



2 OCTOBER 2008

ASX/MEDIA ANNOUNCEMENT

UPDATE ON DEVELOPMENT OF CIBALIUNG GOLD PROJECT

GOLD HEDGE BOOK CLOSED OUT

Arc Exploration Limited advises that it has reached agreement with ANZ Bank to close out the hedge book which was originally put in place in 2006 in conjunction with a project financing for the Company's Cibaliung Gold Project (ARX 95%) located in Banten Province, Java, Indonesia.

As a result, the commitment to deliver 141,796 ounces of gold at US\$651.15 and 43,595 ounces of gold at US\$658.00 has been extinguished and the project debt has increased from US\$20m to US\$60m.

Closing of the hedge book means that all of the gold to be produced from the Cibaliung Gold Project will be sold at prevailing spot gold prices and the project revenues will have true exposure to the gold price.

Project Funding

As previously advised, the Company is continuing its discussions with a number of parties to earn a direct interest in the project by funding the remaining development expenditure through to positive cashflow.

The Company is also in ongoing discussions with ANZ Bank regarding existing debt facilities and has accepted an additional cost overrun facility in the amount of US\$4 million offered by ANZ Bank. The Company is now proceeding with the various conditions precedent to permit drawdown of this facility at the earliest opportunity.

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

Melbourne
Level 8 North Tower T +61 3 9620 3110
459 Collins Street F +61 3 9620 3123
Melbourne VIC 3000 E info@arx.net.au
Australia

Jakarta
The Garden Centre T +62 21 782 7020
5th Floor, Suite #5-01 F +62 21 782 7021
Cilandak Commercial Estate
Jl. Raya KKO Cilandak
Jakarta, Indonesia