



1 FOR 1 NON-RENOUNCEABLE RIGHTS ISSUE

This notice dated 13 October 2009 is provided to inform you that on 13 October 2009, Arc Exploration Limited (“ARX” or the “Company”) lodged a Prospectus with ASX Limited (“ASX”) in respect of a pro-rata non-renounceable rights issue of shares at an issue price of 1.8 cents per share with 1 option attaching for every 2 shares subscribed for (“Rights Issue”).

A copy of the **Prospectus** together with an **Entitlement and Acceptance Form** will be mailed to eligible shareholders on 27 October 2009. The Prospectus is available on the ASX website as well as the Company’s website.

Under the Rights Issue, *shareholders* with a registered address in Australia, New Zealand, Indonesia and Singapore (“Eligible Shareholders”) as at 7.00 pm (Sydney time) on 21 October 2009 (“Record Date”) are being invited to subscribe for 1 new fully paid ordinary share in the Company (“New Share”) for every existing share held. In addition, for every 2 New Shares subscribed for 1 new option will attach having an exercise price of 3.6 cents and exercisable at any time until 31 January 2011.

If you are an existing optionholder with a registered address in Australia, New Zealand, Indonesia or Singapore, you will only be entitled to participate in this Rights Issue if you have exercised your options so that you have become a registered shareholder on the Record Date.

The Rights Issue will raise up to \$3.1m. The proceeds of the Rights Issue will substantially be applied to fund exploration for gold in Indonesia where the Company’s senior management have 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.

Eligible Shareholders’ entitlements pursuant to this Rights Issue are non-renounceable and accordingly, Eligible Shareholders cannot sell their entitlements. If Eligible Shareholders do not subscribe for their full entitlement to New Shares (and attaching options) their entitlements which have not been exercised will lapse and form part of the shortfall.

No action is required to be taken at this stage unless you are an existing *optionholder*. If you are an existing optionholder you should exercise your options (as described above) if you wish to participate in the Rights Issue.

If you are an Eligible Shareholder and you intend to exercise your entitlement in full or in part then you should take appropriate action when you receive the **Prospectus** together with the **Entitlement and Acceptance Form** which will be mailed on 27 October 2009.

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Shareholders with a registered address outside of Australia, New Zealand, Indonesia and Singapore are not eligible to participate in the Rights Issue.

The Rights Issue is not underwritten. Up to 172,225,987 New Shares and 86,122,994 new options (subject to rounding – fractional entitlements to new options will be rounded up) may be issued pursuant to the Rights Issue.

Key information and indicative dates in respect of the Rights Issue are as follows:

Prospectus lodged with ASX	13 October 2009
Existing Shares are quoted on an “Ex” basis	15 October 2009
Record Date (date for determining entitlements of Eligible Shareholders to participate in the Rights Issue)	21 October 2009
Prospectus despatched to Eligible Shareholders (expected date of despatch of Prospectus and Entitlement and Acceptance Form)	27 October 2009
Closing Date	16 November 2009
Securities quoted on a deferred settlement basis	17 November 2009
Company to notify ASX of under subscriptions (if any)	19 November 2009
Allotment Date	24 November 2009
Trading commences for New Shares on ASX	25 November 2009

Further details on the Rights Issue are contained in the Prospectus.

For further information please contact:

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