

March 2009 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.

Two key strategic alliances in Indonesia are taking Arc Exploration closer to achieving its exploration growth objectives.

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

In addition the Company has a 95% joint venture interest with PT Sumber Mineral Nusantara in the Pekalongan and Trenggalek tenements located in Central and East Java respectively, areas prospective for low sulphidation epithermal gold/silver deposits similar to the Cibaliung project. The Company also holds a 95% interest in the Bima tenement located in East Sumbawa of West Nusa Tenggara Province.

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Cibaliung Gold Project | Indonesia

- < The Cibaliung Project was placed on care and maintenance during the previous quarter.
- < The Company was not able to secure funding for the completion of the project.
- < The Company entered into a binding Heads of Agreement to sell the Cibaliung Project to PT Aneka Tambang Tbk on 6 February 2009.

Project Generation

- < Limited mapping and prospecting were undertaken at Trenggalek during the quarter.
- < The results of mapping, soil and rock chip geochemistry received from the northern part of the Bima Project during the quarter are encouraging. The mineralisation-alteration system exposed is large and the anomalous metal association suggests a distal position to a porphyry intrusion located either at depth or beneath the surrounding younger cover deposits.
- < Anglo has reported results from a new program of diamond drilling completed on a deep porphyry copper-gold target at the Aisasjur Prospect in Papua late last year. A total of 3,558 m was completed in five diamond drill-holes using two helicopter-supported CS-1000 drill rigs. The holes intersected broad zones of low-grade epithermal-style gold-arsenic-antimony mineralisation.
- < Following completion of the sale of the Cibaliung Project, ARX will seek to build on its demonstrated exploration strengths in Indonesia.

CIBALIUNG GOLD PROJECT | INDONESIA (95%)

The Company entered into a binding Heads of Agreement on 6 February 2009. The sale is the culmination of an extensive process that commenced in early 2008 to secure a farm-in partner. ARX was unable to secure a farm-in partner or funding for Cibaliung and accordingly, in co-operation with ANZ Bank, a sale process was initiated in the latter part of 2008.

The key terms of the sale are summarised as follows:

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- < 5 b h U a k] \ \ \ U ' g c ' U W e i] f Y ' 5 B N ' 6 U b _ D g '] b h Y f Y g h '] b

Antam have funded and managed Cibaliung since 6 February 2009.

The sale will relieve ARX of its obligation to fund Cibaliung and to service the current debt to the ANZ.

The indicative timetable of the sale is as follows:

The sale will relieve ARX of its obligation to fund Cibaliung and to service the current debt to the ANZ.

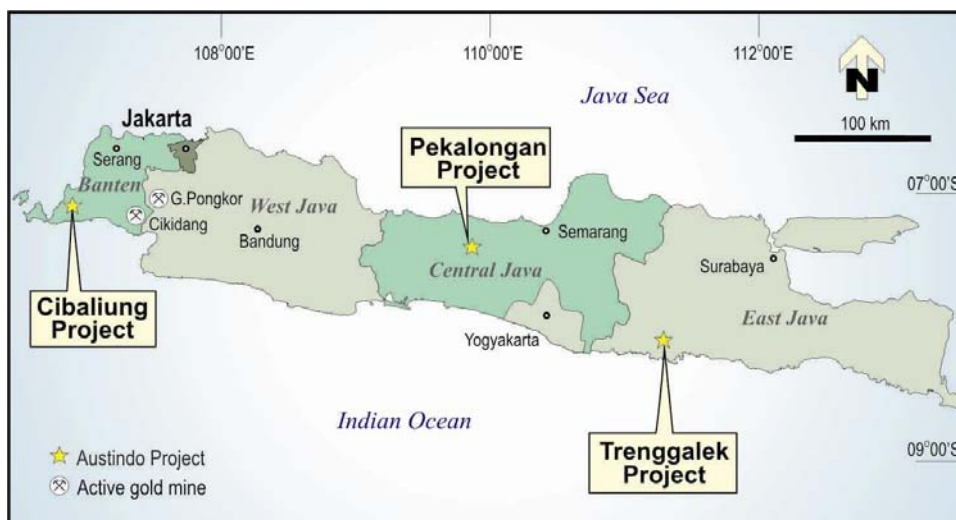
- < Execution of binding Heads of Agreement: 6 February 2009
- < ARX Shareholder approval of sale and associated matters: 9 April 2009
- < Completion following Indonesian regulatory processes and approvals: Around 30 June 2009

Expenditure in relation to the Cibaliung Gold Project totalled A\$1.2 million during the quarter of which A\$494k was funded by PT Aneka Tambang TBK post signing of the Heads of Agreement in February.

PROJECT GENERATION | INDONESIA

Java

The Company is exploring for high-grade epithermal gold-vein deposits on the island of Java, which lies on the highly prospective Sunda-6 U b X U ' j c ` W U b] W ' U f W " ' ' H \ Y ' [Y c ` c [k] W U ' ' g Y and Pekalongan projects on Java show strong similarities to world-class gold deposits lying on or close to the same volcanic arc (e.g. Pongkor & Gosowong).



Trenggalek Project, East Java (ARX | 95%)

The Trenggalek Exploration KP license covers an area of 30,044 ha over prospective Oligo-Miocene volcano-sedimentary rocks in the Southern Mountains of East Java. Exploration activity during the quarter comprised sterilisation mapping and prospecting at the centre of the KP. Exploration expenditure during the quarter totalled A\$ 102,000.

Pekalongan Project, Central Java (ARX | 95%)

An application for a 12 month extension to the Pekalongan Exploration KP license was approved by the Regency Government but only over an area reduced from the original 5,617 hectares to 2,447 hectares, and excluding the area relinquished at the end of the quarter.

Nusa Tenggara

Bima Project | East Sumbawa (ARX | 95%)

The Bima General Survey KP license covers an area of 24,980 ha in East Sumbawa. The project area lies on a segment of the highly prospective Sunda-Banda magmatic arc, which is host to the giant Batu Hijau porphyry copper-gold deposit located in West Sumbawa. The KP is held by P.T. Sumber Mineral Nusantara with whom ARX also has a joint venture relationship on the Pekalongan and Trenggalek projects on Java.



It was previously reported that an area of alteration had been identified in the northern part of the KP that returned up to 0.56 ppm Au, 96 ppm Ag, 501 ppm Cu, 2230 ppm Pb, 2700 ppm Zn and 5.5% Ba in separate grab samples. Although several foreign companies have previously held Contracts of Work in this part of East Sumbawa, there is no reference to this area of alteration in their reports. This new area has been named the Kowo Prospect.

The results of orientation geochemical sampling and mapping completed in the northern part of the KP in the last quarter were received.

Mapping completed at the Kowo Prospect has defined a 2 km by 1.5 km area of oxidised quartz-chlorite-clay-sulphide alteration in volcanoclastic rocks hosting a widespread stockwork of thin quartz-baryte-sulphide veins and localised crackle breccia. The boundaries of this alteration zone are believed to be open in all directions beneath younger volcanic cover deposits, limestone and alluvium.

Minus 1.2-mm fraction BCL (Bulk Cyanide Leach) drainage sampling returned low results of 0.2 ppb Au/45 ppb Ag and 0.3 ppb Au/31 ppb Ag in two creeks draining the Kowo Prospect. Eighteen minus 180-micron stream sediment samples taken from creeks draining outside the Kowo Prospect returned generally low to weakly elevated results of <0.005 to 0.008 ppm Au, 38 to 84 ppm Cu, 16 to 38 ppm Pb, 90 to 341 ppm Zn, 2 to 12 ppm As, 3 to 8 ppm Mo, and 570 to 1430 ppm Ba. These results are not considered to be significantly anomalous and possibly reflect geochemical dispersion from the younger cover deposits.

A 950-m long, orientation line of 25-m spaced, fine-fraction (minus 180-micron), C-horizon soil sampling was completed across the alteration zone. Elevated lead-zinc-barium geochemistry was returned over at least 750-m of this line with results ranging from 92 to 1180 ppm Pb (mean 388 ppm Pb), 119 to 1290 ppm Zn (mean 385 ppm Zn), and 1420 ppm to 1.65% Ba (mean 4672 ppm Ba). Spotty anomalies were returned in other metals, including peak values of 0.015 ppm Au, 13 ppm Ag, 112 ppm Cu, 90 ppm As, 17 ppm Sb and 31 ppm Mo.

Further rock chip sampling completed on the same alteration zone returned a similar pattern of anomalism, with the exception of some significantly higher gold and silver results. Six of 20 selected chip samples taken returned 0.12 to 0.51 ppm Au, 51 to 69 ppm Ag (excluding one high value of 686 ppm Ag), 1580 to 8500 ppm Pb, 443 to 4610 ppm Zn, 7900 ppm to 5.9% Ba, 17 to 84 ppm Sb, and 7 to 17 ppm Mo.

The results of mapping, soil and rock chip geochemistry received from the Kowo Prospect to-date are encouraging. The mineralisation-alteration system exposed at this prospect is large and the anomalous metal association suggests a distal position to a porphyry intrusion located either at depth or beneath the surrounding younger cover deposits.

Exploration expenditure during the quarter totalled A\$ 21,000.



Looking NW to low hills of altered volcaniclastic rock forming the Kowo Prospect



Shallow soil developed on altered & quartz-sulphide veined, volcaniclastic rocks at the Kowo Prospect

Papua

Aisasjur Project - Anglo Strategic Alliance (ARX | 20%)

The Company has a strategic alliance with the Anglo American Group to explore for large porphyry copper/gold deposits in the Papua and West Papua provinces of Indonesia. Aisasjur, the main project in this alliance, is an Exploration KP licence covering 9,486 hectares in West Papua. The Company has a 20% joint venture interest in the project while the Anglo American Group has the obligation to fund all exploration activities pursuant to the terms of the strategic alliance.

The Aisasjur Project is located on the medial Papua-New Guinea magmatic arc which is host to the giant copper-gold and gold deposits of Grasberg, Ok Tedi and Porgera. Scout diamond drilling completed on the Aisasjur prospect in 2006-07 intersected low-grade copper-gold-arsenic mineralization in phyllic-potassic-altered intrusive rocks. Although none of the drill-holes in this program reached their targeted depths, the results of geochronological and geochemical analyses on intrusive rocks intersected at the Aisasjur prospect show a similar age and character to the Grasberg Igneous Complex, located about 500 km to the east-southeast of Aisasjur.



Anglo has reported results from a new program of diamond drilling completed on a deep porphyry copper-gold target at the Aisasjur Prospect late last year. A total of 3,558 m was completed in five diamond drill-holes using two helicopter-supported CS-1000 drill rigs. Results are available from three of the five holes. Best mineralised intercepts returned are summarised below and are reported at a 0.1 g/t Au cut-off. Results from the remaining two holes are awaited.

As with the previous drilling, Anglo reported that there were difficulties in reaching the targeted drill depth in some of the holes. It was reported that the holes intersected broad zones of low-grade epithermal-style gold-arsenic-antimony mineralisation. One of the deepest holes, ASD-26, apparently shows an increase in disseminated copper and gold mineralisation in a potassic-altered diorite porphyry intrusion from about 712 m down-hole. A technical report further detailing the results of this program is awaited from Anglo and this is expected to be received next quarter.

AISASJUR PROJECT

Table of Best Mineralised Intercepts from Latest Drilling Program

Hole ID	From (m)	To (m)	Interval (m)	Cu %	Au g/t	Comments
ASD-26	681	720	39	0.17	0.4	Qtz-mag-py-cpy stockwork & breccia fill in potassic altered diorite porphyry intrusions & intrusive breccia, showing an increase in dissem cpy-bo mineralisation from 712 down-hole
	Including 712	720	8	0.26	1.34	
ASD-27	236	269	33	<0.01	0.69	Magnetite-destructive, argillic-altered diorite porphyry containing fine Qtz-py-Aspy vein-stockwork
	Including 236	242	6	<0.01	2.88	
ASD-28	118	145	27	<0.01	1.7	Magnetite-destructive, argillic-altered diorite porphyry containing fine Qtz-py-Aspy vein-stockwork (NB E this hole is subvertical and probably intersects the mineralised zones at low-angle TCA. The source of the magnetic anomaly targeted in this hole was not defined.
	181	193	12	<0.01	1.54	
	406	436	30	<0.01	1.03	
	451	490	31	<0.01	1.25	

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 is undertaking to undertake this report of the matters based on this information in the form and context in which it appears.

This report is dated 30 April 2009. For further information please contact:

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