

June 2009 Quarter Activities Report

ABOUT ARC EXPLORATION LIMITED

Formed in 1983, Arc Exploration Limited (**ASX Code: ARX**) is an Australian listed gold company focused on exploration in Indonesia.

Two key strategic alliances in Indonesia are taking Arc Exploration closer to achieving its exploration growth objectives.

In association with Anglo American Group, the Company is exploring for large porphyry copper/gold deposits in Papua.

In addition the Company has a 95% joint venture interest in two projects with PT Sumber Mineral Nusantara. These are the Trenggalek tenement located in East Java and the Bima tenement located in East Sumbawa. Both projects lie on the Sunda-Banda magmatic arc and are prospective for high-grade epithermal gold-silver vein deposits and porphyry copper-gold deposits.

Arc Exploration Limited
ABN 48 002 678 640
Suite 1502, Level 15
Keycorp Tower B
799 Pacific Highway
Chatswood NSW 2067
AUSTRALIA

Tel: + 61 2 9419 8044
Email: info@arx.net.au

www.arcexploration.com.au

Project Generation

- Further mapping and rock chip geochemical sampling was undertaken at Trenggalek during the quarter. A total of 57 rock samples was collected and submitted for assaying.
- At the Bima Project in East Sumbawa follow-up mapping and rock chip geochemical sampling was undertaken over soil anomalies at the Kowo Prospect.
- Anglo American reported final results for the remaining two holes drilled on the Aisasjur Prospect last year.
- Anglo American proposes to undertake an airborne magnetics and radiometrics survey over the entire project area in the second half of 2009.

Cibaliung Gold Project – Indonesia

- The Company entered into a binding Heads of Agreement to sell the Cibaliung Project to PT Aneka Tambang Tbk on 6 February 2009. The sale was completed on 6 July 2009. The sale relieves ARX of its obligation to fund Cibaliung and to service the associated project debt obligations to the ANZ Bank.
- Additionally, the Company's guarantee in respect of the project debt and associated security over the remaining assets of ARX have also been released, leaving ARX in a position to pursue its exploration objectives in Indonesia.

PROJECT GENERATION – INDONESIA

Java

ARX is exploring for high-grade gold, silver and associated base metal deposits on Java and elsewhere along Indonesia's highly prospective magmatic arcs. Low-sulphidation epithermal gold-vein deposits are the primary target because they potentially host high-grade (greater than 10 g/t Au; e.g. Pongkor) and bonanza-grade (greater than 30 g/t Au; e.g. Gosowong-Kencana) ore-shoots amenable to relatively low cost extraction and processing with minimal environmental impact.

The Company is seeking new funding to support exploration over the next 12 months. The initial focus will be on scout drilling gold targets identified on the Trenggalek Project.



Trenggalek Project, East Java (ARX – 95%)

The company operates a joint-venture with P.T. Sumber Mineral Nusantara which holds the Trenggalek Exploration KP license covering an area of 30,044 ha in the Southern Mountains of East Java. The Southern Mountains comprise an older segment of the Sunda-Banda magmatic arc ("Southern Mountains Arc") and contains numerous gold, silver and base metal occurrences, including the Tujuh Bukit gold-silver-copper deposits. Tujuh Bukit Project is located about 250 km east of Trenggalek. Intrepid Mines Limited recently announced an inferred resource of 2.5 million ounces gold-equivalent in shallow oxide mineralisation overlying porphyry-style, sulphide copper-gold mineralisation.

The geology at Trenggalek comprises Oligo-Miocene intermediate-felsic volcanic and volcanoclastic rocks, fossiliferous limestone and sedimentary rocks intruded by intermediate-felsic volcanic plugs and flow domes. Erosional remnants of mineralised hot-spring depositional features (i.e. sinters, hydrothermal breccias and veins) are widespread in the project area. Although the primary target at Trenggalek is high-grade low-sulphidation epithermal gold-veins, there is further potential for porphyry-style mineralisation beneath the shallower epithermal vein targets.

Exploration completed during the quarter included further mapping and rock chip geochemical sampling on various parts of the KP. A total of 57 rock samples was collected and submitted for assaying. Results were received late in the quarter and contain the following highlights: -

- 3 grab samples returning 0.23 g/t Au, 1.75 g/t Au and 16 g/t Au in ferruginous vein-breccia boulders at Buluroto Prospect (southern end of KP);
- Continuous-chip samples returning 7.5 m at 0.32 g/t Au (about 4.5 m true-width) across a road-cut of the Nglodo vein at Kojan Prospect (northwest corner of KP); and
- 4 grab samples returning 0.14, 0.23, 0.37 and 0.45 g/t Au in quartz-breccia boulders excavated by local people for road aggregate from the Bonang vein at Kojan Prospect (northwest corner of KP).



Checking gold-mineralised quartz-breccia vein boulders from Bonang vein used for road aggregate, Kojan Prospect

Assuming sufficient funding is obtained, further target definition work will be undertaken in the next two quarters in preparation for scout drilling.

Exploration expenditure during the quarter totalled A\$ 56,000.

West Nusa Tenggara

Bima Project – East Sumbawa (ARX – 95%)

The company operates a joint-venture with P.T. Sumber Mineral Nusantara which holds the Bima General Survey KP license covering an area of 24,980 ha in East Sumbawa, West Nusa Tenggara Province.

Sumbawa island comprises a segment of the Sunda-Banda magmatic arc, host to the giant Batu Hijau porphyry copper-gold deposit and several major copper-gold prospects on the western side of the island. This highly prospective terrane extends into the Bima project area which is underlain by Early Miocene to Pliocene and comprises intermediate-felsic volcanic and volcanoclastic rocks, fossiliferous limestone and high-level intrusions.



Work completed during the quarter included follow-up mapping and rock chip geochemical sampling over soil anomalies reported from the Kowo Prospect in the previous quarter. This work was done late in the quarter and results are awaited.

Assuming sufficient funding is obtained, further drainage sampling and prospecting will be done in the second half of 2009, in areas of the KP not covered in the previous regional survey.

Exploration expenditure during the quarter totalled A\$ 13,000.

Papua

Aisasjur Project - Anglo Strategic Alliance (ARX – 20%)

The Company has a 20% interest in a strategic alliance with the Anglo American Group (Anglo) to explore for large porphyry copper-gold deposits in the Papua and West Papua provinces. The interest is fully funded by Anglo through to a development decision.

Aisasjur, the first project in the alliance, is located in West Papua at the western end of the Medial Papua-New Guinea magmatic arc, host to the giant copper-gold deposits of Grasberg and Ertsberg. The original Exploration KP licence in this project covers 9,486 ha. Two new KP's with General Survey status were granted to our Indonesian partner late in 2008. These add another 51,410 ha to the Aisasjur Project.



Final results were received for the remaining two holes, ASD-29 and ASD-30, from the deep diamond drilling program completed by Anglo on the Aisasjur Prospect last year. Best mineralised intercepts were calculated by Anglo and are reported in the following table at a 0.1 g/t Au cut-off.

Anglo proposes to undertake an airborne magnetics and radiometrics survey over the entire project area in the second half of 2009.

AISASJUR PROJECT
Table of Best Mineralised Intercepts from Late 2008 Drilling Program

Hole ID	From (m)	To (m)	Interval (m)	Au g/t	Cu ppm	As ppm	Comments
ASD-29	21.1	32.6	11.5	1.08	43	533	Epithermal-style, qtz-carb-clay-sulphide veins associated with argillic-altered diorite porphyry & muddy matrix breccia dykes cutting metasandstone
	219	233	14	3.23	41	942	
	Including 225	230.1	5.1	5.10	42	2096	
ASD-30							No significant intercepts in metasedimentary rocks cut by fresh to weakly altered diorite porphyry

The information in this report that relates to Exploration Results is based on information compiled by Mr. Brad Wake, who is a member of the Australian Institute of Geoscientists. Mr. Wake has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr. Wake consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report is dated 30 July 2009. For further information please contact:

Andrew J. Cooke
Company Secretary
Tel: + 61 2 9419 8044
Email: andrewcooke@arx.net.au