ASX ANNOUNCEMENT **18 JUNE 2010**

UPDATE ON SCOUT DRILLING AT TRENGGALEK GOLD PROJECT IN INDONESIA

- *Further drilling confirms mineralised extension to West Sentul Vein*
- *First drilling at Dalangturu highlights potential for epithermal vein discoveries*

Arc Exploration Limited (ASX Code: ARX) is pleased to announce further results from its scout drilling program at Trenggalek in East Java. The results reported today are from six holes – two further holes completed on Sentul and the first four holes testing Dalangturu Prospect.

A total of 22 holes have been reported to date, including those reported today, or about 48% of the scout drilling program planned for this year. To put the scout drilling program in context, our objectives over this year are to better define the multiple target areas identified by ARX within the Trenggalek IUP area. The results of this work will refine and concentrate our efforts in future work programs with the aim of defining economic resources. The current program is only at mid-stage and we have previously reported material intercepts in some holes at Sentul, including up to 2 m at 17.2 g/t Au at +100 m below surface in hole TRDD 4. Most of the scout holes reported to-date have returned gold intercepts of varying degrees of intensity.

Sentul Prospect

Two holes (TRDD 18 and 21) were drilled to test for mineralized extensions to the open southern strike projection of the West Sentul Vein. Both holes intersected the main vein structure, which is about 15 m wide, and also several narrower tension veins in the footwall.

TRDD 18 intersected two significant vein zones. The first, interpreted to be the West Sentul Vein, returned 18.85 m at 0.98 g/t Au & 16 g/t Ag from 31.35 m down-hole and included narrow higher grade intercepts of 1 m at 6.31 g/t Au & 208 g/t Ag, 1 m at 2.38 g/t Au & 12 g/t Ag, and 1 m at 2.1 g/t Au & 6 g/t Ag. The second, interpreted to be a footwall tension vein, returned 11.4 m at 0.77 g/t Au & 6 g/t Ag from 76.0 m down-hole.

TRDD 21 intersected the West Sentul Vein shallower than expected, suggesting a swing in its strike direction toward the west (see Figure 1). The West Sentul Vein was intersected from 24.1 to 56.9 m down-hole and returned a best intercept of 4.7 m at 0.65 g/t Au & 1 g/t Ag from 24.1 m down-hole, which included a narrow intercept of 0.7 m at 1.87 g/t Au & 9 g/t Ag.

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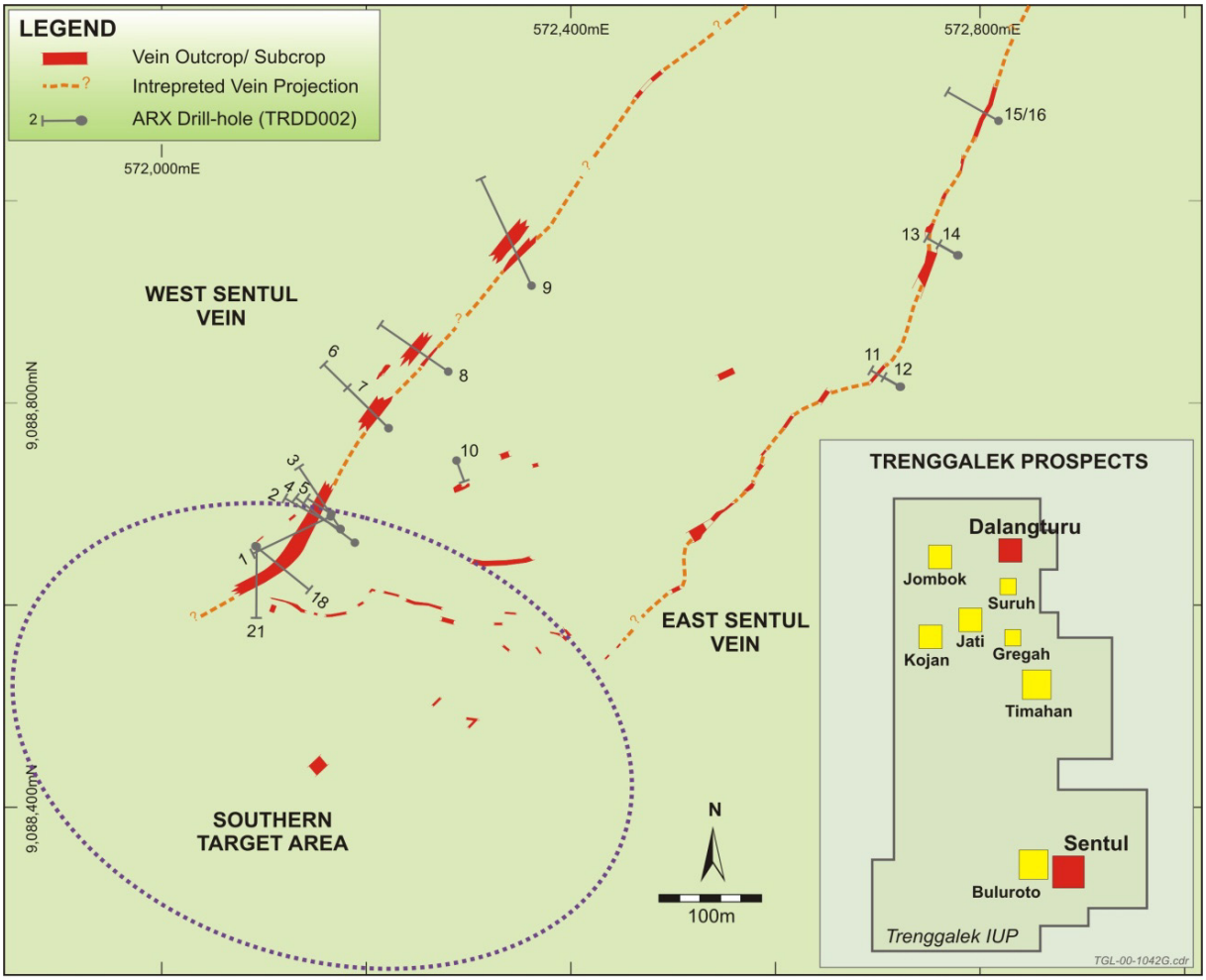
The results from these holes confirm that the West Sentul Vein extends for at least another 80 m to the south and maintains a substantial true-thickness of between 10-20 m. The higher grade gold intersections obtained within the West Sentul Vein in earlier reported holes (TRDD 1 to TRDD 5) are still open down plunge (see Figure 2). The vein textures observed in the higher grade intersections are represented by multiple generations of brecciated and banded chalcedony-quartz-sulphide fill, which reflect conditions that may be conducive to the development of high-grade ore shoots.

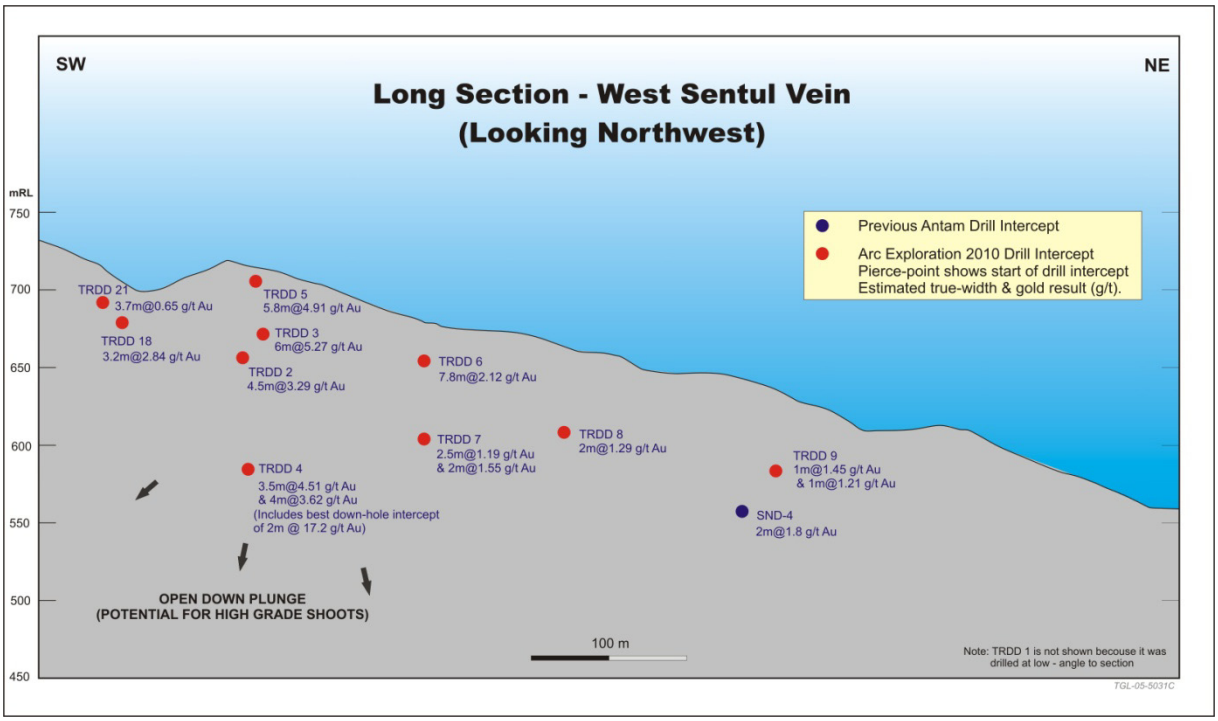
Gold mineralization of varying intensity has now been outlined by scout drilling over a strike length of about 450 m along the West Sentul vein. It was also previously reported that significant mineralization was intersected by scout drilling on the East Sentul Vein. The Company is confident that Sentul is highly prospective and is reviewing the results obtained thus far in order to plan further drilling to more thoroughly evaluate the prospect, either later this year or early next year. Soil sampling is currently in progress to detect the extension of the West and East Sentul veins, and any other mineralized structures, beneath thicker soil cover in the Southern Target Area (see Figure 1).

Figure 1



SENTUL PROSPECT
Drill-hole Locations and Vein Outcrops

Figure 2



Dalangturu Prospect

Drilling has commenced at Dalangturu with four holes completed (TRDD 17, 19, 20 and 22). These holes have tested a large IP chargeability anomaly and associated soil geochemical anomalies that were highlighted from the results of a previous work undertaken at this prospect. The geophysical anomaly was originally detected below a distinctive flat-topped hill that is capped by the shallow eroded remnants of a mineralized epithermal stockwork-breccia system. In some similar epithermal gold districts around the world these features show a strong spatial relationship to concealed high-grade veins (see *Comments and Interpretations* following).

The four holes were drilled on about the same NW-SE section (see Figure 3). These have tested the northern part of a linear zone of high chargeability that is interpreted to be about 100-150 m wide and extends for at least 700 m north-south. The source of the IP chargeability anomaly was originally interpreted to occur below the western side of the distinctive flat-topped hill at the centre of Dalangturu. However, the results of the scout drilling have shown that the source may be located further east than originally predicted.

Holes TRDD 17, 19 and 22, collared off the northwestern slope of the hill, intersected narrow veined zones containing thin (<1-10 cm) banded quartz-chalcedony-carbonate-sulphide veins hosted by weak to moderately propylitic-altered andesite. Only selective core splitting and sampling were undertaken from these holes. Results received from TRDD 17, 19 and 22 show a few narrow gold intercepts of +1g/t Au that occur within narrow envelopes of lower grade mineralization (0.1-0.5 g/t Au).

Hole TRDD 20 was collared further to the east of these holes. It intersected intense clay-sulphide alteration with abundant sulphide stringers (mainly pyrite and/or marcasite) below a shallow cover of soil and possibly perched alluvium containing silicified breccia boulders. The intense clay-sulphide alteration zone returned low gold but anomalous arsenic, antimony and mercury geochemistry, averaging 244 ppm As, 26 ppm Sb and 0.41 ppm Hg over 70.5 m from 1.8 m down-hole. Stronger stockwork veined and mineralized propylitic-altered andesite was intersected deeper in the hole, returning a significant low grade gold intercept of 31.3 m

at 0.11 g/t Au and 2 g/t Ag from 74.3 m down-hole, which includes a highest single gold result of 0.63 g/t Au.

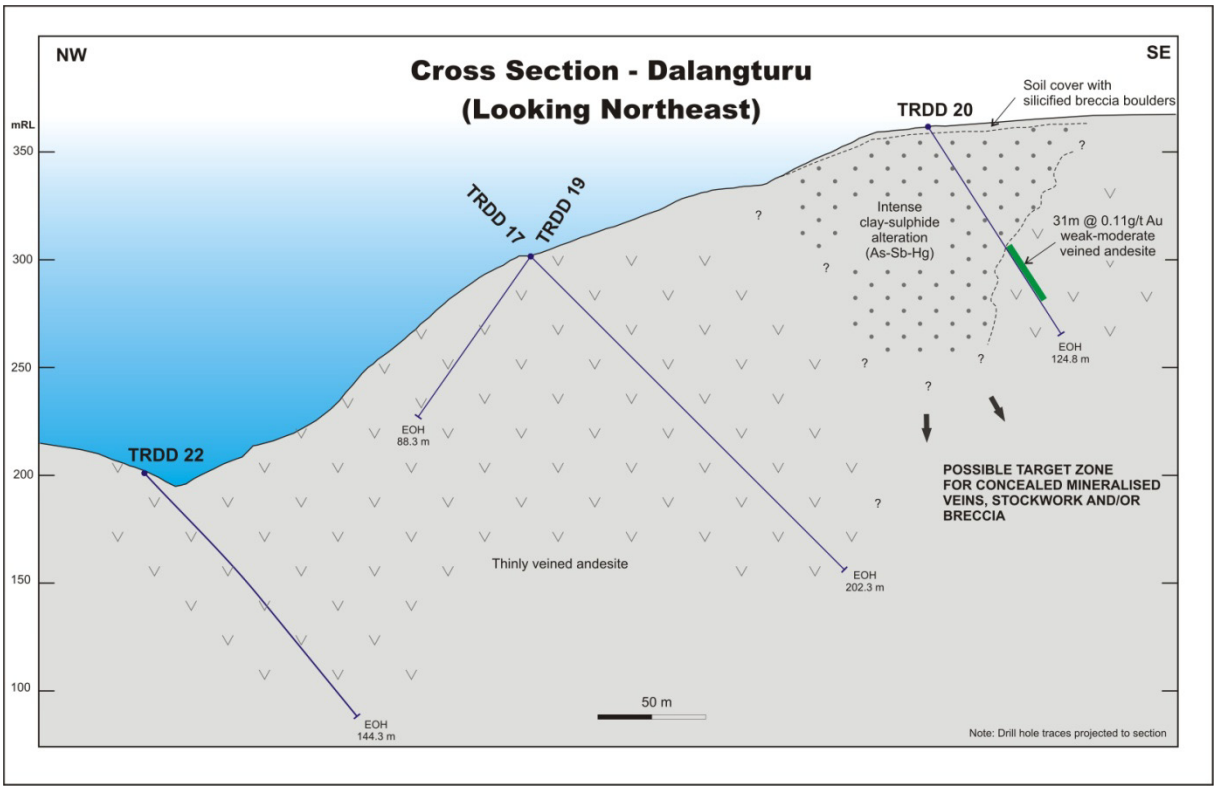
Comments and Interpretation

This is the first drill test of a large, shallowly eroded, epithermal system that has been mapped over an area that is at least 600 m wide and 1,200 m long. The intersection of the sulphidic clay alteration zone with anomalous As-Sb-Hg geochemistry at Dalangturu could be very significant. In some well documented examples of shallowly eroded epithermal systems located in volcanic rocks of similar age to Trenggalek, this type of alteration and geochemical signature can occur above concealed high-grade epithermal vein targets (e.g. +0.6 Moz Favona gold deposit in the Waihi district of New Zealand; +3 Moz Midas gold deposit on the Basin and Range Province of Nevada). The tops of the vein targets can be several 10's to 100's of meters below the surface and these may have no other indication of their presence other than low-levels of gold associated with elevated concentrations of toxic elements (As, Sb, Hg) in sulphidic clay alteration zones, silica cappings and hydrothermal breccias.

The presence of anomalous gold in thinly veined andesite (e.g. TRDD 20: 31.3 m at 0.11 g/t Au) adjacent to the clay-sulphide alteration zone is particularly encouraging. It confirms that the system is gold-bearing and that it may contain concealed high-grade veins, stockwork or breccia zones at deeper levels in the prospect area.

Grid based soil geochemical sampling is in progress to better define the limits of this large epithermal system. The results of this work, combined with further mapping and the results of the first scout drilling, will be used to plan further drilling on the prospect.

Figure 3



Drill hole details and assay results for all holes reported in this announcement are summarized in the tables below.

TRENGGALEK PROJECT, EAST JAVA
Summary of Drill-hole Details

Hole ID	Target	Coordinates			Dip	Azimuth	Final Depth (m)
		mN	mE	mRL			
TRDD018	West Sentul	9,088,660	572,090	710	-56^0	130^0	120.3
TRDD021	West Sentul	9,088,660	572,091	710	-55^0	180^0	127.6
TRDD017	Dalangturu	9,107,271	568,767	300	-45^0	125^0	202.3
TRDD019	Dalangturu	9,107,270	568,766	300	-56^0	300^0	88.3
TRDD020	Dalangturu	9,107,142	568,896	360	-45^0	090^0	124.8
TRDD022	Dalangturu	9,107,368	568,559	204	-45^0	115^0	144.3

Significant Mineralised Drill-hole Intercepts

Hole ID	Target	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t	Core Rec (%)
TRDD018	West Sentul	31.35	50.20	18.85	0.98	16	98%
		Incl					
		34.25	35.25	1.00	2.38	12	100%
		35.25	36.25	1.00	6.31	208	100%
		47.25	48.25	1.00	2.10	6	100%
		62.90	63.90	1.00	2.91	6	100%
		76.00	87.40	11.40	0.77	6	100%
		Incl					
		77.00	80.00	3.00	1.02	4	100%
TRDD021	West Sentul	24.10	28.80	4.70	0.65	1	100%
		Incl					
		28.10	28.80	0.70	1.87	9	100%
		101.40	102.40	1.00	1.08	2	100%
TRDD017	Dalangturu	86.10	86.40	0.30	1.00	11	100%
		101.95	102.50	0.55	3.67	68	95%
		115.65	116.95	1.30	1.80	6	100%
		163.20	164.20	1.00	1.50	29	100%
TRDD019	Dalangturu	25.10	25.40	0.30	1.04	4	100%
		52.25	52.85	0.60	1.84	8	100%
TRDD020	Dalangturu	74.30	105.60	31.30	0.11	2	99%
TRDD022	Dalangturu	30.85	31.25	0.40	1.98	4	100%
		32.75	33.10	0.35	1.71	8	100%
		77.50	78.10	0.60	2.06	2	100%

Notes: 1) Assay results are from half-core samples split with a power saw. Logging, allocation of sample intervals, sampling & dispatching were done under the strict control of the Company's geologists.
2) Sample preparation and analyses were conducted by P.T. Intertek Utama Services in Jakarta.
3) Gold was assayed by 50g Fire Assay/AAS Finish.

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 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.

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