



16 OCTOBER 2008

ASX/MEDIA ANNOUNCEMENT

UPDATE ON CIBALIUNG GOLD PROJECT

DEVELOPMENT REDUCED PENDING RESOLUTION OF PROJECT FUNDING

Arc Exploration Limited advises that ongoing development at the company's Cibaliung Gold Project has been further reduced pending the resolution of project funding.

For the time being activities on site will be limited to underground maintenance and upgrading of site infrastructure in advance of the wet season.

The Company is continuing discussions with a number of parties to earn an interest in the project.

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).

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