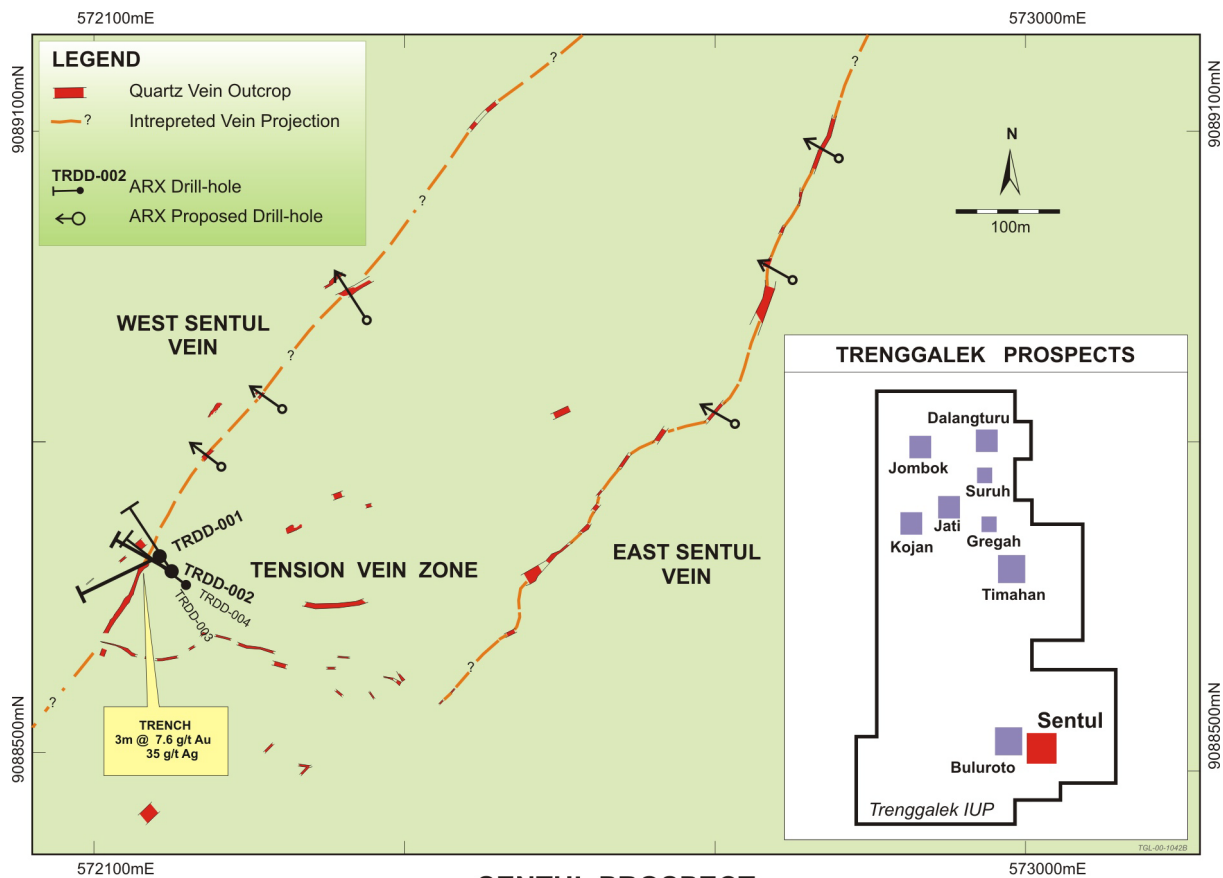


**ENCOURAGING DRILLING RESULTS FROM THE TRENGGALEK GOLD PROJECT IN INDONESIA**

Arc Exploration Limited (ASX Code: ARX) is pleased to announce the results of the first two scout drill-holes from the Sentul Prospect at its Trenggalek Project in East Java.

These first two holes total 251 metres or around 5% of a planned 12 month, 5000 metre, drilling program that will scout test a number of separate prospects at Trenggalek with about 50-60 drill-holes. The objective of this initial program is to identify and rank prospects for further drilling. Holes three and four have been completed at West Sentul and assays are awaited. Hole number five is in progress.



The Sentul prospect comprises two main veins, West Sentul and East Sentul, which have a combined strike length of over 2 kms and are connected by numerous tension veins.

**The first hole TRDD-001** was drilled at a low angle to the West Sentul vein to intersect the vein beneath a surface trench sample result of 3 m at 7.6 g/t Au and 35 g/t Ag.

The highest grade result from TRDD-001 was **1 m at 9.47 g/t Au** and **11 g/t Ag** that occurs within a lower grade zone of **70.4 m at 0.82 g/t Au** and **6 g/t Ag** from 72.6 m down-hole. This zone also contains several intervals ranging from 1 to 3 g/t Au (refer to table).

**The second hole TRDD-002** was drilled perpendicular to the West Sentul vein to intersect the vein at a higher angle but similar elevation (75 m below surface) to TRDD-001 and 20 m to the north.

The highest grade result from TRDD-002 was **1 m at 11.70 g/t Au** and **18 g/t Ag** and it occurs immediately below a lower grade zone of **18.55m at 0.85g/t Au** and **8 g/t Ag** from 30.8 m down-hole. This zone, as with TRDD-001, also contains several intervals ranging from 1 to 3 g/t Au (refer to table).

Both drill-holes intersected a broad zone of discrete quartz veins separated by gold bearing stockwork-veined volcanic rock. The true-width of the mineralised zones is unknown at this stage.

A complete list of elevated gold intersections for both of these initial drill holes is presented in the table below:

Hole ID	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t
TRDD001	12.35 Incl	19.35	7.0	1.37	8
	13.0	14.0	1.0	2.82	8
	17.0	19.35	2.35	2.48	12
	44.0	49.0	5.0	2.04	15
	52.0	53.0	1.0	1.32	6
	65.3	66.4	1.1	1.05	8
	72.6 Incl	143.0	70.4	0.82	6
	99.0	100.0	1.0	9.47	11
	103.0	106.0	3.0	2.28	13
	107.0	108.0	1.0	1.73	20
	111.0	113.0	2.0	3.17	9
	118.0	119.0	1.0	1.52	26
	122.0	126.0	4.0	2.37	15
TRDD002	23.0	24.0	1.0	2.80	6
	30.8 Incl	49.35	18.55	0.85	8
	30.8	34.1	3.30	2.55	12
	40.0	41.0	1.0	1.80	12
	49.35 Incl	56.0	6.65	3.29	10
	54.0	55.0	1.0	11.70	18

- Notes:
- 1) Core recovery in these mineralised intercepts is generally greater than 98%
  - 2) Assay results are from half-core samples split with a power saw. Logging, sample intervals, sampling & dispatching were done under the strict control of the Company's geologists
  - 3) Sample preparation and analyses were conducted by P.T. Intertek Utama Services in Jakarta.
  - 4) Gold was assayed by 50g Fire Assay/AAS Finish.

These initial drill results clearly confirm the occurrence of high grade gold vein intercepts within a larger zone of lower grade gold-bearing quartz veins and stockwork-veined volcanic rocks. The Company considers the results to be encouraging.

Drilling will continue on the Sentul Prospect probably for the next one to two months to further test the two main vein systems and the connecting tension veins, before moving to the next prospect. Simultaneously, surface exploration will continue with the objective of identifying additional prospect areas.



ARX is exclusively focussed on exploration for gold and associated metals in Indonesia. The Company aims to generate value through the discovery, exploration and proving up of gold-silver and copper-gold deposits within Indonesia's highly prospective magmatic arcs and associated terrains.

The Company has three projects. **Trenggalek, in East Java, the subject of this announcement,** Bima in East Sumbawa, and a Strategic Alliance with the Anglo American group in Papua.

The information in this report that relates to Exploration Results is based on information compiled by Mr John Carlile, who is a Fellow of the Australian Institute of Mining and Metallurgy, and Mr Brad Wake, who is a member of the Australian Institute of Geoscientists. Mr Carlile and Mr Wake have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr. Carlile and Mr. Wake are full time employees of Arc Exploration Limited and consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

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