corporations Act, the Listing Rules and any other applicable laws, the Directors reserve the right to withdraw the Rights Issue and Prospectus at any time in their absolute discretion. In either case, the relevant Application Monies will be refunded as soon as practicable after the Closing Date (without interest).



Dear Fellow Shareholder,

Please find attached your personalised copy of Arc Exploration Limited's Prospectus relating to the 1:1 non-renounceable Rights Issue at 1.8 cents per New Share with an attaching New Option on a 1:2 basis per New Share subscribed.

The Rights Issue itself will raise up to approximately A\$3.1m before issue costs, depending upon the level of acceptances.

The Rights Issue is a key element in a broader plan to take our Company forward.

The focus going forward will be on exploration for gold in Indonesia. That focus in the short term will primarily be on our project at Trenggalek in Java while advancing our other interests such as our joint venture with Anglo in Papua. We have no plans for ARX itself to undertake production of any resource that may be discovered from our exploration efforts.

We have a 5,000 metre drilling program for Trenggalek mapped out to commence in the first quarter of 2010. We are hopeful that this program will generate positive results and identify a high-grade epithermal gold-vein field.

To fund this program and our other exploration targets over the next year, we have already undertaken a share placement and together with this Rights Issue the funds raised will provide the Company with working capital to move forward. The share placement raised A\$0.4m (before costs) and the Rights Issue, assuming all the New Shares offered are taken up or the shortfall otherwise placed, will raise up to A\$3.1m totalling A\$3.5m. The placement and the Rights Issue are being undertaken at the same allotment price of 1.8 cents per New Share plus an attaching New Option on a 1:2 basis per New Share subscribed. These amounts exclude any funds raised should the New Options be exercised.

In addition, we have entered into a contract with a leading drilling contractor in Indonesia to provide drilling services for our initial program at Trenggalek. Instead of receiving payment in cash, the contractor has agreed to accept payment in ARX Shares and Options at the same price and on the same terms as the placement and Rights Issue, such Shares and Options to be allotted as the work is performed.

The attached Prospectus contains important information concerning ARX, the Rights Issue and the other funding initiatives we have undertaken to strengthen our Company. It is important that you read the Prospectus carefully, particularly Section 4 dealing with Risk Factors.

Your Board believes that focusing on our core strength of exploration is the key to ARX's future success. I have confidence in our management team at ARX and will be taking up my entitlement under the Rights Issue and (subject to Shareholder approval) will also be subscribing for further Shares out of the Shortfall. However, Shareholders should make their own decisions based upon their individual circumstances, risk profile and investment objectives.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Bruce Watson".

Bruce Watson
Chairman

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Summary of Important Dates*

Prospectus lodged with ASIC	13 October 2009
Existing Shares quoted ex-rights on ASX	15 October 2009
Record Date to determine entitlements under the Rights Issue (5.00pm Sydney time)	21 October 2009
Rights Issue opens	27 October 2009
Closing date and date for acceptances and payment in full*	16 November 2009
Allotment of New Shares and New Options*	24 November 2009
Trading commences for New Shares and New Options on ASX*	25 November 2009
Date of General Meeting*	11 December 2009

*These dates are indicative only and may be subject to change. Subject to the Corporations Act, the Listing Rules and other applicable laws, the Directors reserve the right to vary the dates, including to extend the Rights Issue, close the Rights Issue early or accept late applications (either generally or in particular cases), without prior notice. You are encouraged to submit your Entitlement and Acceptance Form as soon as possible. The commencement of quotation is subject to ASX confirmation.

Definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 7.

A reference to time in this Prospectus is to Sydney local time, unless otherwise stated.

A reference to \$ and cents is to Australian currency, unless otherwise stated.

1. DETAILS OF THE RIGHTS ISSUE

1.1 Rights Issue

This Prospectus invites Eligible Shareholders to participate in a pro-rata non-renounceable Rights Issue on the basis of 1 New Share for every 1 Share held on the Record Date at an issue price of A\$0.018 per New Share and 1 attaching New Option for every 2 New Shares subscribed.

The number of New Shares and New Options to which you are entitled is shown on the Entitlement and Acceptance Form accompanying this Prospectus as sent to Eligible Shareholders. Any fractional entitlement to New Options will be rounded up to the nearest whole number.

The Rights Issue will raise up to approximately \$3.1m, before costs of the Rights Issue.

The Rights Issue will open for receipt of acceptances at 9.00am on 27 October 2009 and will close at 5.00pm on 16 November 2009, or such later date as the Directors, in their absolute discretion and subject to compliance with the Corporations Act, the Listing Rules and any other applicable laws, may determine. You should allow sufficient time to ensure that your Entitlement and Acceptance Form reaches the Share Registry by the specified time or accept this offer by making payment by BPay by the specified time.

The Rights Issue is non-renounceable.

As at the date of this Prospectus, ARX has 172,225,987 Shares on issue. The maximum number of New Shares that may be issued under this Prospectus is 172,225,987 and the maximum number of New Options is 86,112,994 (subject to increases due to rounding up of entitlements).

Shareholders who do not exercise their Rights will be diluted with respect to their interest in ARX.

1.2 Terms of New Options

Eligible Shareholders who participate in the Rights Issue will be issued 1 New Option for each 2 New Shares applied for. Each New Option will entitle the holder to subscribe for 1 New Share in the capital of the Company for \$0.036 per Share by giving written notice of exercise to the Company on or before 31 January 2011. The detailed terms of the New Options are set out in Section 5.4.

1.3 Background

On 7 October 2009 the Company completed a Placement of 22,464,276 Shares in the Company at 1.8 cents per New Share, with 1 New Option attached to each 2 New Shares applied for, to raise A\$404,357, before costs of the issue.

The issue of the New Shares pursuant to the Placement falls within the 15% capacity afforded by Listing Rule 7.1. The New Options attached to the Placement will be issued subject to shareholder approval and be exercisable at 3.6 cents at any time until 31 January 2011.

The Company will apply for the quotation of the New Options in addition to the New Shares.

The Board resolved to undertake this Rights Issue so that existing Shareholders would have the opportunity to participate in the Company's capital raising strategy on the same terms as the Placement participants.

ARX has entered into a strategic alliance with a leading drilling contractor in Indonesia with extensive experience in the conduct of major drilling projects throughout the country. As a result of this alliance the Drilling Contractor will undertake a 5,000 metre diamond core drilling program at the Company's Trenggalek Project at its own cost in exchange for Shares and Options in ARX.

The Drilling Agreement is a fixed per metre price contract valued at up to US\$825,000 (approximately A\$950,000 as at the date of this Prospectus).

Subject to Shareholder approval, ARX will pay for the drilling services to be provided by the issue of Shares and Options on the same pricing and terms referred to above in respect of the Placement and Rights Issue and for the value of the contract as it is performed. The Shares issued to the Drilling Contractor will be voluntarily escrowed until 30 June 2010.

The Board has also resolved to conduct a placement, subject to Shareholder approval and this Rights Issue raising not less than \$2 million, of 75 million Options with an exercise price of 3.6 cents and an expiry date of 31 January 2011 at an issue price of 0.2 cents to raise \$150,000, before costs of the issue.

1.4 Exploration Strategy and Use of Proceeds

Once in funds, ARX will focus on exploring for gold in Indonesia where the Board considers that the Company's senior management has a proven track record.

Initial exploration will be conducted on the Trenggalek Project which contains several outcropping gold mineralised veins and locally high-grade vein float. Trenggalek has the potential to become a major new gold district containing multiple deposits. Drilling is expected to commence in early 2010.

The Placement, Options Placement and Rights Issue, if all fully subscribed, will raise gross proceeds of A\$3.65 million which is expected to be sufficient to enable the Company to pursue its business plan for the next 12-18 months. The need for further capital raisings beyond that will be assessed at the time.

The use of proceeds over the next 12-18 months can be summarised as follows:

<p>Trenggalek Project, East Java: 5,000m diamond core scout drilling program on 4-6 prospects with the aim of demonstrating high-grade intersections (Excluding Drilling Contractor costs, but including geological staff and interpretation, all field and support staff, assays, logistics etc)</p>	A\$1.65 m
<p>Bima Project, Sumbawa: Regional and target definition work with the aim of confirming the potential for porphyry targets</p>	A\$0.35 m
<p>New Project, Generative Work: Project evaluation and regional generative work with the aim of securing at least one new project</p>	A\$0.35 m
<p>Working Capital: Including all corporate and administration costs in</p>	A\$0.97 m

Australia and Indonesia	
Costs of Capital Raising Strategy:	
Including Broker Fees & Legal Fees	A\$0.33 m
TOTAL:	A\$3.65 m

1.5 Ability for Shareholders to Participate in any Shortfall

Eligible Shareholders, in addition to applying for their Rights may, by completing the relevant box in the Entitlement and Acceptance Form and including the appropriate Application Monies, apply for such further number of New Shares and New Options out of any Shortfall which the Eligible Shareholder may specify in the Entitlement and Acceptance Form.

In the event that there is no Shortfall, the Application Monies relating to the Shortfall will be returned to the Eligible Shareholders as soon as practicable following the Closing Date without interest.

The aggregate number of New Shares available for subscription by Shareholders out of the Shortfall shall not exceed 25 million New Shares (and the corresponding number of New Options). For further details, refer to Section 5.6 – Broker Mandate Letter.

If applications from Eligible Shareholders to participate in the Shortfall exceed the New Shares and New Options available under it, Eligible Shareholders who apply for New Shares and New Options under the Shortfall may receive fewer New Shares and New Options from the number applied for out of the Shortfall in such case the Shortfall will be allocated amongst Shareholders who apply to participate in the Shortfall at the Board's discretion.

Application Monies relating to New Shares applied for but not issued will be returned to Shareholders as soon as practicable following the Closing Date without interest.

1.6 Proposed Placement of any Rights Issue Shortfall

In accordance with Listing Rule 7.2, Exception 3 of the Listing Rules, the Directors of the Company reserve the right to issue the whole or any part of the Shortfall within 3 months of the date of the close of the Rights Issue at their discretion. The issue price will not be for less than \$0.018 for each New Share with New Options attaching on the basis of 1 New Option for 2 New Shares.

The Company has entered into arrangements with a leading broker which has undertaken to use its best endeavours to place the Shortfall. The terms of the appointment are summarised in Section 5.6.

1.7 Contractual Arrangements

ARX has entered into a Drilling Agreement with the Drilling Contractor for a 5,000 metre diamond core drilling program to be undertaken at the Company's Trenggalek Project in East Java.

The estimated value of the Drilling Agreement is up to US\$825,000 (approximately A\$950,000 as at the date of this Prospectus).

Subject to Shareholder approval, ARX will pay for the drilling services to be provided by the issue of Shares and Options of the same pricing and terms referred to above in respect of the Placement and Rights Issue.

The contracts entered into with the Drilling Contractor are summarised in Section 5.6.

1.8 Directors' Participation

The participation of any Director in the Shortfall or any placement of the Shortfall will be subject to the approval of Shareholders at the General Meeting.

1.9 Issue and Allotment of New Shares and New Options

It is expected that the New Shares and New Options are to be issued and allotted by no later than 24 November 2009.

The New Shares will be issued fully paid, and from the date of issue, will rank equally in all respects with existing Shares on issue. By returning your Entitlement and Acceptance Form and/or paying your Application Monies, you agree to comply with the Constitution in respect of the New Shares and the New Options issued to you. Details of the rights attaching to the New Shares and the New Options are set out in Sections 5.3 and 5.4 respectively.

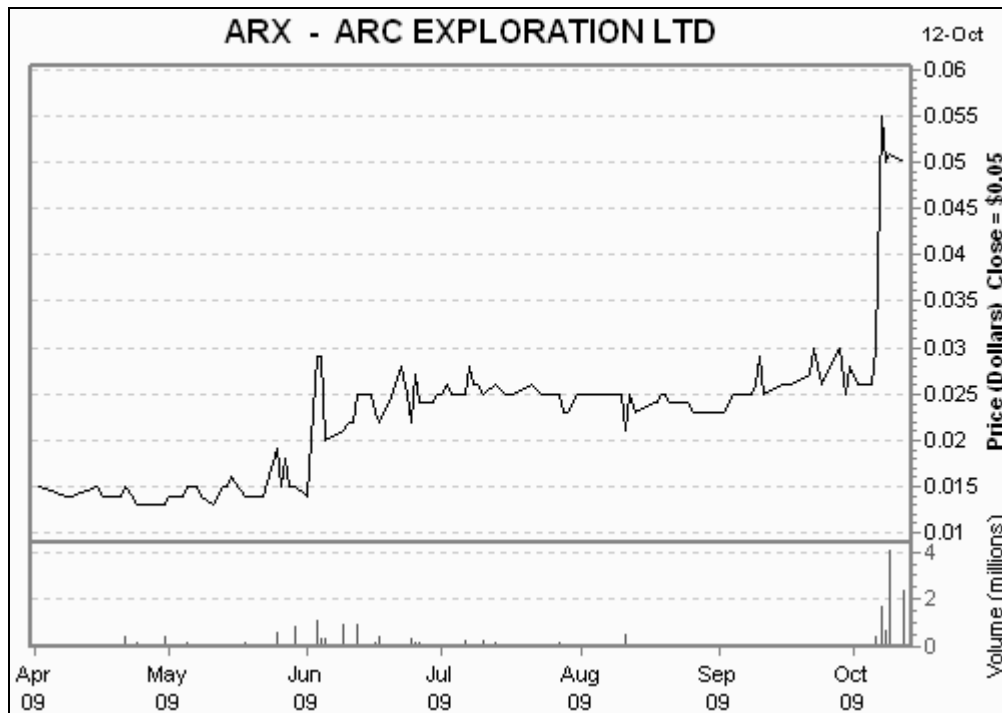
1.10 Application Monies

Until the New Shares and New Options are issued and allotted, ARX will hold the Application Monies on trust for applicants in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Monies will be for the benefit of ARX and will be retained by it irrespective of whether allotment of the New Shares and New Options takes place.

If quotation of the New Shares is not granted by ASX, Application Monies will be refunded to applicants without interest.

1.11 Trading history of Shares on ASX

The following graph shows the price at which Shares have traded over the last 6 months.



During this period, the highest price at which Shares have traded was \$0.055 on 7 October 2009 and the lowest was \$0.013 on 24, 27 & 28 April and 11 May 2009. The closing price of the Shares on 12 October 2009, the date immediately before the date of this Prospectus, was \$0.050.

1.12 ASX Quotation

ARX will make an application to the ASX within 7 days following the date of this Prospectus for the official quotation of the New Shares and New Options.

If approval is not granted by ASX within 3 months after the date of this Prospectus, ARX will not allot or issue any New Shares or New Options and will repay all Application Monies (where applicable), without interest.

The fact that the New Shares and New Options have been admitted to quotation on ASX is not to be taken in any way as an indication of the merits of ARX or the New Shares now offered for subscription.

1.13 Treatment of overseas Shareholders

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

ARX is of the view that it is unreasonable to extend the Rights Issue to Ineligible Shareholders, having regard to:

- the small number of Ineligible Shareholders;

- the number and value of the New Shares which would be offered to Ineligible Shareholders; and
- the cost of complying with the legal requirements and requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Rights Issue is not being extended to any Shareholder whose registered address is outside Australia, New Zealand, Singapore and Indonesia. ARX reserves the right to treat as invalid any Entitlement and Acceptance Form that appears to have been submitted by an Ineligible Shareholder.

In particular, this Prospectus does not constitute an offer for sale of the New Shares or any Right to a security into the United States or to U.S. persons. The New Shares and Rights have not been, and will not be, registered under the U.S. Securities Act and must not be offered or sold within the United States or to U.S. persons unless they are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia, New Zealand, Singapore and Indonesia are responsible for ensuring that taking up any Rights under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment by BPay will constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as how they should proceed. Where the Prospectus has been dispatched to a Shareholder domiciled outside Australia, New Zealand, Singapore and Indonesia and where the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by this Prospectus, this Prospectus is provided for information purposes only.

1.14 Taxation implications for Shareholders

Each Shareholder's taxation position is different and driven by a number of factors including, but not limited to, domicile. Shareholders should take their own taxation advice in relation to the Rights Issue and its implications for them personally.

1.15 Control implications

ANZ holds 34.15% of the issued capital of ARX following the Placement. The Directors believe that ANZ will not take up its rights under the Rights Issue. Accordingly, the Directors expect ANZ's interest following completion of the Rights Issue, and assuming that any Shortfall is placed in full, will reduce to 17.08%.

2. ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

2.1 If you wish to take up your Rights

- (a) Taking up your rights in full or in part

If you are an Eligible Shareholder and you wish to take up all or part of your Rights, you must accept the offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Prospectus or making payment by BPay. This form will detail your entitlement to New Shares and New Options under the Rights Issue. You should complete the form or pay by BPay in accordance with the instructions set out on the reverse side of the form.

(b) Participating in any Shortfall

If you are an Eligible Shareholder and you wish to take up all of your Rights and participate in any Shortfall you must accept the offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Prospectus or by making payment by BPay and specify the number of New Shares that you wish to apply for out of any Shortfall.

The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft for the appropriate Application Monies calculated at 1.8 cents in aggregate for each New Share. Please ensure that the completed Entitlement and Acceptance Form, together with your cheque is received by the Share Registry:

Computershare Investor Services Pty Limited
GPO Box 1903
ADELAIDE SA 5001

OR

Pay by BPay. Follow the instructions on the Entitlement and Acceptance form. If you pay by BPay you do not need to return the Entitlement and Acceptance Form,

by not later than 5.00pm Sydney time on 16 November 2009 or such later date as the Directors advise. Completed Entitlement and Acceptance Forms and Application Monies will not be accepted at Arc's registered office. Cheques should be made payable to "Arc Exploration Limited – Share Account" and crossed "Not Negotiable".

2.2 If you do nothing

If you are an Eligible Shareholder and you do nothing by 5.00pm **16 November 2009**, being the Closing Date, your Rights will form part of the Shortfall which will be taken up by the Shareholders who elect to participate in the Shortfall or other placees thereof. You will not receive any benefit.

3. EFFECT OF THE RIGHTS ISSUE ON ARC

3.1 Effects of the Rights Issue on ARX's capital structure

At the date of this Prospectus, ARX had 172,225,987 Shares on issue.

The pro-forma capital structure of ARX following the Rights Issue is set out below:

Fully Paid Ordinary Shares 344,451,974
Options:

\$0.025 – 6 July 2012 (unlisted):	17,775,000
\$0.75 – 30 June 2012 (Listed):	7,940,729
\$0.036 – 31 January 2011 (Listed) :	172,225,987*

* Subject to rounding of fractional entitlements.

3.2 Tax Implications for ARX

There may be income tax and GST implications to ARX arising from the Rights Issue, including those described in this section.

ARX may be unable to claim a GST credit for some or all of the expenses it incurs in relation to the Rights Issue. Any such denial of GST credits is not expected to be significant.

ARX carries forward Australian income tax and capital losses. In order to utilise these income tax losses and capital losses in the future, ARX must either demonstrate a minimum continuity of ownership or carry on the same business over the period from when the losses were incurred to when they are utilised. The Rights Issue and other specific share placements and debt/equity conversions would have had an impact on ARX's ability to satisfy the continuity of ownership test. ARX's ability to satisfy the alternate same business test can only be determined in the year the losses are utilised and therefore satisfaction of this test will depend on the facts and circumstances over the relevant period. Whilst ARX does not believe that its business has changed for the purposes of the same business test or will change in the future it cannot guarantee that the same business test will be satisfied at some future date.

These comments are limited to the taxation consequences for ARX and do not address the taxation consequences that may arise for ARX Shareholders. Existing Shareholders should seek their own independent taxation advice on the taxation implications from participating in the issue, specific to their own circumstances.

3.3 Pro-Forma Consolidated Statement of Financial Position

The unaudited Statement of Financial Position as at 30 June 2009 and the unaudited Pro-forma Statement of Financial Position as at 30 June 2009 shown in the table have been prepared on the basis of the accounting policies normally adopted by the ARX group and reflect the changes to its financial position assuming that the transactions detailed below had occurred on 30 June 2009:

- the placement of 22,464,276 Shares on 7 October 2009 at an issue price of 1.8 cents per Share;
- a fully subscribed Rights Issue as set out in Section 3.1;
- the placement of 75 million Options at an issue price of 0.2 cents per Option; and
- the subsequent events disclosed in the interim consolidated financial report for the period ended 30 June 2009, being the sale of the subsidiary PT Cibaliung Sumberdaya, settlement of convertible notes and forgiveness of underwriting fees.

The unaudited Statement of Financial Position as at 30 June 2009 has been extracted from the interim consolidated financial report for the period ended 30 June 2009. A copy of the interim consolidated financial report for the period ended 30 June 2009 can be located at the Company's website www.arcexploration.com.au.

3.4 Pro-forma Consolidated Statement of Financial Position

	Unaudited Statement of Financial Position as at 30 June 2009	(a) Share Placement 7 October 2009	(b) Proposed Rights Issue fully subscribed	(c) Proposed Options Placement at 0.2 cents per option	(d) Completed sale of subsidiary, settlement of convertible notes, forgiveness of fees	Unaudited Pro-forma Statement of Financial Position as at 30 June 2009
	\$	\$	\$	\$	\$	\$
CURRENT ASSETS						
Cash and cash equivalents	1,162,059	368,339	2,823,932	136,639	(221,116)	4,269,853
Receivables	27,649					27,649
Other	191,919					191,919
Assets classified as held for sale	67,483,611				(67,483,611)	0
TOTAL CURRENT ASSETS	68,865,238					4,489,421
NON-CURRENT ASSETS						
Receivables	101,896					101,896
Plant and equipment	147,320					147,320
Exploration and evaluation expenditure	1,266,904					1,266,904
TOTAL NON-CURRENT ASSETS	1,516,120					1,516,120
TOTAL ASSETS	70,381,358					6,005,541
CURRENT LIABILITIES						
Trade and other payables	752,715				(660,083)	92,632
Interest bearing liabilities	2,084,310				(2,084,310)	0
Other	33,190					33,190
Liabilities classified as held for sale	82,747,484				(82,747,484)	0
TOTAL CURRENT LIABILITIES	85,617,699					125,822
NON-CURRENT LIABILITIES						
Interest bearing liabilities	3,400,951					3,400,951
TOTAL NON-CURRENT LIABILITIES	3,400,951					3,400,951
TOTAL LIABILITIES	89,018,650					3,526,773
NET ASSETS	(18,637,292)					2,478,768

	Unaudited Statement of Financial Position as at 30 June 2009	(a) Share Placement 7 October 2009	(b) Proposed Rights Issue fully subscribed	(c) Proposed Options Placement at 0.2 cents per option	(d) Completed sale of subsidiary, settlement of convertible notes, forgiveness of fees	Unaudited Pro-forma Statement of Financial Position as at 30 June 2009
EQUITY						
Contributed equity	132,058,588	368,339	2,823,932	136,639		135,387,498
Reserves	(4,359,833)				4,543,337	183,504
Accumulated losses	(146,336,047)				13,243,813	(133,092,234)
Parent interest	(18,637,292)					2,478,768
Minority interest	0					0
TOTAL EQUITY	(18,637,292)					2,478,768

Notes:

	Issue Price	Number	CASH Gross	CASH Net of Expenses
(a) Share and option placement announced 7 October 2009				
shares	\$0.018	22,464,276	404,357	404,357
options		11,232,138		0
less fees and expenses				(36,018)
				<u>368,339</u>
(b) Proposed Rights Issue				
shares	\$0.018	172,225,987	3,100,068	3,100,068
options		86,112,994		0
less fees and expenses				(276,136)
				<u>2,823,932</u>
(c) Proposed Options Placement				
options	\$0.002	75,000,000	150,000	150,000
less fees and expenses				(13,361)
				<u>136,639</u>

Major Assumptions:

1. Maximum number of shares that can be subscribed under the Proposed Rights Issue are issued.
2. Deferred tax assets associated with the potential deductibility of the issue expenses have not been recognised as it is not probable that the benefit will be realised.

4. RISK FACTORS

The Company is subject to a number of risks and other factors that may impact both on its future performance and the market price at which its Shares trade. Broadly, these risks can be classified as risks general to investing in the stock market and risks specific to an investment in the Company.

The New Shares and any Shares issued upon exercise of any New Options issued under this Rights Issue do not carry any guarantee of profitability, dividends or the price at which they will trade on ASX. The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. However, before taking up any Rights or investing in the Company, the Directors strongly recommend that investors examine the contents of this Prospectus in its entirety and information about the Company and consult their professional advisers before deciding whether to subscribe for New Shares pursuant to this Rights Issue.

4.1 General

As with all stock market investments, there are risks associated with an investment in the Company. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares under this Prospectus.

General factors that may affect the market price of the Shares include:

- economic conditions in Australia, Indonesia and internationally;
- investor sentiment and local and international share market conditions;
- changes in interest rates and the rate of inflation;
- changes to government regulation, policy or legislation;
- changes in exchange rates; and
- the nature of competition in the industry in which the Company operates.

4.2 Specific risks relating to ARC

(a) Speculative Nature of Exploration and Mining

Exploration for and mining of minerals is highly speculative and no assurance can be made that minerals will be discovered or that production will be obtained from the areas in which the Company has or may acquire an interest, or that production and marketing of any minerals discovered by the Company will prove to be economic.

(b) Price Fluctuations

Mineral prices have a substantial impact on the exploration for development and operation of projects relating to minerals and consequently on the value of the Company's Shares.

(c) Currency Fluctuations

The future value of the Company's Shares and Options may fluctuate in accordance with movements in foreign currency exchange rates.

(d) Taxation

The Company's profitability may be affected by changes in Indonesian, Australian and other government taxation laws and policies and in the operation of international tax treaties between the two countries and by changes in the taxes and royalties payable in respect of the Company's operations in Indonesia and elsewhere.

(e) Environmental Risks

Environmental risks are inherent in exploration and mining operations. The Company adopts practices which it believes are appropriate to minimise the potential of causing environmental damage in all its operations, but no assurance can be made that the Company will not be affected by environmental claims or issues in the future.

(f) Exploration Risk / Profitability

The Company's commercial viability will be dependent upon the success of its proposed exploration activities together with any other activity that the Company may undertake. No assurances can be given that the Company will be able to discover gold or any other mineral. Equally, no representation as to future profitability or dividends can be given.

(g) Exploration and Production Cost Estimates

By their very nature, exploration and production cost estimates and assumptions are inherently subject to significant uncertainties. Actual results may materially differ from the Company's estimates and assumptions and may materially and adversely affect the Company's commercial viability and future results.

(h) Government and Regulatory Approvals

There can be no assurance that all of the relevant approvals and permits necessary to conduct exploration and mining operations will be granted by the relevant government and regulatory authorities or that they will remain in good standing where already granted.

On 16 December 2008, a Bill on Mineral and Coal Mining was passed by the Indonesian Parliament introducing a new legislative regime for mining and exploration in Indonesia. The new Bill leaves much of the detail to be dealt with by the implementing Government Regulations which will dictate how the new law is applied in practice. Accordingly, there remains uncertainty as to how the new law will operate in practical terms and there can be no assurance that existing exploration titles held by the Company or any of its joint venture partners will be converted to exploration licenses under the new mining law.

Key features of the new mining law as passed include the following:

- The former Contract of Work (CoW/CCoW) system for foreign investment in mining projects is replaced by a system of mining licenses.
- For “non strategic” mining areas, licenses may be issued by:
 - o the regional government if the license area falls within a single regional government area;
 - o the provincial government if the license area falls within more than one regional government area but within a single province; or
 - o by the National Government if the license area covers more than one province.
- Equal treatment for foreign and domestic investment in mining licenses (except for limited priority for state owned companies in “strategic” mining).
- Mining can only be conducted in areas designated by National Government as being open for mining.
- New minerals and coal mining licenses are awarded through a transparent tender process.
- The holder of an exploration license who has complied with the requirements of the license is guaranteed a production license.
- Requirement for all licence holders to comply with environmental and mine closure obligations.
- Existing CoW/CCoWs to remain valid for the balance of their existing term but to be transitioned to conform to the new licensing system within 1 year.
- License holders are required to process minerals within Indonesia (existing CoW companies will have 5 years to comply).
- Foreign investment companies holding mining licenses will be required to divest to Indonesians within 5 years of commencing production (subject to regulation).
- Priority to be given to “local” mining service contractors and mining services contracts between mining license holders and related parties are prohibited.
- The National Government will have substantial oversight control over regional and provincial governments who may be responsible for issuing and administering licenses.
- There are no specific provisions in the new mining law dealing with the transition of KPs. Implementing regulations will deal with the transition of KPs.

(i) Other Risk Factors

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or

any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company. The Company operates in an equatorial region and accordingly, its projects can be affected by high rainfall and unusual climatic conditions, which can delay Company operations.

(j) Country risk

Indonesia and other Asian countries in which the Company may operate continue to experience economic, social and political volatility. As a result, the Company's operations may be impacted by currency fluctuations, political reforms, changes in government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. Indonesia is also subject to natural disasters such as earthquakes and tsunamis. These events lead to business and social dislocation amongst other things.

(k) Stockmarket Risks

The market price of Shares in the Company may be significantly adversely affected by a variety of factors including (but not limited to) perceptions of, or variations in, general market conditions, operating performance, commodity prices, project and country risk, Board and management strength and expertise and a broad range of other factors which may or may not relate to the operations of the Company.

The above list of risk factors ought not be taken as exhaustive of the risks faced by the Company or its Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares.

Before any decision is made to subscribe for New Shares in the Company, the above matters, and all other matters described in this document must be carefully considered. The New Shares to be allotted pursuant to this Prospectus should be regarded as speculative in nature and carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investment in the Company is regarded as speculative and neither the Company nor any of its Directors guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or its Shares, including the New Shares offered by this Prospectus, will be achieved.

(l) Summary

The above list of risk factors ought not be taken as exhaustive of the risks faced by the Company or its Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares.

Before any decision is made to subscribe for New Shares in the Company, the above matters, and all other matters described in this Prospectus must be carefully considered.

The New Shares and New Options to be allotted pursuant to this Prospectus should be regarded as speculative in nature and carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investment in the Company is regarded as speculative and neither the Company nor any of its Directors guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or its Shares, including the New Shares offered by this Prospectus, will be achieved.

5. ADDITIONAL INFORMATION

5.1 Transaction specific prospectus

Under the Corporations Act, disclosing entities are entitled to issue a prospectus satisfying the disclosure test set out in section 713 of the Corporations Act where the securities offered by the prospectus are “continuously quoted securities” or options over “continuously quoted securities” as defined in section 9 of the Corporations Act. Such a prospectus is referred to as a “transaction specific” prospectus.

This Prospectus is a “transaction specific” prospectus, issued pursuant to section 713 of the Corporations Act. In addition to formal matters, a transaction specific prospectus need only contain information relating to the terms and conditions of the Rights Issue and all such information which investors and their professional advisers would reasonably require, and reasonably expect to find in the Prospectus, for the purpose of making an informed assessment of:

- (a) the effect of the Rights Issue on ARX; and
- (b) the rights and liabilities attaching to the New Shares.

Section 713 also requires a “transaction specific” prospectus to contain certain information excluded from continuous disclosure under the Listing Rules. ARX has not excluded any such information from disclosure under the Listing Rules and this requirement is therefore not relevant to this Prospectus.

5.2 Continuous disclosure and documents available for inspection

ARX is a “disclosing entity” for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations require ARX to disclose to the ASX any information that a reasonable person would expect to have a material effect on the price or value of the securities of ARX.

ARX believes that it has complied with the requirements of the ASX (as applicable from time to time throughout the 12 months before the Rights Issue) which require ARX to notify ASX of information about specified

events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Copies of documents lodged with ASIC in relation to ARX may be obtained from, or inspected at, an office of ASIC.

ARX will provide a copy of the following documents free of charge, to any person who requests a copy during the period in which the Rights Issue remains open:

- (a) the annual financial report for the financial year ended 31 December 2008 (being the last annual financial report to be lodged with ASIC by ARX before the issue of this Prospectus);
- (b) the half-year financial report lodged with ASIC after lodgement of the annual financial report and before the lodgement of the copy of this Prospectus with ASIC; and
- (c) all continuous disclosure notices given by ARX to ASX since the lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Prospectus with ASIC, being the following documents:

Date Lodged	Document Description
09/04/2009	Results of Meeting
20/04/2009	Notice of Annual General Meeting/Proxy Form
20/04/2009	Annual Report to shareholders
30/04/2009	Quarterly Activities Report
30/04/2009	Quarterly Cashflow Report
22/05/2009	Chairman's Address to Shareholders
22/05/2009	Results of Meeting - AGM
03/06/2009	New Exploration Tenements Granted in West Papua
17/06/2009	Extension of Anglo American Strategic Alliance
06/07/2009	Sale of Cibaliung Gold Project Completed
07/07/2009	Appendix 3B - Unlisted Options @ 2.5 c Exp 6 July 2012
24/07/2009	Quarterly Cashflow Report - June 2009
29/07/2009	Quarterly Activities Report June 09
08/09/2009	Half Year Accounts
07/10/2009	Capital Raisings And Commencement Of Drilling Programme
08/10/2009	Placement Cleansing Notice
08/10/2009	Appendix 3B – Placement Raises \$404k

Copies of the Company's annual financial report, half-year financial report and the Company's announcements, all as referred to above, are available from the Company's website www.arcexploration.com.au.

If Shareholders require any further information in relation to ARX, the Directors recommend that they take advantage of the ability to inspect or obtain copies of the document referred to above. Requests for copies of the above documents should be made to ARX's Company Secretary, Mr Andrew Cooke, on telephone + 61 2 9419 8044.

5.3 Rights attaching to New Shares

There is only one class of shares on issue in ARX being fully paid ordinary shares.

The rights attaching to the Shares are:

- (a) set out in the Company's Constitution; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and general law.

The following is a summary of the principal rights of the holders of the Shares.

Meetings and notices

Each Shareholder of the Company is entitled to receive notice of meetings. The failure of a Shareholder to receive notice of a meeting does not invalidate the proceedings, or any resolution passed at, any such meeting.

The Directors may, at any time, call a meeting of Shareholders. The Directors must call and arrange to hold a meeting of Shareholders of the Company on the written request of Shareholders with at least 5% of the votes that may be cast at the general meeting or at least 100 members who are entitled to vote at the general meeting.

No business may be transacted at any meeting of Shareholders unless a quorum of shareholders is present, two Shareholders holding not less than 10% of the issued Shares shall constitute a quorum.

Voting

Shareholders are entitled to attend a meeting of Shareholders in person, by proxy, corporate representative or by attorney. At a meeting of Shareholders, each Shareholder present in person, or by proxy, corporate representative or attorney has one vote on a show of hands and on a poll has one vote for each fully paid share they hold. The Constitution provides that every resolution put to a vote at a meeting of Shareholders must be determined by the voices or a show of hands unless a poll is properly demanded.

In cases where a Share is jointly held, the vote of the joint holder of any Share whose name appears first in the register of members shall be accepted to the exclusion of the other joint holder.

Transfer of Shares

Shares are transferable by:

- a proper ASTC transfer or any other method of transferring Shares in compliance with the Listing Rules or the ASTC Settlement Rules; or
- an instrument in writing in any usual or common form or in any other form that the Directors approve.

The Directors may decline to register a transfer of Shares where lodgement of a transfer document does not comply with the Company's Constitution, the Shares are not fully paid or the Company has a security lien for any liability of the Shareholder. The Directors must decline to register a transfer of Shares when required by law, the Listing Rules or where that transfer comprises a transfer of restricted securities during an escrow period, except as permitted by the Listing Rules or ASX or that transfer would effectuate an agreement resulting from the acceptance of an offer made under a proportional takeover bid prior to a resolution approving that bid being passed or deemed to be passed.

Issue of further Shares

The Company may increase its authorised Share capital by the creation of new Shares of such amount as decided by the Directors.

Dividend rights

The Directors may, at any time, declare a dividend be paid to the Shareholders of the Company entitled to receive a dividend, and must fix the record date and the date for payment. All dividends must be declared and paid according to the amounts paid on the Shares in respect of which the dividend is paid. All dividends must be apportioned and paid pro rata to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

Variation of rights

ARX may only vary the rights attaching to a class of shares if the holders of 75% of the shares issued in that class give their written consent to the variation, or if a special resolution is passed at a separate meeting of the holders of shares in that class.

Calls on Shares

Subject to the Corporations Act, the Listing Rules and the terms of issue of any shares, the Directors may, at any time, make such calls as they think fit upon the Shareholders in respect of any money unpaid on the shares held by them respectively. A call may be made payable by instalments.

Winding-up

The Directors may authorise the presentation of a petition for winding up of the Company by the Court.

Subject to the terms of issue of a share, if the Company is wound up and the assets available for distribution among the Shareholders are insufficient to repay all the paid up capital, those assets must be distributed so that, to the greatest possible extent, the amount distributed to a Shareholder in respect of each share is proportional to the capital amount paid up (or which at the commencement of the winding up ought to have been paid up) on that share compared with the total paid up capital of the Company.

Subject to the terms of issue of a share, if the Company is wound up and after distribution of assets to repay paid up capital there remain assets

available for distribution to the Shareholders, those assets must be distributed so that, to the greatest possible extent, the amount distributed to a Shareholder in respect of each share is proportional to the capital amount paid up on that share compared with the total paid up capital of the Company.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders, distribute the Company's assets among the Shareholders in specie. The liquidator may, for that purpose, set the value of each asset to be distributed as the liquidator considers fair and may determine how the distribution is to be carried out as between Shareholders of different classes.

Beneficial ownership of Shares

Except as required by law or the Constitution, the Company must not recognise any person as holding any Share upon any trust. The Company is not bound to recognise any equitable, contingent, future or partial interest in any Share or unit of a Share or any other right in respect of any Share except an absolute right of ownership of it in the registered holder or where compelled by law.

Unmarketable parcels

If, at any time, a Shareholder holds an unmarketable parcel of Shares, the Directors may give a notice to that Shareholder stating that unless the Shareholder gives notice to the Company by a specified date (the small Shareholder must be given a notice period of at least 6 weeks from the date on which the notice was sent), requiring that the relevant provisions of the Constitution are not to apply to the unmarketable parcel of Shares, then the relevant Shares are liable to be sold or disposed of by the Company. The Company may invoke the power of sale only once in any 12 month period.

5.4 Terms of New Options

- (a) Each New Option entitles the holder the right to subscribe for 1 Share in the capital of the Company for \$0.036.
- (b) Each New Option which has not been exercised will expire at 5.00pm (Sydney time) on 31 January 2011 ("**Option Expiry Date**"). Each New Option may be exercised at any time prior to the Option Expiry Date and New Options not so exercised shall automatically expire on such date.
- (c) Each Share issued as a result of the exercise of any New Option will, subject to the Constitution of the Company, rank equally in all respects with the then existing Shares on issue.
- (d) No New Optionholder will be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being a New Optionholder, a Shareholder of the Company.
- (e) New Options are transferable.

- (f) A New Option may only be exercised by the New Optionholder by lodging an exercise notice with the Company. The exercise of some New Options shall not affect the New Optionholder's right to exercise the other New Options at a later time.
- (g) The Company will, as soon as practicable after the New Optionholder validly exercises any New Options, and in accordance with the Corporations Act and the Listing Rules, allot the number of Shares in the Company so subscribed for by the New Option holder.
- (h) A New Optionholder shall have no rights to dividends in respect of the New Options and shall have no interest in the Shares the subject of the New Options unless and until those New Options are exercised and the Shares issued.
- (i) If the Company reorganises its capital in any way while any New Options are on issue, the number of New Options will be reorganised in accordance with the Listing Rules so that the New Optionholder will not receive a benefit that the existing holders of Shares do not receive and in addition will be changed to the extent necessary to comply with the Listing Rules applicable to the particular reorganisation of capital at the time.
- (j) There are no participating rights or entitlements inherent in the New Options to participate in any new issues of capital which may be offered or made by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the New Options are exercised.
- (k) There are no rights to change the number of underlying Shares of the New Options if there is a pro-rata issue or a bonus issue to the existing Shareholders in the Company.

5.5 Litigation

The Company is not engaged in any litigation and does not have any claims against it.

5.6 Material Contracts

Drilling Contract

PT Indonusa Mining Services, a wholly owned subsidiary of ARX and Maxidrill entered into a Drilling Contract on 6 October 2009 pursuant to which Maxidrill will perform certain drilling services on the Trenggalek Project site, the precise location of which is to be specified by PT Indonusa Mining Services. Maxidrill's scope of work consists of diamond core drilling of 5,000 metres with the specifics to be as determined by PT Indonusa Mining Services.

The Drilling Contract shall not be binding on either party until ARX raises new equity funds of not less than US\$1,500,000.

The drilling program will be undertaken on an agreed basis depending on circumstances requiring drilling. The commencement date of the drilling will be during the first quarter of 2010 and will continue for a period of 12 months with the possibility of drilling in two stages. The Drilling Contract may be renewed at the option of PT Indonusa Mining Services for another one year period.

Maxidrill will submit invoices to PT Indonusa Mining Services for payment. Payment for the drilling services shall be effected in accordance with the terms of the Share Payment Agreement. Such invoices shall be made by Maxidrill based on the "Daily Drilling Report" as authorised by the Company. Maxidrill's "Daily Drilling Report" will be completed for each drilling shift and includes a record of drilling progress, including the progress depth of each drill hole as well as a statement of any work or delay time and materials used or left in any hole on that particular shift.

The Drilling Contract is a fixed per metre price contract valued at up to US\$825,000 (approximately A\$950,000 as at the date of this Prospectus) for 5,000 metres drilling.

Share Payment Agreement

ARX, Maxidrill and Maxidrill Pte Ltd ("**Maxidrill Singapore**") entered into a Share Payment Agreement on 6 October 2009. ARX and Maxidrill entered into a drilling contract in respect of a drilling program to be undertaken by Maxidrill for ARX at its Trenggalek Project in East Java ("**Drilling Contract**"). ARX and Maxidrill have agreed that ARX will effect payment for the services performed by Maxidrill pursuant to the Drilling Contract by issuing Shares and Options to Maxidrill Singapore or its nominee.

The Shares issued to Maxidrill Singapore will be voluntarily escrowed until 20 June 2010.

ARX may, by written notice to Maxidrill, elect to effect the payment of any amount payable by ARX to Maxidrill pursuant to the Drilling Contract in cash to Maxidrill, where ARX determines that Maxidrill Singapore holds or would hold as a result of the issue of the Shares a relevant interest in more than 19.9% of the issued voting Shares in ARX.

Broker Mandate Letter

ARX has entered into arrangements with a leading broker ("**Broker**") on terms set out in a mandate letter signed by the parties on 6 October 2009.

The "**Broker Pool**" comprising the Shortfall and any shortfall that may arise from the Option Placement will be reserved for distribution to the Broker's clients and other participant corporations of the ASX. This distribution will be undertaken by the Broker on a best endeavours basis.

The Broker Pool will be calculated after the allocation to Shareholders of New Shares applied for by Shareholders out of the Shortfall up to 25 million New Shares (and the corresponding number of New Options).

The Company has the right to introduce investors, including existing Shareholders to lodge applications for up to 25% of the Shortfall

(“**Company Pool**”), participation greater than 25% will be at the Broker’s discretion.

The fees payable to the Broker are as follows:

- 6% of the total amount raised by the Broker under the Placement, Rights Issue and Options Placement for the provision of distribution services on a best endeavours basis. This only includes applications received on behalf of the Broker Pool;
- 1% of the applications received under the Shareholders Pool and the Company Pool, with the Shareholders Pool comprising the Rights Issue to all existing Shareholders;
- an additional fee of 5% on applications received under the Shareholders Pool subject to a minimum of \$3,500,000 being raised via the Placement and Rights Issue, including the placement of the Shortfall, if any; and
- the Broker will coordinate any and all applications for New Shares received from other participant corporations of the ASX and retains discretion regarding the necessary fee payable to incentivise those participant corporations with any fees payable to other participant corporations to be paid by the Broker.

5.7 Expenses

The expenses of the Rights Issue payable by the Company, including legal and accounting fees and share registry costs, are estimated to amount to approximately \$325,515 comprising:

Legal Advisor	\$70,000
Accounting Advisor	\$15,000
Broker	Up to \$186,000
Other	\$54,515 (including other intermediaries).

5.8 Interests of Directors

Except as disclosed in this Prospectus:

- (a) no Director (nor any entity with which a Director is associated) or promoter of ARX has or had within 2 years before the date of this Prospectus, any interest in:
- (i) the formation or promotion of ARX;
 - (ii) property acquired or proposed to be acquired by ARX in connection with its formation, promotion or the Rights Issue; or
 - (iii) the Rights Issue.
- (b) no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to any Director either to induce him to become, or to qualify him as a Director or

otherwise for services rendered by him in connection with the formation or promotion of ARX or the Rights Issue.

5.9 Directors' Interests in Securities

As at the date of this Prospectus, the Directors' interests in the securities of ARX are as follows:

Director	No. of Shares	No. of Options
Bruce Watson	490,000	18,000
John Carlile	1,238,782	73,510
George Tahija	10,597,474	324,675
Robert Willcocks	Nil	Nil

Directors will be eligible to participate in the Rights Issue and, subject to shareholder approval, in any Shortfall or in the placement of any remaining Shortfall.

5.10 Interests of advisers

Except as set out elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter, or stockbroker to ARX has, or had within 2 years before lodgement of this Prospectus with ASX any interest in:

- (a) the formation or promotion of ARX;
- (b) property acquired or proposed to be acquired by ARX in connection with its formation, promotion or the Rights Issue;
- (c) the Rights Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him or her in connection with the formation or promotion of ARX or the Rights Issue.

5.11 Consents

Each of the parties referred to as consenting parties who are named below:

- (a) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- (b) has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name.

Kemp Strang – as legal advisor

Computershare Investor Services Pty Limited – as the
Company's Share Registry

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

5.12 Privacy statement

By filling out the Entitlement and Acceptance Form to apply for New Shares, you are providing personal information to ARX.

The *Privacy Act 1988* (Cth) regulates the way ARX collects, uses, disposes, keeps secure and gives people access to their personal information.

ARX is committed to respecting the privacy of your personal information. ARX collects, holds and uses that personal information in order to process your application and to administer your shareholding in ARX, including:

- (a) ARX setting up and maintaining a register of Shareholders in accordance with the Corporations Act;
- (b) ARX communicating with you, such as sending you annual reports, notices of meetings and any other documents which ARX wishes to send to you as a Shareholder;
- (c) ARX carrying out general administration, including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- (d) ARX complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form, ARX may not be able to process or accept your application for New Shares.

Your personal information may also be provided to ARX's agents or service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- (a) the Share Registry for ongoing administration of the share register;
- (b) printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- (c) professional service advisers such as lawyers, accountants, auditors and other professional advisers for the purpose of administering, and advising on, the New Shares and for any associated actions; and

- (d) other companies where ARX believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- (a) your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- (b) government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the share register in accordance with the Corporations Act;
- (c) ASX; and
- (d) in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in ARX or ARX's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, ARX, subject to certain exemptions under the law. You may be required to pay a reasonable charge in order to access your personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

Mr Andrew Cooke
Suite 1502, Tower B
799 Pacific Highway
CHATSWOOD NSW 2067
Tel: + 61 2 9419 8044

6. AUTHORISATION

This Prospectus is issued by ARX and each of its Directors consents to its lodgement with ASIC.

This Prospectus has been signed by the Company Secretary for and on behalf of the Company in accordance with section 351 of the Corporations Act.

Dated 13 October 2009



Andrew J. Cooke
Secretary

7. DEFINED TERMS AND INTERPRETATION

7.1 Defined Terms

Certain expressions are used throughout this Prospectus. These have the following meanings:

“ANZ”	Australia and New Zealand Banking Group Limited ACN 005 357 522.
"Application Monies"	The monies received from persons applying for New Shares and New Options pursuant to the terms of the Rights Issue.
“ASIC”	Australian Securities & Investments Commission.
"ASTC Settlement Rules"	The settlement rules for the ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.
“ASX”	ASX Limited ACN 008 624 691.
"Board"	Board of Directors of ARX.
“Business Day”	Has the meaning given to that term in the Listing Rules.
“CHESS”	Has the meaning attributed to that term in the ASTC Settlement Rules.
“Closing Date”	5.00pm on 16 November 2009, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine.
“Company”, "Arc" or “ARX”	Arc Exploration Limited ACN 002 678 640 and includes where relevant any subsidiary.
“Constitution”	The Constitution of the Company.
“Corporations Act”	<i>Corporations Act 2001</i> (Cth).
"Director"	A director of ARX.
“Eligible Shareholders”	All Shareholders registered as the holder of Shares on the Record Date, other than Ineligible Shareholders.
“Entitlement and	

Acceptance Form	The entitlement and acceptance form accompanying this Prospectus.
“Expiry Date”	12 November 2010, being 13 months after the date of this Prospectus.
“General Meeting”	A general meeting of the company to be held on approximately 11 December 2009.
“Ineligible Shareholders”	All Shareholders whose registered address is not in Australia, New Zealand, Singapore and Indonesia or is or is holding for the account or benefit of, a person who is a U.S. person or in the United States.
“Listing Rules”	The official listing rules of ASX.
“Maxidrill” or “Drilling Contractor”	PT Maxidrill Indonesia.
“New Option”	Means an Option issued by way of the pro-rata non-renounceable Rights Issue offered pursuant to his Prospectus.
“New Optionholder”	A holder of New Options.
“New Share”	A Share issued by way of the pro-rata non-renounceable Rights Issue offered pursuant to this Prospectus.
“Option”	An option to subscribe for a Share.
“Options Placement”	The proposed placement of 75 million Options to raise \$150,000.
“Placement”	The placement of Shares and Options by the Company which raised \$404,357 and which was completed on 7 October 2009.
“Prospectus”	This prospectus dated 13 October 2009.
“Record Date”	5.00pm on 21 October 2009.
“Rights”	The rights of Eligible Shareholders to subscribe for New Shares and New Options under the Rights Issue.
“Rights Issue”	The issue pursuant to this Prospectus of New Shares and New Options.
“Section”	A section of this Prospectus.

“Share”	A fully paid ordinary share issued in the capital of ARX.
“Shareholder”	A holder of a Share.
“Share Registry”	Computershare Investor Services Pty Limited ACN 078 279 277.
“Shortfall”	Those New Shares and New Options not applied for by Eligible Shareholders pursuant to their Rights.
“Trenngalek Project”	A joint venture project with P.T. Sumber Mineral Nusantara which holds an Exploration KP license covering an area of 30,044 hectares in the Southern Mountains of East Java Province.
“U.S.” or “United States”	The United States of America, its territories and possessions, any State of the United States and the District of Columbia.
“U.S. person”	Has the meaning given to that term in Regulation S under the U.S. Securities Act.
“U.S. Securities Act”	The Securities Act of 1933, as amended, of the United States.

7.2 Interpretation

In this Prospectus and in the Entitlement and Acceptance Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section is a reference to a section of this Prospectus;
- (f) a reference to a statute, regulation, proclamation, ordinance, by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes

all regulations, proclamations, ordinances and by-laws issued under that statute;

- (g) headings and boldings are for convenience only and do not affect the interpretation in this Prospectus; and
- (h) a reference to writing includes email and facsimile transmissions.

CORPORATE DIRECTORY

DIRECTORS	Mr Bruce Watson (Chairman) Mr John Carlile (Managing Director) Mr George Tahija (Non-executive Director) Mr Robert Willcocks (Non-executive Director)
SECRETARY	Mr Andrew Cooke
REGISTERED OFFICE	Level 15 Tower B Suite 1502 799 Pacific Highway CHATSWOOD NSW 2067 Tel: +61 2 9419 8044 Fax: +61 2 9419 8099
SHARE REGISTRY	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street ADELAIDE SA 5000 AUSTRALIA Tel: 1300 556 161 (within Australia) +61 3 9415 4000 (outside Australia)
LEGAL ADVISER	Kemp Strang Level 16 55 Hunter Street SYDNEY NSW 2000
STOCK EXCHANGE	ARX's securities are quoted on the Official List of ASX Limited, the home branch being Sydney.
ASX CODE	ARX
WEBSITE	www.arcexploration.com.au