

ARC EXPLORATION EXPLORES FOR GOLD IN INDONESIA

INTRODUCTION

Arc Exploration Limited (www.arcexploration.com.au) is an Indonesian based gold explorer that is listed on the Australian Securities Exchange (**ASX code: ARX**).

ARX is well suited to investors looking for exposure to gold in Indonesia and growth through exploration success, discovery and the proving up of gold resources.

STRATEGY

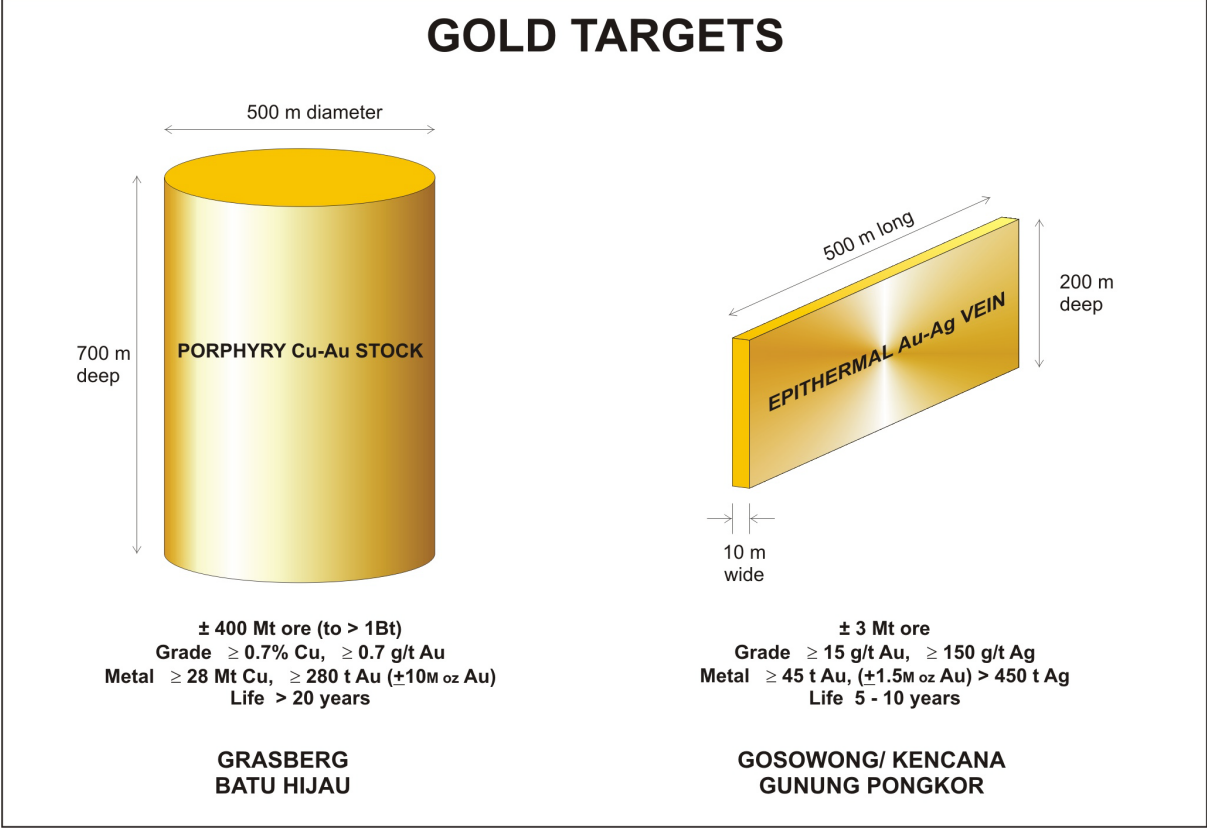
ARX is exclusively focused on **exploration for gold in Indonesia**. The company aims to generate value through the discovery, exploration and proving up of high-grade gold-silver and bulk tonnage copper-gold deposits within Indonesia's highly prospective magmatic arcs and associated terrains.



Indonesia has a land area of 1.8 million km² and is rich in mineral resources. It is in the top ten of world metal producers in tin, nickel, copper and gold. Despite this, large parts of the country remain little explored due to steep terrain and the resulting challenges with logistics and access.

Indonesia’s geology comprises a series of young magmatic arcs, mostly formed within the last 5 million years as a result of subduction of the Australian plate beneath the Asian plate. With around 7,500km of arc length Indonesia contains a greater length of prospective magmatic arc rocks than any other country.

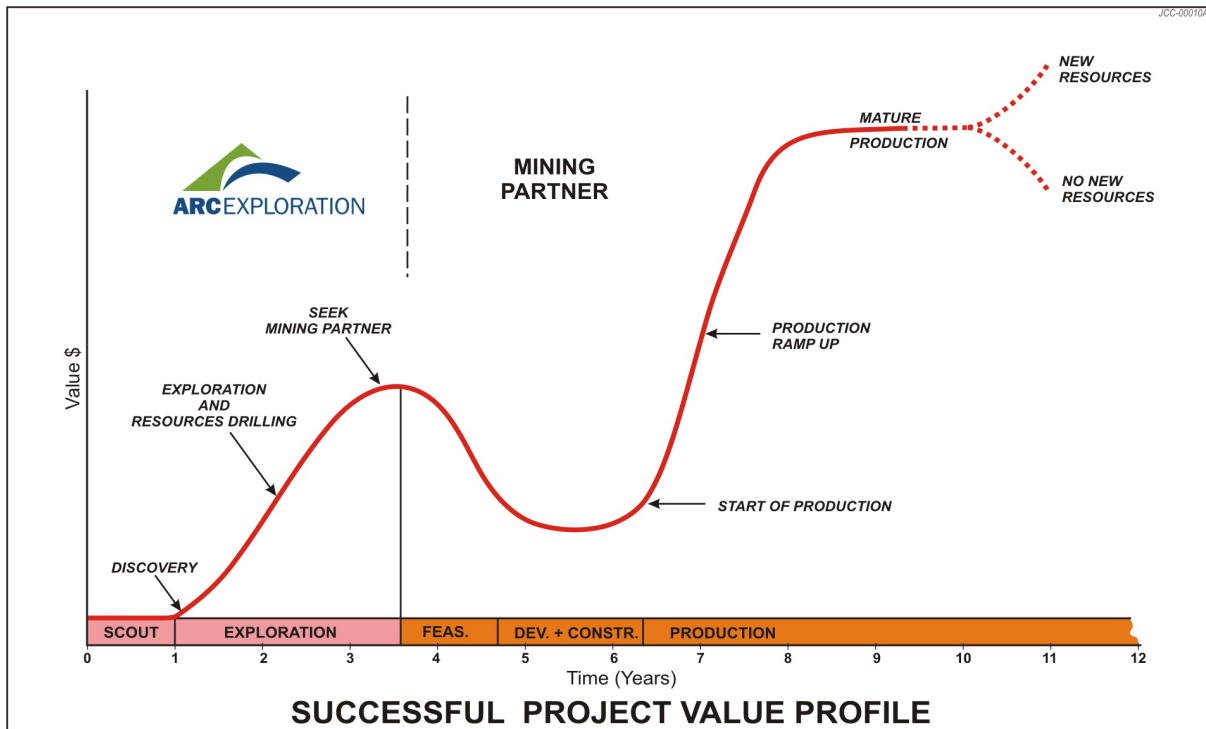
With these extensive areas of prospective geology and the relatively minor amount of exploration to date, there is plenty of scope for new discoveries. This is the reason ARX is focusing on Indonesia.



The country is prospective for a variety of **gold deposits**. At one end of the spectrum are high grade low tonnage gold-silver bearing epithermal veins generally selectively mined from underground. At the other end of the spectrum are low grade high tonnage porphyry copper-gold deposits either bulk mined from surface open pits or underground block caves. These gold deposits are ARX’s prime targets.

ARX focuses only on **exploration**; from identifying prospective areas and tenement acquisition through initial discovery to resource definition. The company’s core strength lies in its ability to identify, secure, explore and add value to gold projects up to the point of resource definition and pre-feasibility. The conduct of detailed feasibility studies, construction and mining requires a degree of financial strength and a depth of experience such that these are best carried out by major mining companies. ARX believes that shareholder value will be maximised by confining its activities to exploration rather than moving to production with the associated delivery risks. This is the reason that ARX is confining its activities to exploration.

The corporate objective is to grow shareholder value through the discovery and building of a substantial portfolio of gold resources.



Value will be locked in by whatever method maximises returns to ARX shareholders, including farming out project equity to a major mining company once a resource has been defined. The “major” would fund, develop, construct and mine. ARX would retain a minority equity position that would provide ongoing income to fund further exploration of new projects.

Following a capital raising in December 2009, the company has a cash reserve of around A\$ 3 million and has also formed an alliance with a drilling contractor in Indonesia to carry out 5,000 metres of drilling (valued at approx. A\$ 1 million) at its Trenggalek Gold Project in exchange for shares and options in ARX rather than cash.

The capital raising also resulted in the issue of ARXOA listed options with an exercise price of A\$ 0.036 valid until the end of January 2011. If exercised, these options will raise approximately A\$ 7 million which will be used to fund exploration during 2011/2012.

MANAGEMENT

In line with its Indonesian focus, the ARX management team is based in Indonesia. The team has a proven track record in gold exploration and discovery and a demonstrated ability to work with local communities and government to meet regulatory requirements and obtain necessary permits for the conduct of exploration.

The Managing Director and CEO, John Carlile, established and led the exploration team at Newcrest Mining that discovered and proved up high-grade epithermal gold in the Gosowong District on Halmahera and Exploration Manager, Brad Wake, led the exploration team at Aurora Gold that discovered and proved up the epithermal gold deposit at Toka Tinding in North Sulawesi.

Together the senior exploration team has over 50 man years of in-country exploration experience.

PROJECTS AND 2010 PROGRAM

ARX is currently involved in three projects; Trenggalek in East Java, Bima in East Sumbawa and a strategic alliance with the Anglo American Group in Papua. The company is also actively seeking to secure new projects to expand its portfolio and is continually engaged in discussions with qualified parties to this end.

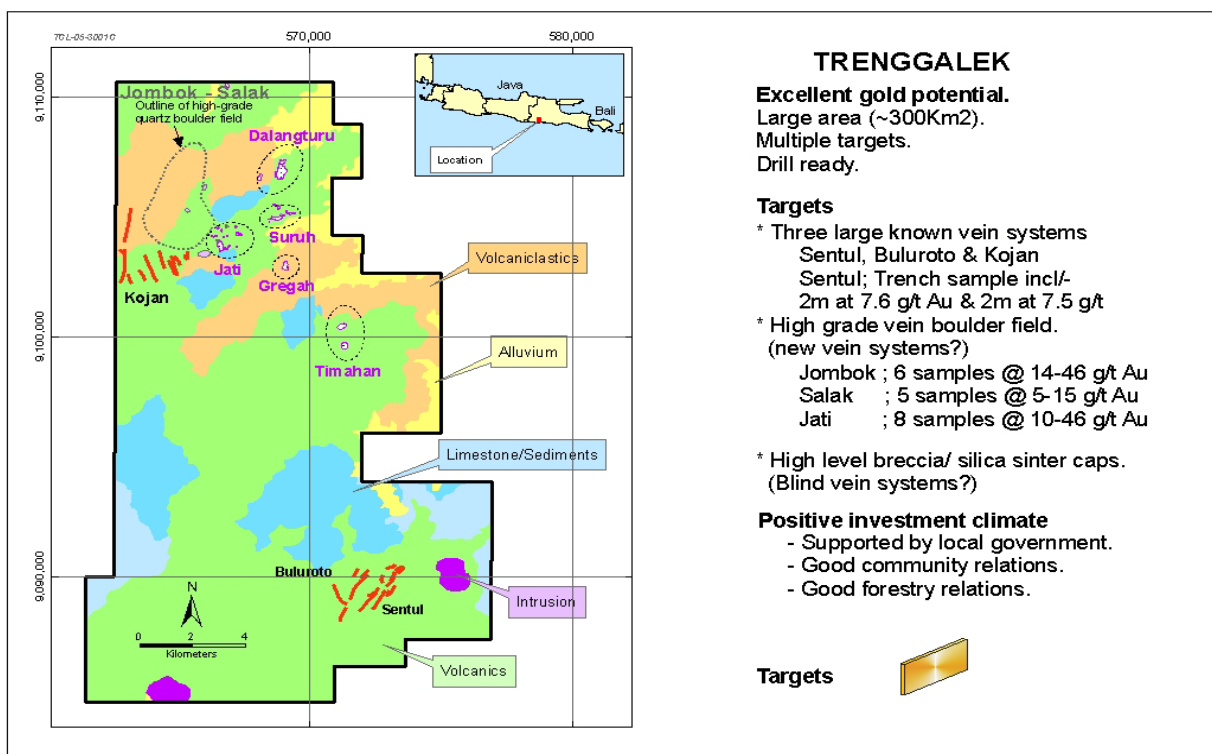
Trenggalek Project, East Java (ARX-95%)

The main focus for 2010 is on the Trenggalek Project in East Java. ARX operates a joint venture with P.T. Sumber Mineral Nusantara which holds the Trenggalek Exploration IUP license covering an area of 30,044 hectares (~ 300 km²).

Trenggalek hosts several outcropping gold-silver bearing epithermal vein systems, a high-grade gold bearing vein boulder field and extensive areas of high level alteration and brecciation with anomalous pathfinder elements that may overlie blind gold bearing vein systems. With these multiple targets Trenggalek has the potential to become a new gold district containing multiple deposits.

The geological setting of Trenggalek shows many similarities to other arc segments in Indonesia that host world-class epithermal gold-silver vein deposits, including Gunung Pongkor and Gosowong/Kencana. The IUP is located in the Southern Mountains, an older segment of the Sunda-Banda Arc which hosts numerous gold, silver and base metal prospects. The large Tujuh Bukit porphyry copper-gold project, being explored by Intrepid Mines, is located about 250 km east of Trenggalek and lies in similar rocks.

A 5,000 metre scout drilling program commenced at Trenggalek on 1 February 2010. This drilling will test several high-grade vein targets (Sentul, Buluroto, Kojan and Jati) and high-level breccia targets (Dalangturu and Suruh). The program will comprise about 50-60 inclined holes with about 5-10 holes drilled at each prospect to an average depth of between 50 and 150 m.



Initial drilling will test the Sentul Prospect at the southern end of the IUP. The two main north-northeast trending veins, Sentul East and West, have a cumulative strike-length of over 2 km and are connected by numerous tension veins. Trench sampling across the veins highlights locally high gold grades that indicate potential for high-grade ore-shoots within the vein structures. Approximately 1,000 m of drilling in 10 inclined holes is planned to initially test Sentul.

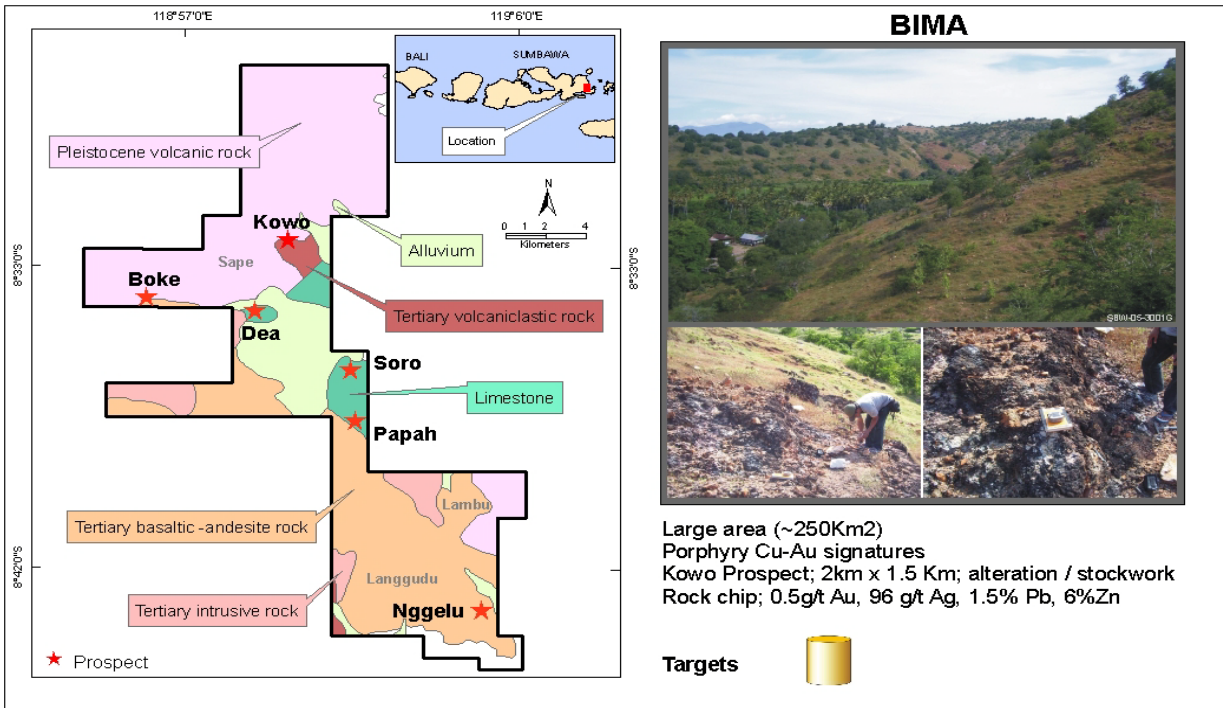
Surface exploration in the northern half of the IUP has identified several new areas of gold bearing vein float boulders. Higher grade results range from 7 to 46 g/t gold (Jombok-Salak). These are associated with extensive areas of alteration and hydrothermal brecciation that return anomalous arsenic-antimony-mercury geochemistry from rock chip samples (Dalangturu). The primary source(s) of this vein float remains to be identified but its distribution within a 30 km² area and its association with fossilised near-surface hot spring features suggests potential for multiple blind or shallowly eroded, high-grade epithermal gold-silver vein deposits in this area.

Due to the numerous and varied targets already identified, Trenggalek appears to have the early indications of an emerging new gold district potentially containing multiple high grade vein gold deposits. Productive epithermal veins typically have grades of 10 to 20 g/t gold with contained metal in the range 0.5 to 3.0 million ounces (Moz) of gold.

Bima Project, East Sumbawa (ARX – 95%)

ARX operates the Bima Project joint venture with P.T. Sumber Mineral Nusantara which holds a General Survey KP license covering an area of 24,980 (~ 250 km²) hectares in East Sumbawa. ARX is in the process of converting the KP title to an IUP business licence under Indonesia’s new mining law.

Sumbawa is situated within a segment of the Sunda-Banda Magmatic Arc which also hosts the giant Batu Hijau porphyry copper-gold deposit and several major copper-gold prospects on the western side of the island. This highly prospective terrain extends into East Sumbawa. The project area is underlain by Early Miocene to Pliocene, intermediate-felsic volcanic and volcanoclastic rocks, fossiliferous limestone, and high-level intrusions.



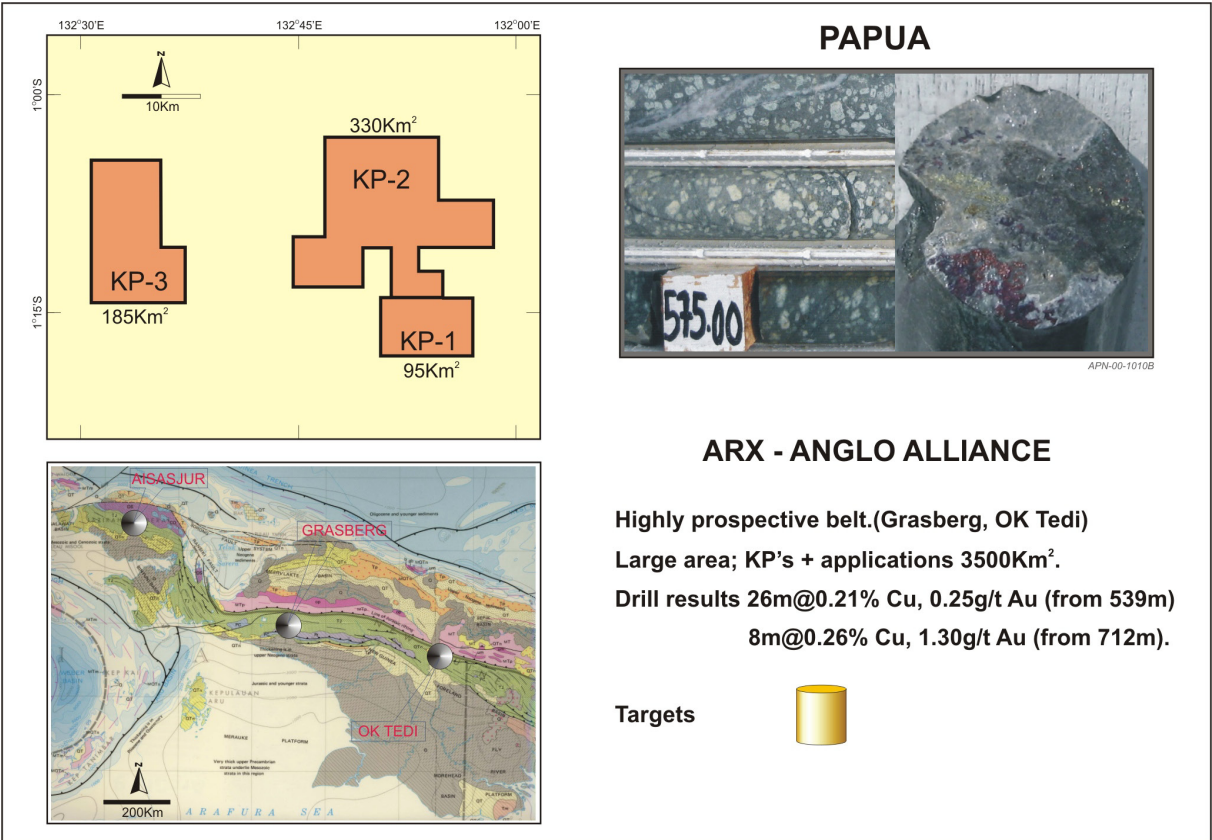
Initial prospecting has identified a 2 km by 1.5 km zone of alteration and stockwork quartz-baryte-sulphide veining hosted in a window of older volcanics within younger cover rocks. Rock chip sampling from the Kowo Prospect has produced up to 0.66 g/t gold and 482 g/t silver from selected chip sampling of the narrow veins within the stockwork. Anomalous base metals and other multi-element geochemistry were also returned in initial rock sampling with up to 0.9% lead, 0.7% zinc, 7.6% barium, 125 ppm molybdenum, 340 ppm arsenic and 57 ppm antimony. The early geological and geochemical results from Kowo suggest the possibility of a buried porphyry copper-gold target in a proven copper-gold producing region.

Further regional mapping, drainage sampling and a more detailed surface evaluation of the Kowo Prospect are planned during 2010 with the aim of advancing the project to the scout drilling stage.

Anglo Strategic Alliance (ARX – 20%)

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

The first project of this alliance is the Aisasjur Project located at the western end of the Medial Papuan Magmatic Arc. This arc hosts the giant copper-gold deposits of Grasberg and Ertsberg. The project comprises three KP tenements covering a total area of 60,896 hectares (~600 km²).



The project is managed by Anglo who are targeting porphyry copper-gold deposits beneath epithermal-style gold mineralization. Anglo has completed two programs of scout drilling at Aisasjur. A total of 6,906 metres in 13 holes has been drilled. Some holes have provided encouraging intersections and signs of deep porphyry-style chalcopyrite-bornite-magnetite mineralisation associated with blind porphyry intrusions. Mineralised intercepts include 26 m at 0.21% copper and 0.25 g/t gold from 539 m down-hole (ASD-23) and 8 m at 0.26% copper and 1.3 g/t gold from 712 m down-hole (ASD-26).

Anglo believes the geological signatures of the porphyry intrusions intersected at Aisasjur are similar to Grasberg, located about 500 km to the east.

GENERATIVE

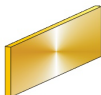


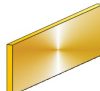
ARX is seeking to secure additional tenements through its ongoing generative work. New projects will either be acquired or applied for either in partnership or by ARX alone depending on circumstances.

CONCLUSIONS

ARX aims to expand and add value to its current project portfolio by exploring for high-grade epithermal gold-silver and bulk tonnage porphyry copper-gold deposits. During 2010, it will focus on its existing tenements, particularly Trenggalek, but will simultaneously seek to acquire new projects within the highly prospective but little-explored Indonesian arcs.

If successful, ARX will create value for its investors and shareholders through the discovery and definition of new resources and the building of a substantial portfolio of gold resources. Senior management have a demonstrated track record of doing this. Gold resources will be developed by farming out project equity to a major mining company (s) with proven operator experience to take projects through detailed feasibility, financing, development, construction and mining or some other appropriate method that maximises shareholder value.

PLANS FOR 2010

<p>★ TRENGGALEK</p>	<p>Complete 5000m of drilling</p> <hr/>	
<p>★ BIMA</p>	<p>Define drill targets</p> <hr/>	
<p>★ GENERATIVE</p>	<p>Secure additional tenements</p> <hr/>	 

The exploration strategy aims to build a staged pipeline of projects. This will be an ongoing process and within 3 to 5 years it is anticipated that ARX will have established itself as a major exploration player throughout Indonesia with a substantial resource portfolio and with ongoing equity in a number of developing or producing gold operations.

Should a substantial gold deposit be demonstrated at Trenggalek or elsewhere within ARX's tenements, it is reasonable to expect that the ARX share price will be substantially re-rated to the benefit of all investors and shareholders.

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 is a full time employee of Arc Exploration Limited and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

For further information please contact: **Andrew J. Cooke**
Company Secretary

Tel: + 61 2 9419 8044

Email: andrewcooke@arx.net.au

Website: www.arcexploration.com.au