

**ARX ENTERS MOU ON THE TRENGGALEK GOLD PROJECT, INDONESIA**

Arc Exploration Limited (ARX) is pleased to announce that it has signed a Non-Binding Memorandum of Understanding (MoU) with PT Danusa Tambang Nusantara (Danusa) to explore the Trenggalek Gold-Copper Project in Eastern Java. Danusa is a subsidiary of one of the largest contract miners in Indonesia.

Pursuant to the MoU, Danusa has an exclusive right to conduct due diligence for a period of 2 months. Subject to satisfactory due diligence, the parties have agreed to an indicative investment structure that would provide Danusa with the opportunity to progressively earn up to 80% of the project for expenditure of up to US\$ 10 million within 4 years including an up-front cash payment to ARX. The progressive earn in process contemplates a minimum expenditure of US\$ 1 million every 6-8 months with agreed milestones.

If Danusa moved over time to 80%, ARX would retain a 15% interest in the Trenggalek Project and also receive a royalty of 0.7% of sales revenue on gold production of between 500,000-1,500,000 ounces from epithermal mineralisation conditional upon the LME gold price being above US\$1,000 per oz.

The proposal is subject to due diligence by Danusa to be completed within the two month exclusivity period, and relevant corporate approvals and legal documentation.

Whilst recognising the porphyry gold-copper potential of the Trenggalek Project identified during the Anglo American Joint Venture, Danusa advises that it intends to initially concentrate its efforts on exploring and evaluating the epithermal gold veins. Particular attention will be at Sentul in the southeast of the licence area. Danusa will also seek to upgrade the current Exploration Licence into an Exploitation Licence if a potentially viable gold resource can be demonstrated at Sentul or on any other of the multiple gold prospects identified within the licence area.

Dr. Jeff Malaihollo, Managing Director of ARX commented:

"We are pleased to be able to attract such a reputable Indonesian Group with an extensive mining experience and financial capability to take the Trenggalek Project forward. The fact that Danusa are considering an investment is a testament to the quality and potential of the Trenggalek Project.

The Group has a proven capacity to quickly put mines into production in Indonesia. We believe that this is the best way to add value for ARX shareholders at the earliest opportunity."

Shareholders will be advised when formal binding agreement has been reached.

For further information please contact:

**Dr Jeff Malaihollo**

**Managing Director**

Tel: + 62 21 531 60118

Email: [jeffmalaihollo@arx.net.au](mailto:jeffmalaihollo@arx.net.au)

**Andrew J. Cooke**

**Company Secretary**

Tel: + 61 2 8076 6004

Email: [andrewcooke@arx.net.au](mailto:andrewcooke@arx.net.au)

Or visit the website: [www.arcexploration.com.au](http://www.arcexploration.com.au)