

NEW GOLD SOIL ANOMALY AT BAKU PROSPECT - EAST SUMBAWA

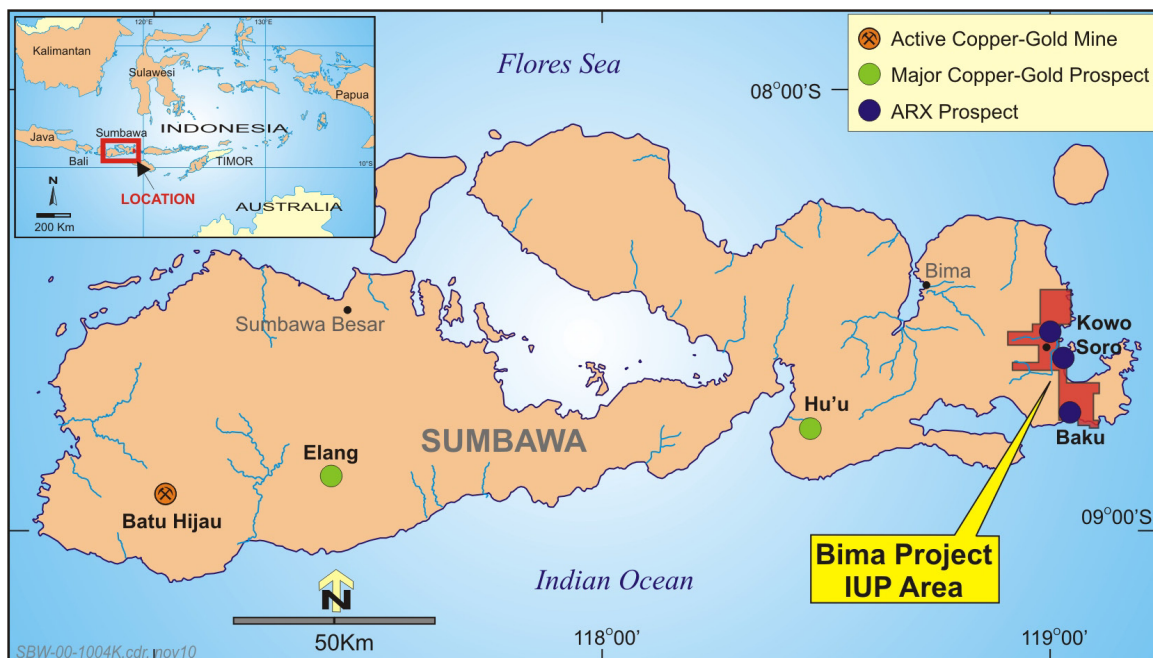
- **New gold-soil anomaly identified close to the gold zone exposed on Baku Hill**
- **Expanded potential for near-surface gold mineralisation and deeper porphyry systems**

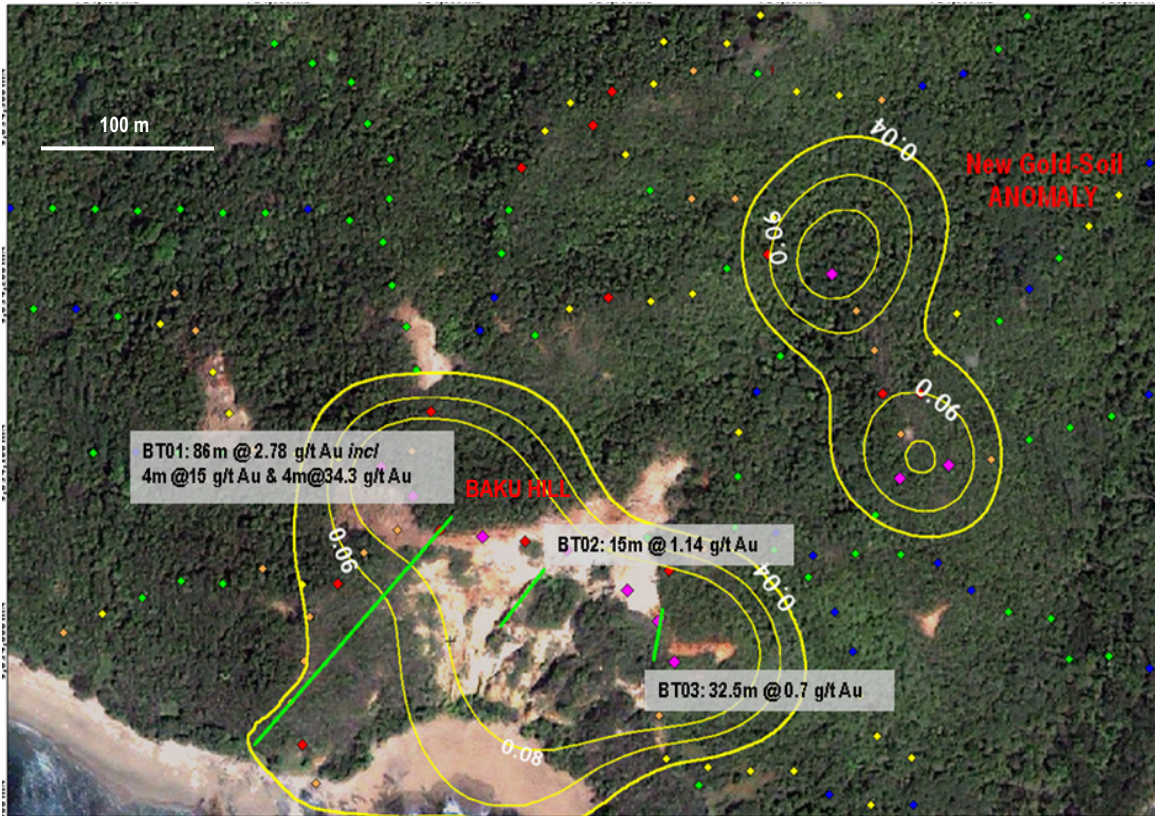
Arc Exploration Limited (ASX Code: ARX) is pleased to report further encouraging gold results from soil sampling at the Baku Prospect located on the southern side of the Bima Exploration IUP.

The ridge-and-spur soil results outline a new 150m x 350m gold anomaly underlain by partly exposed, quartz-limonite veined, silica-clay altered volcanic rocks. **The anomaly is defined by eleven elevated gold results ranging from 0.042 to 0.217 ppm Au.**

The new anomaly is 300m northeast of the gold zone discovered on Baku Hill, where recent trenching returned 86m at 2.78 g/t Au, including a narrow high-grade zone of 4m at 36.3 g/t Au. The new anomaly is comparable to that on Baku Hill, where gold is also associated with elevated arsenic, antimony, molybdenum and bismuth in soil, and may indicate similar gold mineralisation.

John Carlile, Arc's Managing Director and CEO, commented: "This result is encouraging because it expands the potential for near-surface gold mineralization and possibly deeper porphyry targets at Baku. It also demonstrates that more targets are being identified as we expand our prospecting activities around Baku. Our exploration team is currently testing the new soil anomaly by trenching and a ground geophysics survey has also commenced. We are on track to generate targets for initial drill testing in early 2011."





Satellite image of Baku showing gold-soil anomalies (>0.04ppm Au) & the previously reported trench locations



Photo looking over the area of the new gold-soil anomaly from the northeast end of Baku Hill



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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 and Dr Renato Bobis, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Wake and Dr Bobis 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 Wake and Dr. Bobis 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.