

**EXPLORATION ACTIVITIES TO INCREASE AT TRENGGALEK  
FOLLOWING GRANT OF FORESTRY PERMIT**

***Arc Exploration Limited (ASX Code: ARX) is pleased to announce that exploration activities on the ground at the Trenggalek Exploration IUP tenement in East Java are about to increase with a ground geophysics survey commencing shortly and a scout drilling program to follow early in the second quarter of 2013.***

This follows the granting by the Indonesian Ministry of Forestry of a *Pinjam Pakai* ("Borrow and Use") Permit, valid to November 2013, to conduct exploration work in production forestry areas within the Trenggalek IUP tenement.

Detailed evaluation of a number of porphyry copper-gold targets identified by the airborne magnetics and radiometrics survey flown last year will now take place.

The initial target to be tested is a large 5km x 2km high-sulphidation epithermal alteration system centred on quartz-feldspar porphyry intrusions at the Sumber Bening Prospect. An Induced Polarisation (IP) ground geophysics survey at Sumber Bening will commence within the next week or so with a scout drilling program planned to follow early in the second quarter of 2013.

As part of the farm in agreement announced in December last year, the Trenggalek Project exploration activities are funded by ARX's joint venture partner Anglo American. ARX is in a sound financial position with cash of around A\$ 3.5 Million and no debt.

Managing Director, Mr. John Carlile, commented:

*"The granting of the Forestry Permit is an important milestone as it allows us to increase exploration activities. The planned program of geophysics and scout drilling can now commence at Trenggalek.*

*The airborne geophysics flown last year and subsequent ground follow-up have delivered some very positive results and generated several porphyry type targets. Trenggalek lies in the same belt of rocks that hosts the three giant porphyry copper-gold deposits of Batu Hijau, Elang and Tujuh Bukit and we believe Trenggalek has potential for the discovery of similar deposits.*

*An IP geophysics contract has been signed with GPX Geophysics of Perth and preparatory work is underway at site. We have also signed a drilling contract with PT Maxidrill Indonesia with mobilization of the rig planned within the next month.*

*I look forward to reporting progress and results over the coming months".*

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