

**DRILLING NOW UNDERWAY AT TRENGGALEK**

Arc Exploration Limited (ASX Code: ARX) is pleased to report that drilling has commenced at its Trenggalek Project in East Java. This step marks the start of the 15,000 metre drilling programme contracted earlier in the year. The drilling programme will utilise at least three drill rigs targeting areas that have the potential to prove up new gold resources.

The first rig commenced drilling on 10 May at the Suruh Prospect in the northern part of the Trenggalek tenement. Drilling at Suruh will test for gold bearing veins and stockworks beneath extensive gold bearing breccias. These breccias may indicate the potential for an underlying gold deposit in a similar setting to the Toka Tindung deposit in North Sulawesi. The Company expects initial results from this drilling at Suruh to be available in June.

A second drill rig is currently being prepared for mobilisation to Trenggalek and is expected to be onsite and commence drilling within the next two weeks.

A third drill rig has been contracted to start drilling next month at either Trenggalek or Bima.

As announced on 17 February 2011, some civil disturbances in the East Sumbawa area necessitated a slow down of field activities at the Bima Project. Government authorities and the local community are supportive of the Company's activities and a series of formal and informal dialogues are underway with a view to recommencing field activities and starting drilling as soon as possible.

Managing Director, Mr. John Carlile, commented:

*"We are very pleased to have started drilling at the highly prospective Trenggalek project. We plan to increase the number of drill rigs in stages and by the end of June three rigs should be turning, possibly with one more to follow in July.*

*As both the Trenggalek and Bima Projects have shown encouraging results to date, we would ideally like to have two rigs working at both Trenggalek and Bima. While we are working to that end, we will maintain flexibility in how we approach the drilling programs as conditions dictate."*

**About Trenggalek**

The Trenggalek Exploration IUP tenement covers 300 square kilometres and is prospective for intermediate to low-sulphidation epithermal gold and possibly porphyry copper-gold deposits. The project has excellent infrastructure with a network of sealed to graded roads traversing almost all of the tenement area.

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.

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