



ASX ANNOUNCEMENT

4 December 2012

ANGLO AMERICAN FARMS-IN TO TRENGGALEK

Arc Exploration Limited (ASX Code: ARX) is pleased to announce that Anglo American Indonesia (Anglo American) has entered into a Joint Venture with ARX to earn an interest in its Trenggalek Project in East Java, Indonesia. ARX currently holds a 95% interest in Trenggalek in joint venture with P.T. Sumber Mineral Nusantara (SMN).

Anglo American's decision was made following extensive due diligence over several months including completion of high resolution airborne magnetic and radiometric surveys over the entire 300 Km² Exploration IUP tenement and follow up geochemical sampling, geological mapping and alteration studies in priority areas.

The work has highlighted a number promising targets that indicate potential for porphyry copper-gold mineralisation at depth beneath extensive areas of surface alteration.

The key terms of the Trenggalek Project Joint Venture are:

- * Anglo American has the right to earn a 51% interest by sole funding US\$ 10 million before 1 October 2016 of which not less than US\$ 2.5 million shall be spent before 30 June 2014 and a minimum spend of US\$ 1.6 million is required before 30 November 2013 before Anglo American can withdraw from the project
- * After spending US\$ 10 million Anglo American can move from 51% to 75% by sole funding an additional US\$ 10 million.
- * On reaching 75%, Anglo American will free carry ARX for its remaining 20% through completion of a Pre-Feasibility Study.
- * The Joint Venture is deemed to have commenced on 1 November 2012 and formal legal documentation is now in the process of being finalised.

Managing Director, Mr. John Carlile, commented:

"We are delighted to extend our relationship with the Anglo American group – one of the world's major diversified mining companies.

The airborne surveys and ground follow up funded by Anglo American over the past few months have revealed a number of interesting targets that suggest potential for substantial porphyry copper-gold mineralization at depth.

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This joint venture represents a major step forward for ARX at Trenggalek. It sees project activities increased and fully funded by Anglo American under a standard industry farm-in arrangement. While ARX holds a healthy cash balance, it is clearly in our shareholders' interests to have a company like Anglo American finance the next stage of this exciting project.

The exploration program planned within the next 12 months comprises ground geophysics and additional prospecting on specific prioritised targets and then drilling which will be the main focus of activities.

The joint ARX-Anglo American team has already started work and I am anticipating that we will be able to report meaningful progress and results over the coming months”.

CORPORATE

In addition to the above ARX continues to assess a number of opportunities in both Australia and Indonesia aimed at delivering value to its shareholders through the effective application of its current cash reserves.

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