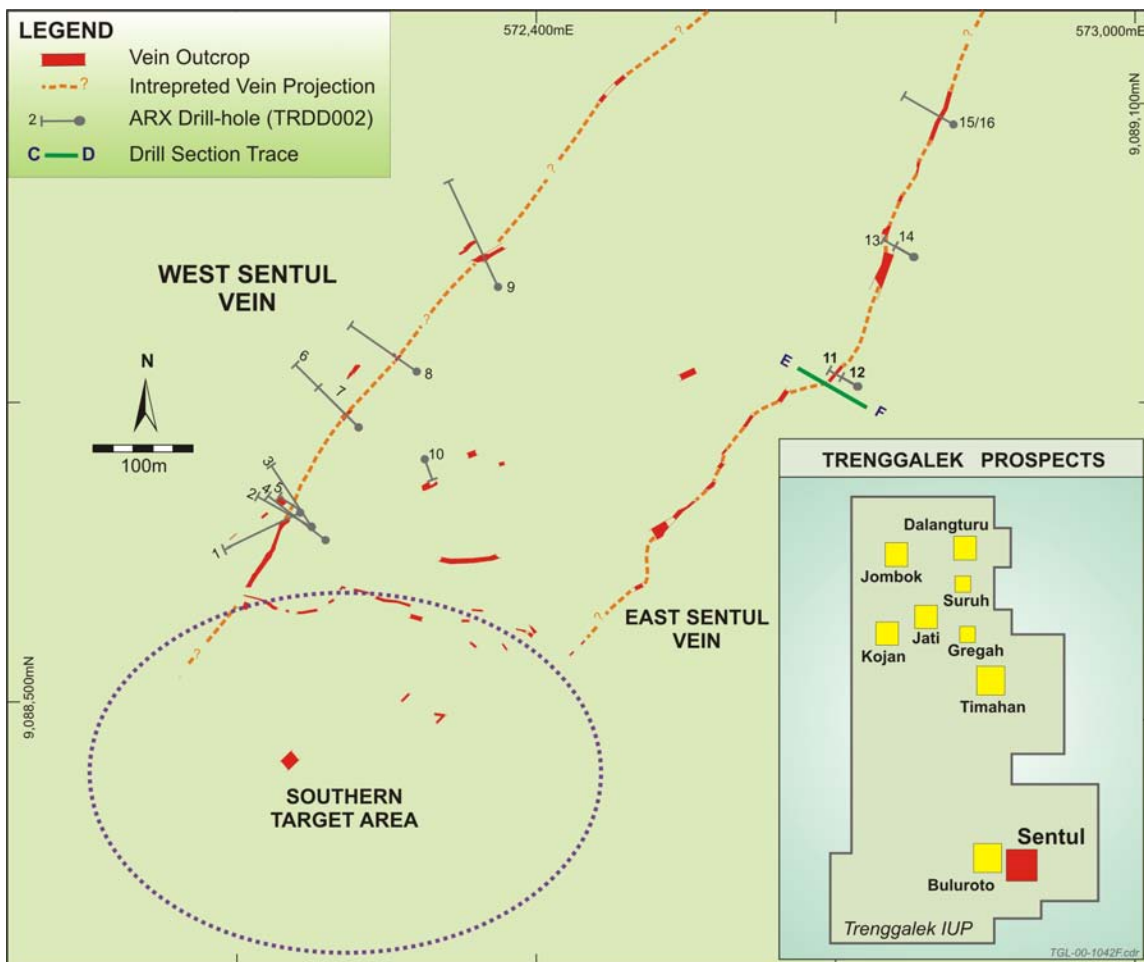


UPDATE ON SCOUT DRILLING ON THE TRENGGALEK GOLD PROJECT IN INDONESIA

Arc Exploration Limited (ASX Code: ARX) is pleased to announce further scout drilling results from Trenggalek in East Java.

ARX has previously announced encouraging gold results from initial drill testing of the West Sentul Vein. The Company has now completed initial scout drilling on the East Sentul Vein.

Six holes (TRDD 11-16) were drilled along a 300 m long segment of the vein on three sections, each containing two inclined holes (see figure below).

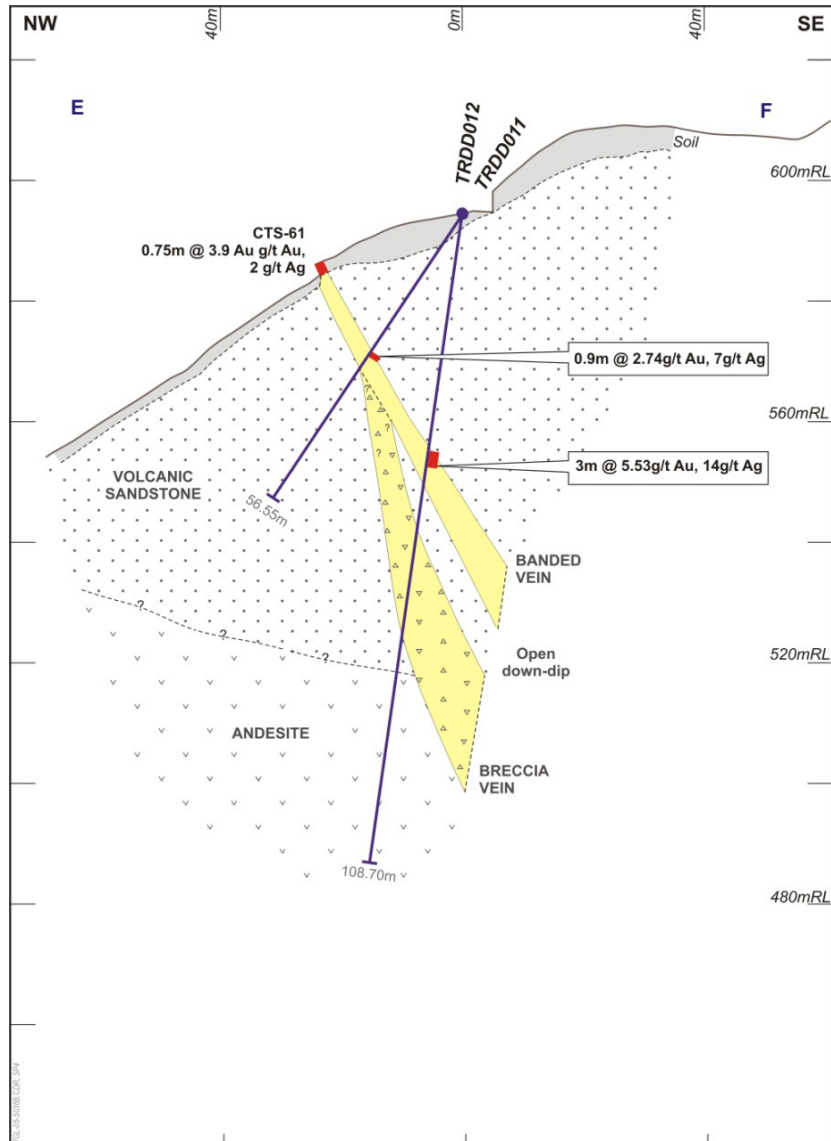


**SENTUL PROSPECT
Drill-hole Locations and Vein Outcrops**

All holes intersected substantial quartz vein zones of up to 5-10 m true-width. Best results occur to the south in holes TRDD 11 and 12 on section E-F (see plan and section).

TRDD 11 intersected the vein at a shallow depth of only 25 m below surface and returned 0.9 m at 2.74 g/t Au & 7 g/t Ag from 27.4 m down-hole within a 3 m wide quartz vein.

TRDD 12, drilled beneath TRDD 11, intersected a 5-6 m wide vein at about 40 m below surface and returned 3 m at 5.53 g/t Au & 14 g/t Ag from 39.5 m down-hole. This includes a best 1 m intercept of 7.57 g/t Au. A breccia vein/stockwork zone intersected deeper in this hole returned a broad low-grade gold intercept of 16 m at 0.17 g/t Au with a true-width of about 10 m.



EAST SENTUL VEIN
Drill Section Showing Hole Projections & Intersections
TRDD011 & TRDD012

These results and those previously reported from West Sentul, support an emerging picture that gold grades and width increase to the south and with depth on both veins. This, combined with ongoing vein texture studies, is interpreted to indicate that a high grade shoot or shoots may be developed to the south and/or at greater depth below the currently drilled area, possibly where cross-structures intersect the two main NE trending veins.

Further work at the Sentul prospect will now focus on the Southern Target Area (see plan). One rig is currently testing the shallow southern extension of the West Sentul Vein, and a program of soil sampling and possibly trenching, will be undertaken to locate any further southern extension of the veins.

Deeper drilling will be necessary to test the veins beyond 150 m below surface. This will occur once the remaining prospects at Trenggalek have been scout drilled.

Two rigs are currently deployed, with the second rig drilling a geophysical target at Dalangturu Prospect. Results from Dalangturu are anticipated next month.

Total reported meterage to-date is 1,593 metres, or just over 30% of the 5,000 metre program planned for this year.



**Photo: A typical high grade vein texture intersected on West Sentul Vein
Multiphase chalcidony-quartz-adularia-clay-sulphide breccia vein
(TRDD004: 1m @ 21.1 g/t Au & 11 g/t Ag from 112.35 m down-hole, HQ Core Size)**

TRENGGALEK PROJECT, EAST JAVA
SENTUL PROSPECT
Summary of Drill-hole Details & Significant Mineralised Intercepts

Hole ID	Vein Target	Coordinates			Dip	Azimuth	Final Depth (m)
		mN	mE	mRL			
TRDD009	West Sentul	9,088,916	572,365	630	-45 ^o	335 ^o	165.15
TRDD010	Tension Vein	9,088,743	572,292	642	-45 ^o	160 ^o	31.1
TRDD011	East Sentul	9,088,816	572,723	595	-55 ^o	300 ^o	56.55
TRDD012	East Sentul	9,088,816	572,724	595	-80 ^o	300 ^o	108.7
TRDD013	East Sentul	9,088,946	572,779	590	-55 ^o	300 ^o	60.2
TRDD014	East Sentul	9,088,946	572,780	590	-80 ^o	300 ^o	125.1
TRDD015	East Sentul	9,089,079	572,819	570	-55 ^o	300 ^o	50.0
TRDD016	East Sentul	9,089,079	572,820	570	-80 ^o	300 ^o	74.3

Hole ID	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t	Core Rec (%)
TRDD009	61.2	62.2	1.0	1.45	2	100%
	72.3	73.3	1.0	1.21	5	100%
	122.0	123.0	1.0	1.06	74	100%
TRDD010	16.4	17.4	1.0	4.12	12	100%
TRDD011	27.4	28.3	0.9	2.74	7	100%
TRDD012	39.5	42.5	3.0	5.53	14	98%
TRDD013	37.8	39.8	2.0	2.10	3	100%
TRDD014	66.8	67.6	0.8	1.96	6	100%
	71.0	72.0	1.0	2.08	7	100%
TRDD015	NSR					
TRDD016	39.0	40.0	1.0	1.3	4	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.
4) NSR – No significant results (<1 g/t Au).

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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