

UPDATE ON DRILLING AT TRENGGALEK

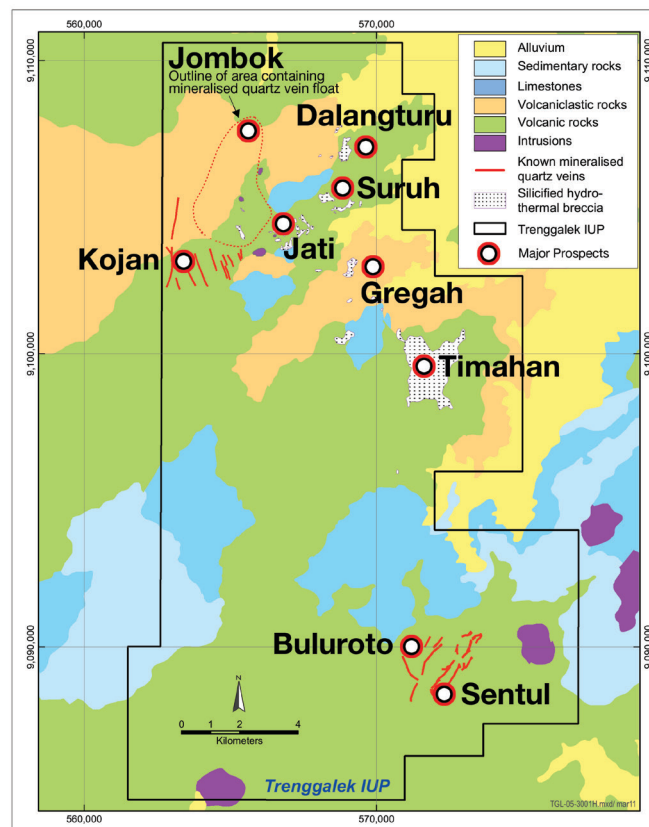
Arc Exploration Limited (ASX Code: ARX) is pleased to report that drilling is continuing at its Trenggalek Project in East Java as part of a 15,000 metre drilling program planned for this year. The program at Trenggalek is testing a number of areas that have the potential to prove up new gold and gold-copper resources.

The first rig commenced drilling on 10 May at the Suruh Prospect in the northern part of the Trenggalek tenement. A second drill rig has now arrived on site and commenced drilling at Timahan.

Drilling at Suruh will test for gold-bearing veins and stockworks beneath extensive gold bearing breccias. This target has potential for an underlying gold deposit in a similar setting to the Toka Tinding deposit in North Sulawesi.

Drilling at Timahan is testing for epithermal gold veins and possibly replacement-style gold mineralisation associated with a large 3km x 2km silica-breccia cap in limestone and volcaniclastic rocks.

Results from the drilling at Trenggalek will be released at the earliest opportunity.



TRENGGALEK PROJECT
Generalised Geology

Managing Director, Mr. John Carlile, commented:

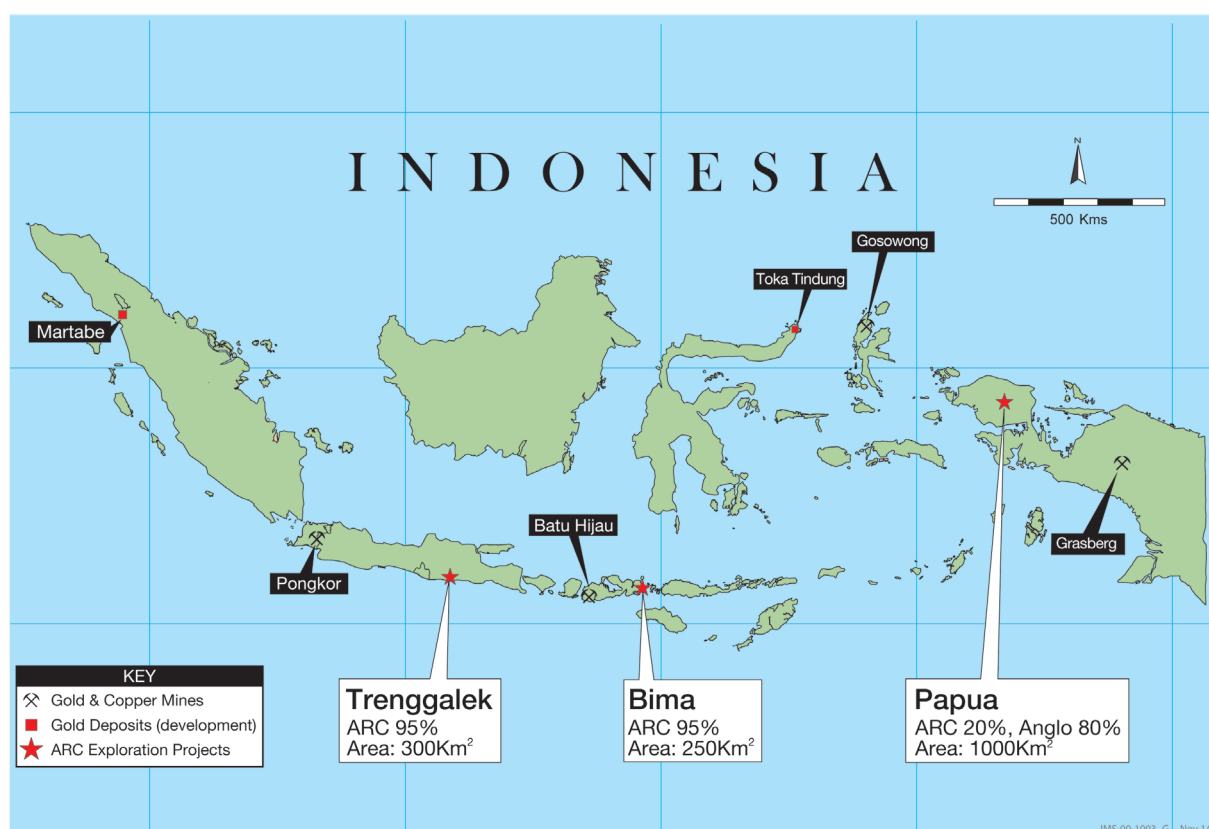
"We are very pleased to now have two rigs operating on the highly prospective Trenggalek gold project and we are also simultaneously undertaking further surface work and geophysics to provide additional information to assist us in targeting further drill holes.

We look forward to releasing results at the earliest opportunity."

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.



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. Mr Wake has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Wake are full time employees of Arc Exploration Limited and consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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