



10 February 2010

Ms. Marta Kielich
Senior Advisor, Issuers (Sydney)
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

By email only

Dear Ms. Kielich

Arc Exploration Limited – Price Query

We refer to your letter dated 9 February 2010 regarding recent increases in the Company's share price and volume of trading.

We respond to the questions that you have raised as follows:

1. *Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?*

The Company is not aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company.

On 28 January 2010 the Company announced to the ASX encouraging new gold results from the Sentul East Vein at the Trenggalek Project in East Java, Indonesia.

On 1 February 2010 the Company announced to the ASX that drilling had commenced on the Trenggalek Project.

The Trenggalek project is a 30,044 hectare Exploration IUP tenement located in the highly prospective Southern Mountains region of East Java, which is emerging as a new mineral province. The Company is undertaking a 5,000 m scout diamond drilling program at Trenggalek to test several high-grade vein targets and high-level breccias targets. The program will comprise about 50-60 inclined holes with about 5-10 holes drilled at each prospect to an average depth of between 50 and 150 m. Initial drilling will test the Sentul Prospect.

2. *If the answer to question 1 is yes, can an announcement be made immediately?*

Not applicable.

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3. *Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?*

The Company is not aware of any other explanation for the price change and increase in volume in the securities of the Company.

4. *Please confirm that the Company is in compliance with the listing rules and in particular, listing rule 3.1.*

The Company is in compliance with the listing rules and in particular, listing rule 3.1 relating to continuous disclosure and the requirement for immediate notice of material information.

Yours sincerely

A handwritten signature in black ink that reads "Andrew Cooke". The signature is fluid and cursive, with a long horizontal stroke at the end.

Andrew J. Cooke
Company Secretary

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