

**IUP CONVERSION & EXPLORATION UPDATE
BIMA PROJECT IN EAST SUMABAWA**

Arc Exploration Limited (ASX: ARX) is pleased to announce that the conversion of the Bima KP to a Mining Business Licence (IUP) is completed. The Exploration IUP covering an area of 24,980 hectares was signed by the Bima Regent on 28 April 2010 and is valid for 5 years.

The Bima Project is located about 230 km east of Newmont's Batu Hijau porphyry copper-gold mine on the same segment of the Sunda-Banda magmatic arc. Targets in the tenement are gold and base metal-rich intermediate-sulphidation epithermal veins that are possibly related to buried porphyry copper-gold targets.



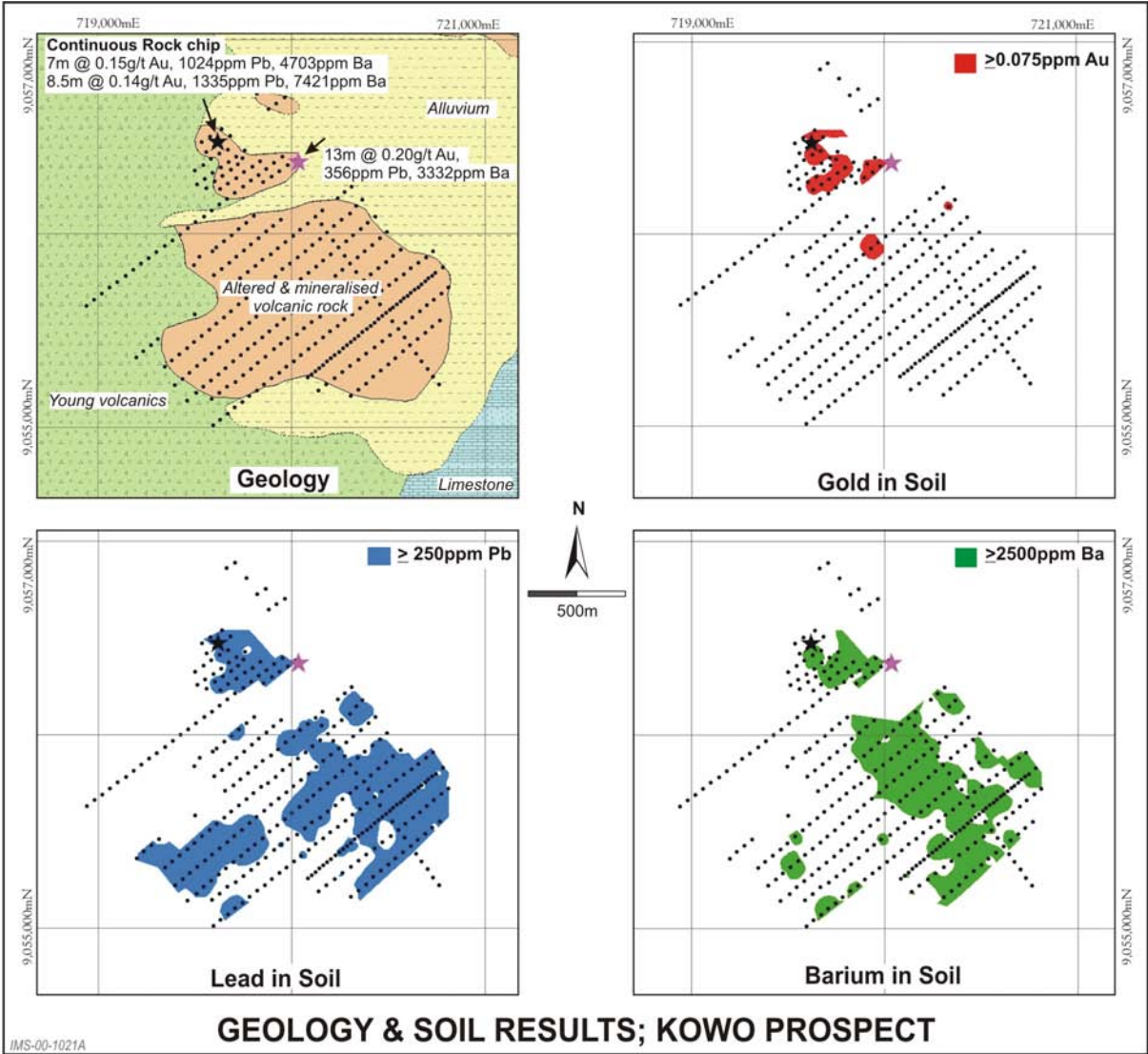
On 19 April 2010 ARX announced encouraging results from preliminary soil and rock chip sampling at the northern end of the Kowo Prospect.

Further results received from infill soil sampling on a 50m x 100m grid over Kowo have highlighted elevated coincident gold-lead-barium over mineralised and altered volcanic rock surrounded by barren younger cover (see figure below).

Elevated lead and barium in soils are outlined by the 250 ppm Pb and 2500 ppm Ba soil contours. Barium outlines a large 1500 m by 300 m elongated zone and elevated gold in soils defined by the 0.075 ppm Au soil contour covers a 200 m by 300 m area on the edge of the barium soil anomaly at the northern end of the prospect. This gold zone probably extends beneath cover to the north and west of the grid area.

Continuous rock chip samples from the area of gold in soils returned results of 8.5 m at 0.14 g/t Au, 1335 ppm Pb & 7421 ppm Ba and 7 m at 0.15 g/t Au, 1024 ppm Pb & 4703 ppm Ba and 13 m at 0.2 g/t Au, 4 g/t Ag, 39 ppm Cu, 356 ppm Pb & 3332 ppm Ba.

These results are encouraging and support the potential for bulk tonnage gold-base metal sulphide deposits in the project area. The Company plans to undertake further work at Bima in the second half of 2010 to prepare for possible scout drilling later in the year or in early 2011.



The Company has three projects. **Bima, in East Sumbawa, the subject of this announcement,** Trenggalek in East Java, where scout drilling is underway, 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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