



ASX ANNOUNCEMENT

29 JULY 2010

**ARX – ANGLO AMERICAN STRATEGIC ALLIANCE EXTENDED  
IUP GRANTED FOR AISASJUR PROJECT**

***Arc Exploration Limited (ASX Code: ARX) is pleased to announce that its Strategic Alliance (the “Alliance”) with Anglo American (“Anglo”) to explore for copper and gold in the giant porphyry provinces of Papua and West Papua, Indonesia has been extended to 2014. As a result of the Alliance, nearly 1,000 km<sup>2</sup> of exploration ground has been secured under the new Indonesian IUP tenement system.***

***Exploration data received from Anglo confirms that the project contains potential for multimillion ounce bulk tonnage gold and porphyry-related copper-gold deposits.***

***Further exploration in the Aisasjur project area is in the planning stage, with a helicopter-borne magnetics survey, stream sediment sampling and regional reconnaissance programs proposed.***

**Strategic Alliance Extended**

The focus of the Alliance with Anglo is to explore for large copper-gold porphyry deposits in the Provinces of Papua and West Papua in Indonesia. Key elements of the Alliance, which has now been extended to 2014, are summarised as follows:

- If it wishes to retain its 80% interest in the Alliance projects, Anglo will sole fund exploration expenditure through to the first decision to mine;
- ARX’s 20% interest is carried (not free carried) through to a Decision to Mine at which time ARX becomes liable to repay 10% of exploration and predevelopment costs out of its share of project proceeds (non-recourse to ARX);
- If following completion of a Feasibility Study, Anglo makes a Decision to Mine then a Joint Venture shall be formed and each of Anglo and ARX shall participate (and fund capital expenditure) according to their 80/20 project interests. ARX dilutes if it does not contribute;
- In the event that a resource of less than one million tonnes of contained copper equivalent or 1 million ounces of gold is identified, then Anglo may not offer any interest in the resource to a third party without first making an offer to ARX either that such project revert to ARX on an 80/20 basis (with ARX holding 80%) or that 100% be transferred to ARX with Anglo retaining a 2% NSR;

Together with Anglo, ARX believes that the Provinces of Papua and West Papua are highly prospective for large copper and gold deposits. The Alliance has the potential to add very significant value to ARX and it looks forward to continuing to work with Anglo in this regard.

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## Exploration IUP Granted for Aisasjur Project

The amalgamation of the three Aisasjur KP's into a single Mining Business Licence (IUP) was recently completed. The new Exploration IUP, covering an area of 99,410 hectares (just under 1,000 km<sup>2</sup>), was signed by the Governor of West Papua on 15 April 2010 and is valid for 7 years.



## About the Aisasjur Project

The project is located in remote, heavily forested and mountainous terrain at about the centre of the Bird's Head peninsula in West Papua. The project area has no major road network and access is mainly by helicopter (about 1 hour) via the major provincial towns of Sorong and Manokwari.

The Aisasjur Prospect, which has been the focus of exploration activity to date, was originally identified from gold/multi-element stream sediment anomalies detected in a regional reconnaissance survey by Normandy Anglo Asia Ltd in 1995. Trenching completed on +2 km<sup>2</sup> ridge-and-spur gold soil anomaly produced encouraging surface results that included 80 m at 1.2 g/t gold, and locally higher grades of 10 m at 12.7 g/t gold, with coincident arsenic, antimony and mercury anomalism. Scout drilling by Normandy returned strongly mineralised intercepts in extensive vein stockworks, including 28.4 m at 1.10 g/t gold from 16.6 m (ASD-2), 32 m at 4.2 g/t gold from 251.3 m (ASD-5), 55 m at 2.1 g/t gold from 214.75 m (ASD-7), and 143.3 m at 0.3 g/t gold from 3 m (ASD-8). This work clearly demonstrated potential for a major bulk tonnage gold target but was not pursued for non-technical reasons.

The Strategic Alliance signed between ARX and Anglo in 2005 was based on a re-evaluation of the historic data, and on the recognition that porphyry intrusions intersected in the earlier drilling program have a similar age and strong geochemical affinities with intrusive rocks hosting the giant copper-gold deposits at Grasberg and Ertsberg, located about 600 km to the southeast. These world-class copper-gold deposits are associated with Pliocene porphyry systems emplaced into Cretaceous and Tertiary age clastic sedimentary rocks and limestone. A similar geological setting is demonstrated at Aisasjur, where a Pliocene-age intrusive complex is associated with an extensive intermediate-sulphidation epithermal gold system.

Two phases (2006 and 2008) of scout diamond drilling have been completed under the ARX-Anglo strategic alliance. These have targeted porphyry-style copper-gold mineralisation hosted at depth within the intrusive complex. Both programs confirmed the presence of porphyry-style alteration and mineralisation, preserved beneath the shallower epithermal gold system, and included intercepts of 13 m at 0.21% copper and 0.51 g/t gold from 561 m (ASD-23) and 192.8 m at 0.13% copper & 0.19 g/t gold from 698.2 m (ASD-26). They also confirmed the presence of widespread gold intercepts associated with the shallower overprinting epithermal gold mineralisation and included intercepts of 68.8 m at 0.49 g/t gold from 322 m (ASD-24), 9 m at 3.24 g/t gold from 124.3 m, 18 m at 1.58 g/t gold from 415 m, and 39 m at 1.25 g/t gold (ASD-28), and 14 m at 3.23 g/t gold from 219 m (ASD-29). A total of 11,164 m has been drilled (including Normandy) in 30 holes at Aisasjur to date.

Exploration work at Aisasjur has highlighted potential for a multimillion ounce, bulk-tonnage gold resource. Surface work and drilling have proved the occurrence of gold mineralisation over an area of greater than 1 km<sup>2</sup> and persisting to a depth of at least 700 m.

Although the copper-gold grades obtained from the deeper drilling completed to date are low, the copper/gold ratios and the presence of bornite in the deeper porphyry-related quartz-pyrite-pyrrhotite-chalcopyrite veins give the alliance partners strong encouragement that copper-gold rich porphyry deposits are present in the project area.

Further exploration in the Aisasjur project area is in the planning stage, with a helicopter-borne magnetics survey, stream sediment sampling and regional reconnaissance programs proposed.

The Company has three projects; **Aisasjur, part of the Strategic Alliance with the Anglo American Group in West Papua, the subject of this announcement**, Trenggalek in East Java, and Bima in East Sumbawa.

Exploration results presented here are from technical data provided by P.T. Minorco Services Indonesia, an Indonesian subsidiary company of the Anglo-American Group. This information has been summarised 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 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 Wake is a full time employee of Arc Exploration Limited and consents 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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