

March 2010 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.

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.

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

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Exploration - Indonesia

- The Company commenced a 5,000 m scout diamond drilling program on the **Trenggalek Project** in East Java. A total of 547 metres was drilled in five inclined holes on Sentul Prospect during the quarter. Highly encouraging results were returned from the first five scout holes, including:

2 m at 17.2 g/t Au & 13 g/t Ag within 9.65 m at 4.51 g/t Au & 8 g/t Ag intersected from 111.35 m down-hole in TRDD004.
- The Company commenced a detailed surface geochemical survey of the Kowo Prospect on the Bima project in East Sumbawa.
- Further work by Anglo American on the **Aisasjur Project** in West Papua in 2010 is pending the transfer of the KP's to IUP's.

PROJECT ACTIVITY – INDONESIA

ARX is exploring for gold, silver and associated base metal deposits on Java and elsewhere along Indonesia's highly prospective magmatic arcs and associated terranes. The primary exploration targets are high-grade, low-sulphidation epithermal gold-vein and porphyry-related copper-gold deposits.

The highlight of project activity during the quarter was the start of a scout diamond drilling program designed to test multiple gold targets identified on the Trenggalek Project during 2010. The objective of this initial program is to identify and rank these targets for further drilling.



Java

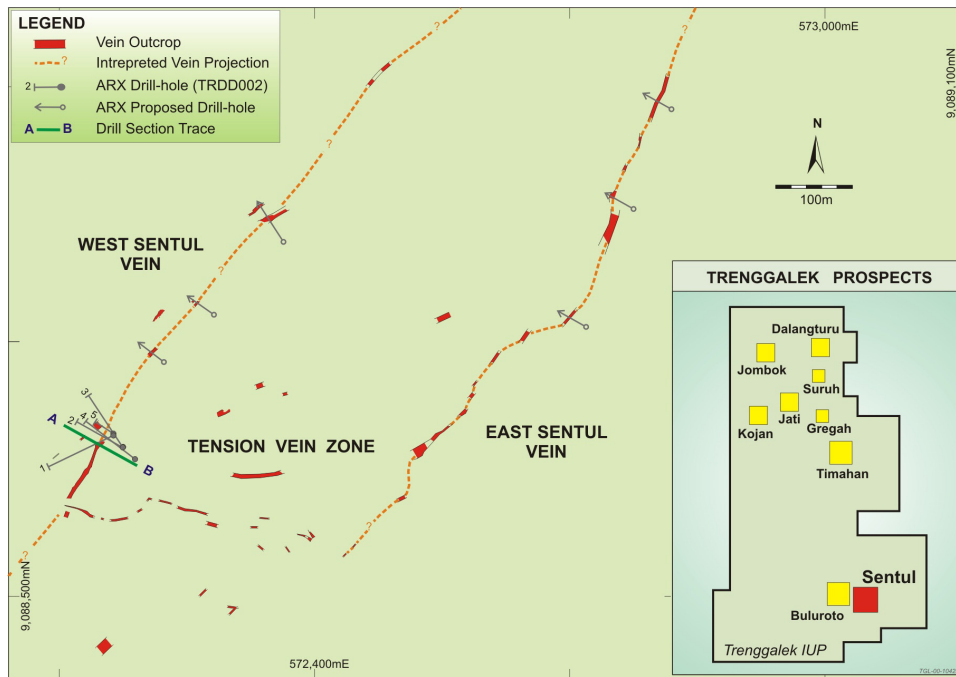
Trenggalek Project, East Java (ARX – 95%)

The Company operates a joint venture with P.T. Sumber Mineral Nusantara, which holds the Trenggalek Exploration IUP (previously 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 hosts numerous gold, silver, and base metal prospects, including Intrepid Mines’ Tujuh Bukit porphyry copper-gold project located about 250 km east of Trenggalek.

The Company commenced a 5,000 m scout diamond drilling program at Trenggalek during the quarter utilizing a man-portable Maxi-195 drilling rig to test several high-grade vein targets (Sentul, Buluroto, Kojan and Jati) and high-level breccias targets (Dalangturu and Suruh). The program comprises about 50-60 inclined holes with about 5-10 holes drilled at each prospect to an average depth of between 50 and 150 m. The objective of this initial program is to identify and rank prospects for further drilling.

The drilling program has started on the Sentul Prospect located at the southern end of the IUP. The Sentul Prospect contains a large mineralized vein system comprising two main north-northeast trending veins (West Sentul and East Sentul) and numerous intermediate tension veins that have a cumulative strike-length of over 2 km.

Five inclined holes (TRDD001 to TRDD005) were completed during the quarter for a total of 548 m. These holes test the southern portion of the West Sentul Vein where the Company has previously reported moderate to high grade gold intercepts in trench samples. All five drill-holes returned narrow high grade gold intersections from within broader low to moderate grade gold zones hosted in the West Sentul Vein (refer to table).



SENTUL PROSPECT
Drill-hole Locations and Vein Outcrops

The first hole, TRDD-001, tested the West Sentul Vein below a large mineralised vein outcrop that previously returned a shallow trench result of 3 m at 7.6 g/t Au and 35 g/t Ag. Because the hole was drilled at a low angle to the strike and dip of the vein, it produced a long low-grade intersection of 70.4 m at 0.82 g/t Au & 6 g/t Ag from 72.6 m down-hole and included a narrow high grade intersection of 1 m at 9.47 g/t Au & 11 g/t Ag. This zone also contains several narrow intervals ranging from 1 to 3 g/t Au (refer to table).

Holes TRDD002, TRDD004 and TRDD005 were drilled on the same section but perpendicular to the vein to test vein continuity to a depth of approximately 150 metres below surface. TRDD003 was drilled to the north from this section to intersect the vein at about the same elevation as TRDD 2, but approximately 25 metres further north along its strike.

TRDD002 returned a down-hole intersection of 1 m at 11.7 g/t Au & 18 g/t Ag within 6.65 m at 3.29 g/t Au & 10 g/t Ag from 49.35 m down-hole. This occurs immediately below a lower grade intersection of 18.55 m at 0.85g/t Au & 8 g/t Ag from 30.8 m down-hole.

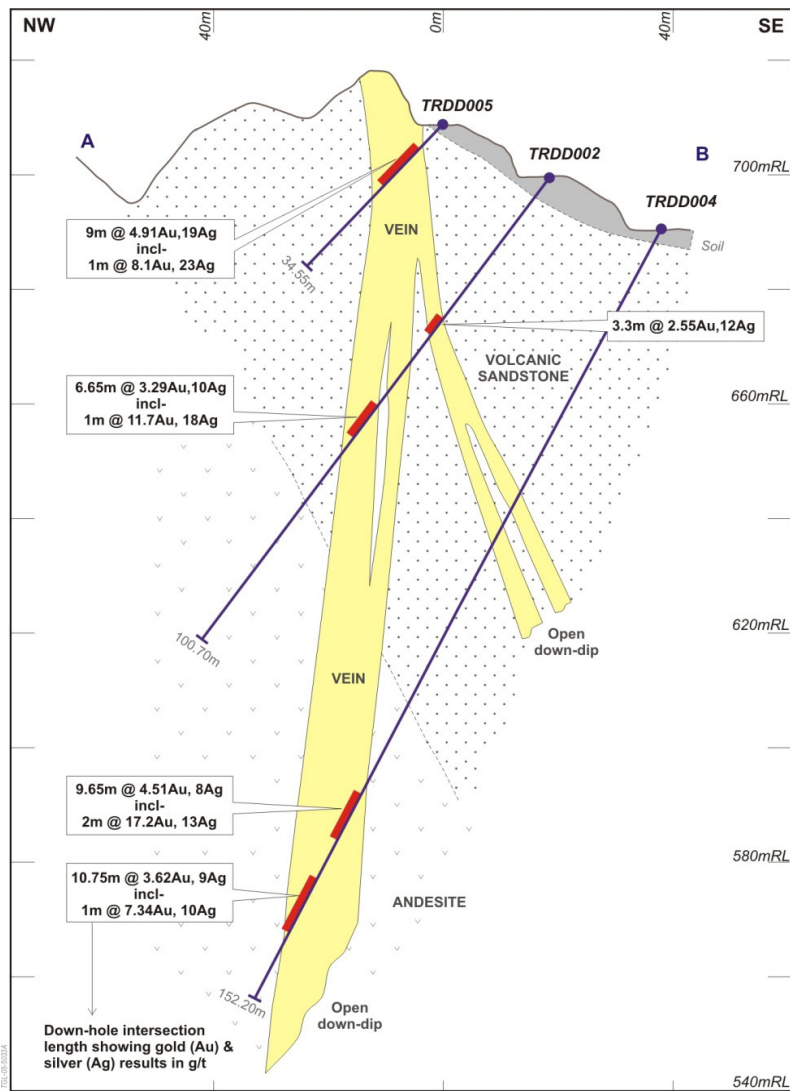
TRDD003 returned two separate down-hole intersections of 1 m at 10.4 g/t Au & 21 g/t Ag and 1 m at 10.2 g/t Au & 40 g/t Ag within 9.4 m at 5.27 g/t Au & 18 g/t Ag from 35.1 m down-hole.

TRDD004 returned a down-hole intersection of 2 m at 17.2 g/t Au & 13 g/t Ag within 9.65 m at 4.51 g/t Au & 8 g/t Ag from 111.35 m down-hole. It also returned a separate down-hole intersection of 1 m at 7.34 g/t Au & 10 g/t Ag within 10.75 m at 3.62 g/t Au & 9 g/t Ag from 127.95 m down-hole.

TRDD005 returned a down-hole intersection of 1 m at 8.1 g/t Au & 23 g/t Ag within 9 m at 4.91 g/t Au & 19 g/t Ag from 5.8 m down-hole.

Holes TRDD 2, 4 and 5 are shown in the section below. A complete list drill-hole details and significant gold intersections are presented in the following tables.

Results from these holes show that the Sentul West Vein dips steeply to the northwest and it appears to have a mineralised true-width of approximately 6-7 metres to a vertical depth of at least 150 m in this part of the vein system. The mineralised intersections all occur in a partly fracture-oxidised, dominantly brecciated colloform-crustiform textured, chalcedony-quartz-pyrite/marcasite vein showing traces of base metal sulphide (sphalerite-galena). The vein is hosted by quartz-chlorite-clay-carbonate-pyrite altered andesite and volcanoclastic sandstone.



**WEST SENTUL VEIN
Drill Section Showing Hole Projections & Intersections**

Encouraging results were also received from trench sampling on the East Sentul Vein, located about 350-400 m east of and parallel to the West Sentul Vein. Continuous-chip samples taken in two separate trenches located on a 100-150 m long segment at the northern end of the vein returned 2.0 m at 7.5 g/t Au & 16 g/t Ag (CTS-62) and 2.0 m at 4.2 g/t Au & 7 g/t Ag (CTS-63) respectively, within a thicker (3 to 10 m wide) lower grade (<1 g/t Au) vein host.

The Company regards these results as very encouraging. The initial drilling results confirm the occurrence of high grade gold mineralisation surrounded by moderate grade gold mineralisation to a depth of at least 150 metres below surface in the southern part of the West Sentul Vein. Mineralisation is open in both directions along strike and at depth. The vein textures observed in these recent intercepts are considered to be typical of strongly mineralised, high-level epithermal gold-vein systems described elsewhere in the Indonesian archipelago.

Drilling will continue to test the West Sentul Vein along several step-out sections before moving across to commence testing of the East Sentul and intermediate tension veins during the next quarter. It is also anticipated that a second man-portable rig will be mobilised to the project to commence drilling on other target areas, probably Buluroto or Dalangturu Prospect, in the next quarter.

Exploration expenditure at Trenggalek during the quarter totalled A\$151,200 (excluding costs for drilling undertaken by PT Maxidrill Indonesia at its own cost in exchange for shares and options in the Company pursuant to an agreement approved by shareholders at a General Meeting held on 11 December 2009).



Above: Maxi-195 man-portable drilling inclined diamond hole TRDD004 on West Sentul Vein

Left: Strongly mineralised, partly oxidised, colloform-banded chalcedony-microcrystalline quartz breccia-vein (West Sentul Vein)

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. The conversion of the Bima KP to a Mining Business Licence (“IUP”) with Exploration Status is still in progress.



Sumbawa island comprises a segment of the Sunda-Banda magmatic arc. It is host to the giant Batu Hijau porphyry copper-gold deposit and several major copper-gold prospects located 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 intermediate-felsic volcanic and volcanoclastic rocks, fossiliferous limestone and high-level intrusions.

Follow-up soil sampling and rock chip sampling were completed at the northern end of the Kowo Prospect late in the quarter. Four previous selective chip samples taken from gossanous, stockwork-fractured and thinly quartz veined volcanoclastic rock in this area returned anomalous gold and barium results, ranging from 0.17 to 0.51 ppm Au and 0.3 to 1.1% Ba. A total of 33 soil samples and 36 rock samples were collected in this quarter and results should be available early next quarter.

Grid-based soil geochemical sampling will be completed over the entire Kowo Prospect in the next quarter. The aim is to highlight possible geochemical zoning that might help vector future exploration toward a stronger mineralised part of the system, which may occur at depth or beneath the extensive, surrounding cover of alluvium and younger volcanic material.

A Geological Consultant will undertake a remote-sensed evaluation of the Bima Project early in the next quarter using SPOT5 and PALSAR imagery. This work will significantly advance our understanding of the project area and generate new target areas.

Exploration expenditure at Bima during the quarter totalled A\$15,900.

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.

The ARX-Anglo strategic alliance contains three KP's covering a total area of about 610 square-kilometres in the Bird's Head of West Papua. These KP's form the Aisasjur Project and are located on the western end of the Medial Papua-New Guinea magmatic arc, which hosts the giant copper-gold deposits of Grasberg and Ertzberg further east along the arc. Transfer of the Aisasjur KP's to Mining Business Licences ("IUP") with Exploration Status is in progress.

No field activity to report during the quarter. Further field work is pending the completion of the transfer of the KP's to IUP's.



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.

This report is dated 15 April 2010. For further information please contact:

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TRENGGALEK PROJECT, EAST JAVA
SENTUL PROSPECT
Summary of Drill-hole Details

Hole ID	Coordinates			Dip	Azimuth	Final Depth (m)
	mN	mE	mRL			
TRDD001	9,088,689	572,164	711	-55 ⁰	244 ⁰	150.3
TRDD002	9,088,674	572,176	698	-53 ⁰	300 ⁰	100.7
TRDD003	9,088,675	572,176	698	-45 ⁰	327 ⁰	109.8
TRDD004	9,088,659	572,189	689	-60 ⁰	310 ⁰	152.2
TRDD005	9,088,690	572,164	711	-45 ⁰	305 ⁰	34.55

TRENGGALEK PROJECT, EAST JAVA
SENTUL PROSPECT
Significant Mineralised Intercepts

Hole ID	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t	Core Rec (%)	Approx. True Width (m)
TRDD001	12.35	19.35	7.0	1.41	8	94%	
	Incl						
	13.0	14.0	1.0	2.82	8	85%	
	17.0	19.35	2.35	2.48	12	96%	
	44.0	49.0	5.0	2.04	15	98%	
	52.0	53.0	1.0	1.32	6	100%	
	65.3	66.4	1.1	1.05	8	100%	
	72.6	143.0	70.4	0.82	6	98%	
	Incl						
	99.0	100.0	1.0	9.47	11	100%	
	And						
	103.0	106.0	3.0	2.28	13	100%	
	107.0	108.0	1.0	1.73	20	90%	
111.0	113.0	2.0	3.17	9	100%		
118.0	119.0	1.0	1.52	26	100%		
122.0	126.0	4.0	2.37	15	94%		

TRENGGALEK PROJECT, EAST JAVA
SENTUL PROSPECT
Significant Mineralised Intercepts

Hole ID	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t	Core Rec (%)	Approx. True Width (m)
TRDD002	23.0	24.0	1.0	2.80	6	100%	2.5
	30.8	34.1	3.30	2.55	12	100%	
	40.0	41.0	1.0	1.80	12	85%	
	49.35 Incl	56.0	6.65	3.29	10	98%	4.0
	54.0	55.0	1.0	11.7	18	100%	
TRDD003	23.9	25.65	1.75	6.18	32	94%	6.5
	35.1 Incl	44.5	9.4	5.27	18	97%	
	37.0	38.0	1.0	10.4	21	100%	
	42.0	43.0	1.0	10.2	40	90%	
TRDD004	111.35 Incl	121.00	9.65	4.51	8	96%	3.5
	111.35	113.35	2.0	17.2	13	100%	
	127.95 Incl	138.7	10.75	3.62	9	99%	3.7
	135.95	136.95	1.0	7.34	10	100%	
TRDD005	5.8 Incl	14.8	9.0	4.91	19	99%	6.5
	11.8	12.8	1.0	8.10	23	100%	

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