

June 2012 Quarter Activities Report

ABOUT ARC EXPLORATION LIMITED

Arc Exploration Limited (**ASX Code: ARX**) is an Australian listed gold company focused on exploration in Indonesia.

The Company has a joint venture interest with PT Sumber Mineral Nusantara on the Trenggalek Project in East Java. This project lies on the Sunda-Banda magmatic arc and is prospective for high-grade epithermal gold-silver veins and porphyry copper-gold systems.

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

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HIGHLIGHTS

Exploration - Indonesia

Trenggalek

- Soil sampling and mapping continued on the *Sumber Bening Prospect*, which represents a high-sulphidation epithermal lithocap possibly overlying a deeper porphyry system.

Papua

- No field work was undertaken during the quarter in West Papua under the **ARX – Anglo Strategic Alliance**.

Corporate

- ARX entered a service agreement with Anglo American to provide geological evaluation and exploration services in Indonesia.

PROJECT ACTIVITY – INDONESIA

ARX is exploring for gold, silver and associated base metal deposits along Indonesia's prospective magmatic arcs and associated terranes. The primary exploration targets are high-grade epithermal gold-silver veins and bulk tonnage porphyry-related copper-gold deposits.



Java

Tenggalek Project, East Java

The Company has a joint venture with P.T. Sumber Mineral Nusantara, which holds the Tenggalek Exploration IUP license covering an area of 30,044 ha (~300 km²) in the Southern Mountains of East Java.

The region has excellent potential for major gold-copper deposits, as demonstrated by the discovery of the Tumpangpitu porphyry copper-gold deposit by Intrepid Mines at their Tujuh Bukit Project.

Gold mineralisation at Tenggalek occurs in intermediate-sulphidation epithermal quartz vein systems associated with hydrothermal breccias and silica cappings in volcanic rocks and limestone. The IUP area is also prospective for replacement-style ("jasperoid") gold and porphyry-related copper-gold mineralisation.

Limited work was undertaken on the IUP in non-forestry areas whilst awaiting renewal of the forestry use permit ("Pinjam Pakai") from the Indonesian Ministry of Forestry. Soil sampling continued at Sumber Bening Prospect.

Exploration expenditure at Tenggalek during the quarter totalled A\$111,695.

Sumber Bening

Sumber Bening lies on a series of north-northwest-trending structures that cut across a 4km diameter-circular feature on the western side of the IUP. It contains an extensive area (+2-km by 1-km) of silica-clay-pyrite alteration with localised pods of vughy silica alteration centred on volcanoclastic rocks and quartz-feldspar porphyry intrusions.

Soil sampling and detailed geological mapping activities continued during the quarter. The target is a possible porphyry system lying beneath the high-sulphidation style, silica-clay-sulphide alteration lithocap. The results of the mapping and soil survey will define the size and geochemical character of the lithocap and help target the inferred deeper porphyry system. Assays are pending.

Papua

Strategic Alliance – Anglo American

The Company holds a 20% interest in a Strategic Alliance with Anglo American PLC (Anglo) to explore for bulk tonnage copper-gold deposits in Papua and West Papua. The Alliance currently holds three Exploration IUP tenements covering nearly 3,000 km² at the centre of the Bird's Head peninsula in West Papua which cover prospective ground in the region that also hosts Grasberg – one of the largest known porphyry copper-gold deposits.

Anglo is responsible for managing and funding all exploration activities.

No field work was undertaken during the quarter.

Corporate

ARX announced that it had entered into an agreement with Anglo to provide geological evaluation and exploration services in Indonesia.

The agreement provides an opportunity to build a closer working relationship with Anglo and also will offset ARX management and technical costs in Indonesia.

Qualified Persons

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 23 July 2012.

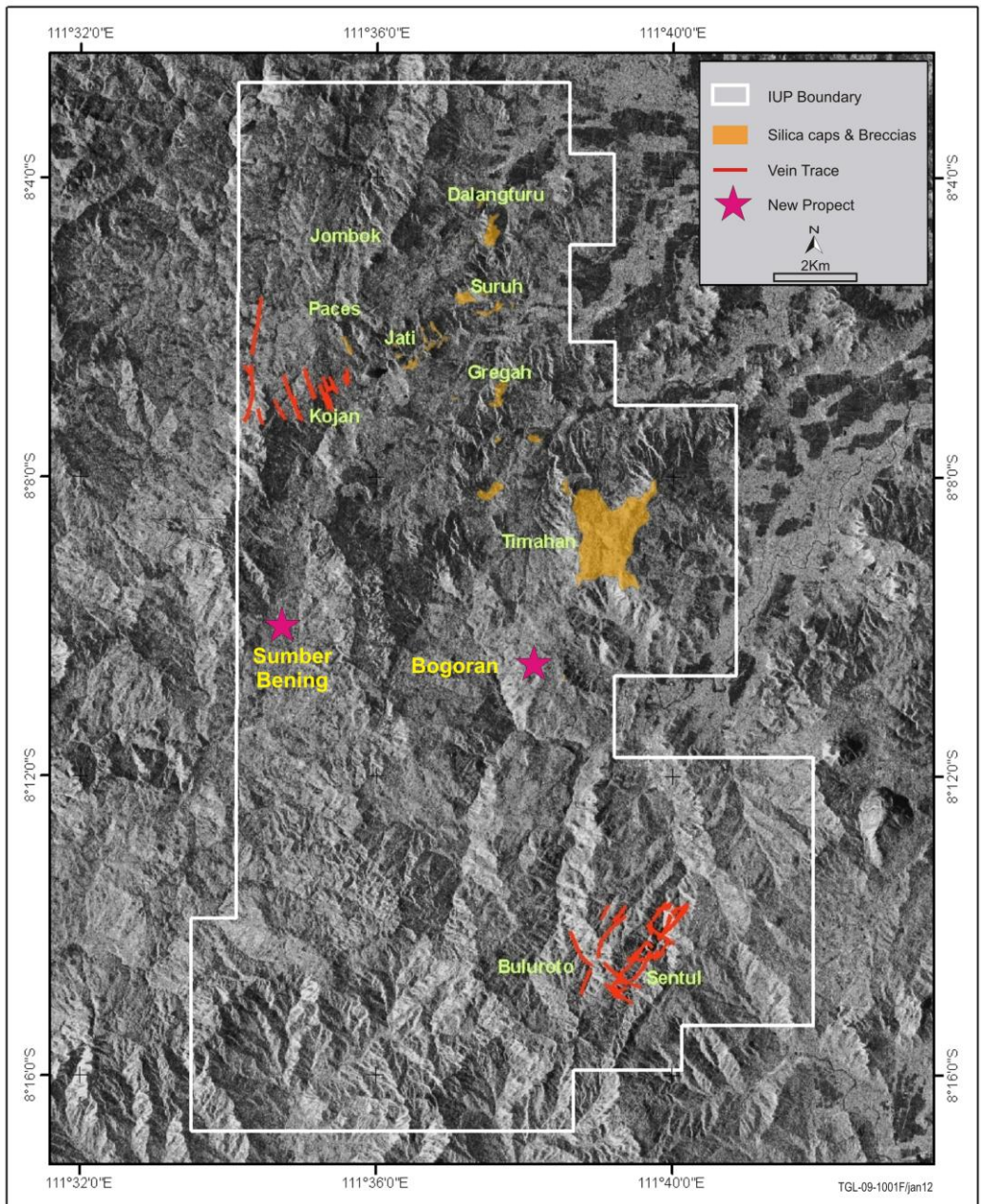
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TRENGGALEK IUP SHOWING MAJOR PROSPECTS