

March 2012 Quarter Activities Report

ABOUT ARC EXPLORATION LIMITED

Formed in 1983, 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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Exploration - Indonesia

Trenggalek

- Soil sampling and initial trenching at the *Bogoran Prospect* produced coincident gold-molybdenum anomalies over extensively stockworked volcanic rocks. Trench intercepts include:

CTS098 : 7 m at 2.7 g/t Au & 74 ppm Mo
 CTS100 : 120 m at 0.22 g/t Au & 47 ppm Mo;
 including
 4 m at 2.36 g/t Au & 860 ppm Mo &
 3 m at 2.83 g/t Au & 868 ppm Mo

The elevated molybdenum results are significant and are comparable to those above the buried porphyry copper-gold deposit at Intrepid's Tujuh Bukit Project.

- Soil sampling commenced on *Sumber Bening Prospect*, which represents a possible high-sulphidation epithermal target.
- The early results from *Bogoran* and *Sumber Bening* are particularly encouraging as they support the possibility of buried mineralised porphyry systems occurring on the Trenggalek IUP.

Bima

- Further civil disturbances and anti-mining demonstrations occurred in the city of Bima in late January, resulting in the burning of some public buildings including the Regent's office.
- ARX's Indonesian partner P.T. Sumber Mineral Nusantara (SMN) was advised by the Regent of Bima that the Exploration IUP license was revoked for security reasons as of 28 January 2011.
- SMN and ARX have operated in full compliance with all legal and regulatory licence requirements at all times.
- The company has carefully considered its options from all perspectives and decided not to commence court proceedings against the revocation of the Exploration IUP.

Papua

- Anglo advise that they are advancing with preparations to do an airborne geophysical survey over the three IUP's in West Papua that are part of the ARX – Anglo Strategic Alliance.

PROJECT ACTIVITY – INDONESIA

ARX is exploring for gold, silver and base metal deposits along Indonesia's highly 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

Trenggalek Project, East Java

The Company has a joint venture with P.T. Sumber Mineral Nusantara, which holds the Trenggalek 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, highlighted by the discovery of the Tumpangpitu porphyry copper-gold deposit (25 million-ounce gold, 15 billion-pounds copper) by Intrepid Mines at their Tuhuh Bukit Project. This porphyry deposit was discovered beneath a shallow epithermal gold zone (2.4 million-ounce gold) that was found by previous explorers but not fully investigated at depth.

Gold mineralisation at Trenggalek occurs in intermediate-sulphidation epithermal quartz vein systems associated with hydrothermal breccias and silica cappings in volcanic rocks and limestone. Other than the shallow epithermal vein targets, the IUP area is prospective for replacement-style ("jasperoid") gold and porphyry-related copper-gold mineralisation.

The renewal of the forestry use permit ("Pinjam Pakai") from the Indonesian Ministry of Forestry is still awaited.

Field work continued on two new prospects identified in the previous quarter.

Exploration expenditure at Trenggalek during the quarter totalled A\$171,655.

Sumber Bening

Sumber Bening lies on prominent 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 vuggy silica alteration centred on volcanoclastic rocks and quartz-feldspar porphyry intrusions. Initial rock grab samples assaying up to 0.14 ppm gold, 37 ppm molybdenum, 277 ppm copper and 1410 ppm bismuth were reported last quarter. These results and the characteristics of the altered rocks are interpreted to indicate a possible high-sulphidation epithermal system with potential for porphyry mineralisation at depth.

Soil sampling and detailed geological mapping commenced late in the quarter to define the size and geochemical character of the mineralised alteration system found at surface.

Bogoran

Bogoran, lies on the intersection of two major sets of structural lineaments; one extending from the Kojan epithermal vein prospect to the north-northwest, and the other from the eastern margin of the large mineralised silica cap at Timahan to the northeast. Results of initial grab samples taken from float and outcrops at *Bogoran* were reported in the previous quarter. Thirty-seven of 60 samples returned from 0.1 to 2.96 g/t gold, with a peak of 23.3 g/t gold, and anomalous gold-pathfinder results with up to 3850 ppm arsenic, 537 ppm molybdenum and 131 ppm antimony.

Work completed this quarter included detailed geological mapping, rock chip and grid-based soil sampling. Soil results from samples taken at 25-m intervals across 100-m spaced lines over the prospect show a large 1,500 m by 750 m north-northwest elongated arsenic-in-soil anomaly (>100 ppm As) and spotty molybdenum-in-soil anomalies (>5 ppm Mo) over propylitic-argillic altered volcanic rocks.

A gold-in-soil anomaly (>0.025 ppm Au) on the eastern side of the broader arsenic-molybdenum anomaly is over 1,200 m long and up to 200 m wide. Spot-highs within it include 18 soil results that range from 0.107 to 0.341 ppm Au. The northern end of the anomaly overlies limonitic quartz stockworks in andesitic volcanic rocks. The southern end occurs over colluvium with jasperoid boulders shedding from the base of a silicified limestone contact on andesite.

Continuous-chip sampling on parts of the prospect not covered by production forest have partly tested the extensive soil anomaly and returned significant gold-molybdenum intercepts, including:

CTS093 :	5.5 m at 1.08 g/t Au & 12 ppm Mo
CTS097 :	6 m at 1.17 g/t Au & 20 ppm Mo
CTS098 :	7 m at 2.7 g/t Au & 74 ppm Mo
CTS100 :	120 m at 0.22 g/t Au & 47 ppm Mo; <i>including</i> 4 m at 2.36 g/t Au & 860 ppm Mo & 3 m at 2.83 g/t Au & 868 ppm Mo

These intercepts occur in quartz-limonite stockworked volcanic rocks. The true-width of the mineralized zones is currently uncertain. Further trenching is required.

The molybdenum results at *Bogoran* are some of the highest reported in the project area to date. Elevated molybdenum is significant because it may indicate the presence of a mineralised porphyry system at depth. Intrepid has reported that molybdenum values are relatively high (>100's ppm) in some zones above the buried porphyry copper-gold system discovered at *Tujuh Bukit*, where an average grade of 100-150 ppm Mo is reported in the sulphide resource.

West Nusa Tenggara

Bima Project – East Sumbawa

It was previously reported that exploration activities at Bima had again been halted due to renewed civil disturbances and anti-mining demonstrations in the project area late in the last quarter. Further demonstrations occurred in the city of Bima on 26 January 2012 and resulted in the destruction of a number of buildings including the office of the Regent of Bima.

Consequently, the Regent of Bima formally advised P.T. SMN by letter that the exploration licence was revoked as of 28 January 2012, even though P.T. SMN and ARX were in full compliance with all legal and regulatory licence requirements since the granting of the tenement in 2008.

The company has carefully considered its options from all perspectives and decided not to commence court proceedings against the regional government due to matters of cost, time to any resolution and the inevitable loss of management focus better utilised on ARX's other assets and plans.

Papua

Strategic Alliance – Anglo American

The Company holds a 20% interest in a Strategic Alliance with Anglo American PLC (Anglo) to explore for copper-gold deposits in Papua and West Papua provinces. 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 Province. These lie over highly prospective ground in the region which also hosts Grasberg - Indonesia's largest porphyry copper-gold deposit.

Anglo is responsible for managing and funding all exploration activities for the Alliance. Anglo advise that they are advancing preparations to do an airborne magnetic and radiometric survey over the three IUP's later in the year, pending the availability of a geophysical contractor and helicopter support.

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.

Sampling and Sample Analysis

Results relating to geochemical samples reported herewith are derived from soil and rock samples. Sampling is entirely supervised by the Company's project geologists. Commercial geochemical standards are routinely inserted into the sample batches for quality control. Samples are securely packaged, batched, and then transported under supervision to the Intertek Laboratory in Jakarta. At the laboratory, the samples are prepared by crushing and pulverizing the entire sample. Gold is assayed by 50 g charge Fire Assay with an AAS finish. Silver, copper, lead and zinc are tested by either multi-acid digestion/AAS finish or a Multielement ICP analysis package. Arsenic, antimony and molybdenum are tested by either pressed pellet XRF or a Multielement ICP analysis package.

This report is dated 24 April 2012.

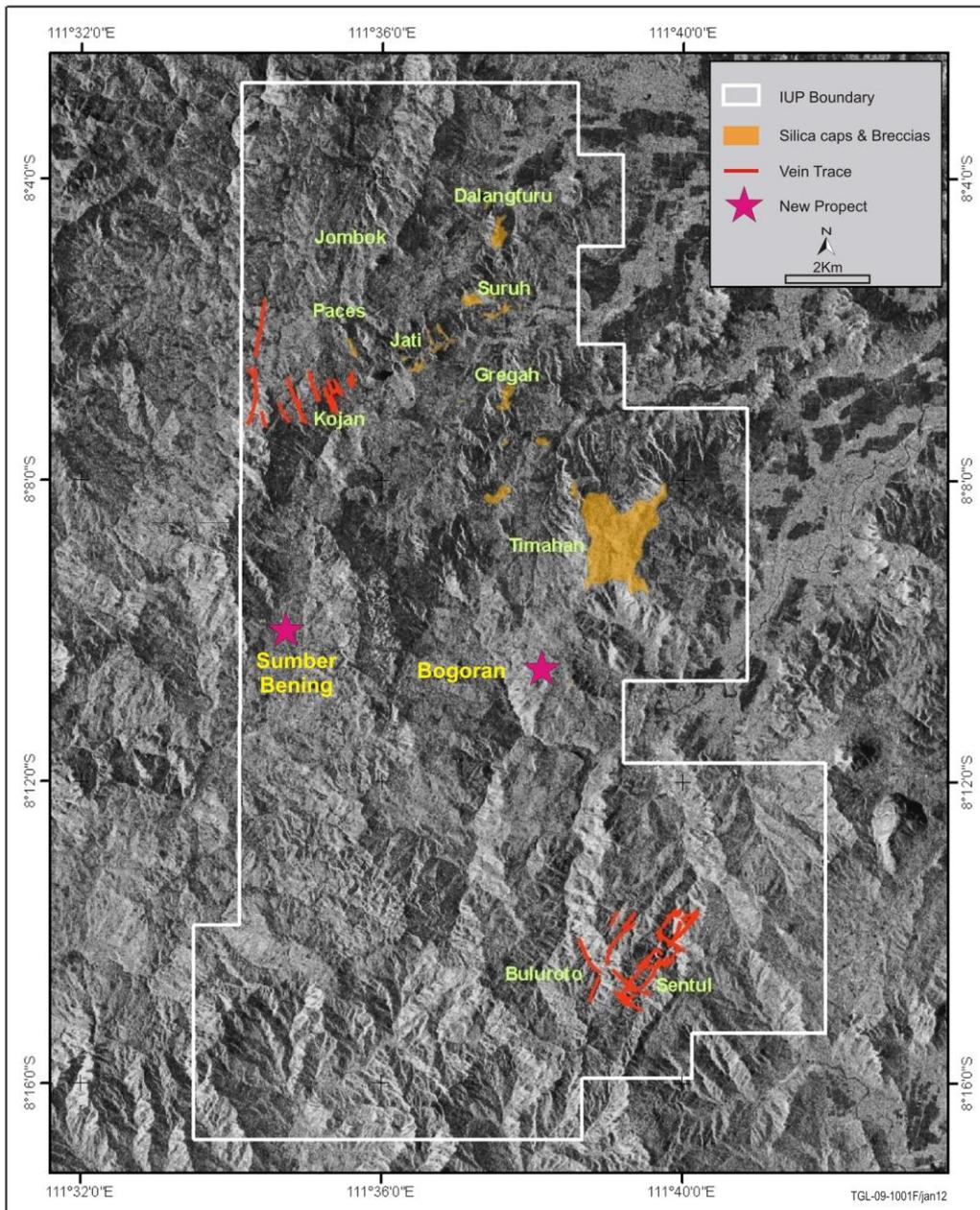
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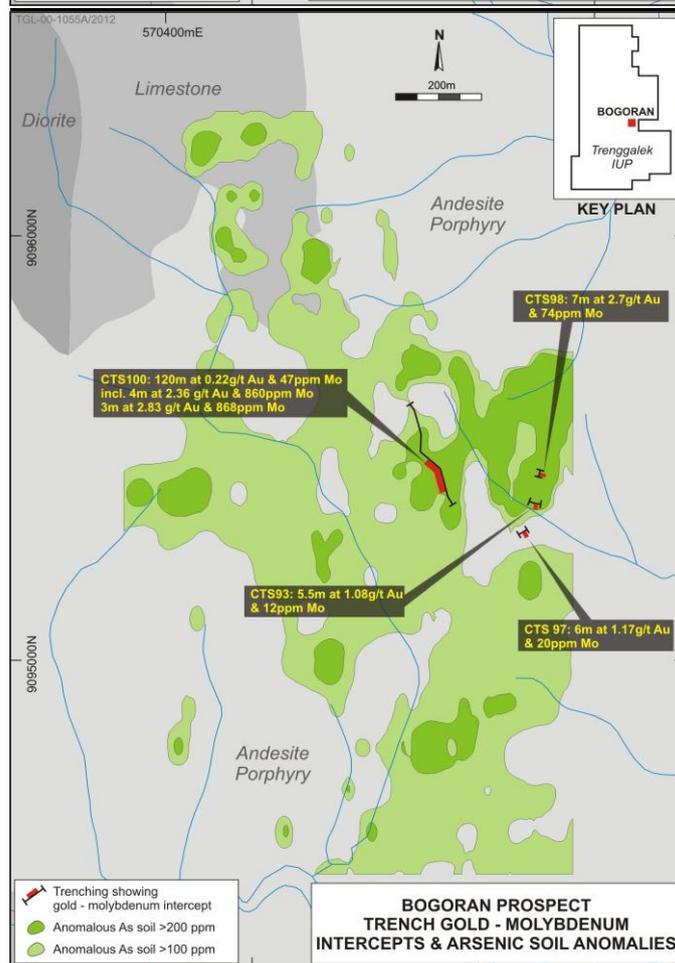
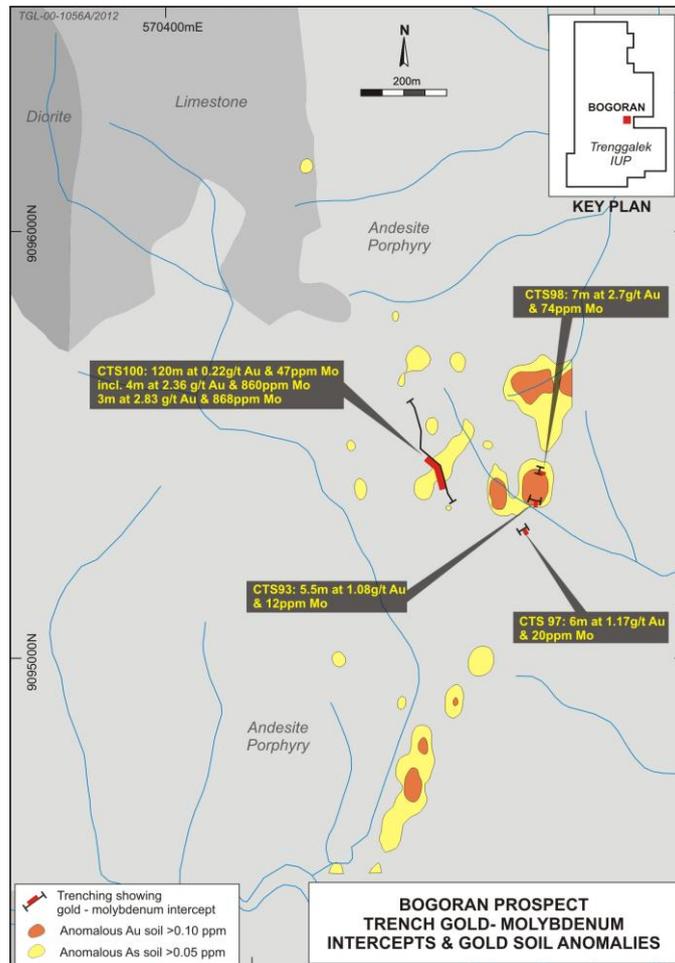
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TRENGGALEK IUP SHOWING MAJOR PROSPECTS



Gold-molybdenum mineralised quartz-limonite stockwork in altered volcanic rock at Bogoran Prospect (hatched red line)



Trenggalek Project: Bogoran Prospect showing Au-As soil anomalies & significant trench intercepts