



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**

SOUTHERN ARC MINERALS INC.
Management's Discussion and Analysis
For the Three Months Ended September 30, 2018

This Management's Discussion and Analysis ("MD&A"), prepared as of November 28, 2018, should be read in conjunction with the audited consolidated annual financial statements of Southern Arc Minerals Inc. ("Southern Arc" or the "Company") for the year ended June 30, 2018 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.southernarcminerals.com.

Statements in this MD&A that are not historical facts are "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. Readers are cautioned not to put undue reliance on forward-looking statements.

COMPANY OVERVIEW

Southern Arc, through its subsidiaries ("the Company"), is a Canadian company focused on enhancing shareholder value through strategic investments in mineral resource companies with a focus on gold and copper-gold. Southern Arc's management team identifies highly prospective assets in politically safe jurisdictions and seeks to unlock their value by providing strategic investments, proven technical skills, global knowledge, and increased access to industry relationships. Southern Arc was incorporated in British Columbia on August 19, 2004. The Company's current portfolio of investments and projects includes:

- An investment in Japan Gold Corp. (53.06%), a Canadian junior company exploring for gold in Japan;
- An investment in Tethyan Resources plc (19.91%), a junior exploration company listed on the TSX-V exploring for copper, gold and other base metals within the Tethyan mineral belt in Eastern Europe;
- An investment in PT Ancora Indonesia Resources, Tbk ("PT Ancora") (5.66%), an Indonesian company listed on the Indonesia Stock Exchange.
- An investment in Rise Gold Corp. (18.84%), an exploration company listed on the Canadian Securities Exchange, which owns the historic past producing Idaho-Maryland gold mine located in Nevada County, California, USA.

On September 15, 2016, the Company's wholly owned subsidiary, Southern Arc Minerals Japan KK ("SAMJ"), combined with Sky Ridge Resources ("Sky Ridge"), a publically listed entity ("the Acquisition"). Upon completion of the Acquisition and a concurrent \$7 million financing, Sky Ridge consolidated its shares on a one-for-two basis and changed its name to Japan Gold Corp. ("Japan Gold"). In exchange for the Company's interest in SAMJ, Southern Arc received 23,750,000 post-consolidation common shares of Japan Gold, representing approximately 42.57% of the issued and outstanding shares of Japan Gold on an undiluted basis. The securities acquired by Southern Arc pursuant to the Acquisition are subject to an Escrow Agreement with 10% of the shares released from escrow on September 15, 2016 and 15% of the shares to be released at six month increments over the 36 months. Japan Gold is a mineral exploration company which focuses on the acquisition and exploration of resource properties in Japan. Prior to this transaction, Japan Gold had net assets of \$975,498 comprised almost entirely of cash and short term investments.

On August 9, 2017, the Company completed an additional financing with Japan Gold Corp. where it acquired 12,500,000 units of Japan Gold at a price of \$0.40 for total proceeds of \$5,000,000. Each unit consists of one common share and one transferable common share purchase warrant of Japan Gold. Each warrant is exercisable into one additional common share of Japan Gold at a price of \$0.40 per share for a period of 5 years. The units issued under the private placement will be subject to a four month hold period expiring on December 9, 2017. The Company currently owns 53.06% of Japan Gold's issued and outstanding common shares.

On November 21, 2016, the Company subscribed for 2,750,000 new ordinary shares in Tethyan Resources PLC ("Tethyan") at a price of \$0.216 per share for \$594,000. In addition to the subscription for new ordinary shares, the Company purchased 2,442,328 existing ordinary shares in Tethyan from Newmont Ventures Limited ("Newmont") for \$0.216 per share for \$527,543. On December 23, 2016, the Company completed an additional investment in Tethyan and subscribed for an additional 2,083,333 new ordinary shares at a price of \$0.216 per share for \$450,000. On March 24, 2017, the Company subscribed for an additional 1,107,407 new ordinary shares at a price of \$0.455 for \$504,114.

On November 14, 2017, the Company advanced \$400,000 to Tethyan which earned interest at LIBOR plus 4% per annum. On June 29, 2018, the Company converted the \$400,000 that was advanced to Tethyan into 1,600,000 units of Tethyan. Each unit

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is comprised of one ordinary share and one-half of one share purchase warrant of the Company. Each whole warrant is exercisable into one ordinary share of Tethyan at an exercise price of C\$0.35 per share for a period of three years.

The Company currently holds 10,028,119 ordinary shares representing 19.91% of Tethyan's issued and outstanding ordinary shares. The Company has a first right of refusal on any further fundraisings undertaken by Tethyan for a period of two years to enable the Company to maintain its interest of Tethyan's issued share capital.

On December 12, 2017, the Company completed the sale of the West Lombok Property (the "Property") to PT Ancora Indonesia Resources, Tbk ("PT Ancora"), in consideration for a cash payment of US\$2,000,000 and a granting of a 3% Net Smelter Return royalty. Under the terms of the agreement, PT Ancora has the right to buy back the NSR from the Company at any time by paying an additional US\$2,000,000. The Company has used the cash proceeds from the sale to acquire 100 million shares of PT Ancora (5.66% of PT Ancora's issued and outstanding) from third parties in a private transaction.

On April 19, 2018, the Company participated in the non-brokered private placement of Rise Gold Corp. ("Rise Gold"), a company listed on the Canadian Securities Exchange. The Company purchased 20,000,000 units of Rise Gold at a price of \$0.10 per unit for the aggregate amount of \$2,000,000. Each unit consists of one share of common stock and one share purchase warrant. Each Warrant is exercisable into one share of common stock at a price of \$0.15 per share for a period of 36 months from the date of issuance.

On November 6, 2018, the Company purchased 7,500,000 units in Rise Gold at a price of C\$0.10 per unit for a purchase price of C\$750,000 by way of a private placement. Each unit consists of one share of Rise Gold's common stock and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional share of Rise Gold's common stock at an exercise price of C\$0.13 per share until November 6, 2020. Following the investment, the Company owns approximately 18.84% of Rise Gold's issued and outstanding shares of common stock.

Supplemental information

For the purpose of providing additional information regarding the net assets and working capital available to Southern Arc, below is a summary of the standalone net assets of Southern Arc Minerals Inc. ("Southern Arc") as at September 30, 2018 and November 28, 2018. For purposes of this supplementary information, the Company has provided its investment in Japan Gold, Tethyan, Rise Gold and PT Ancora at quoted market prices.

	Southern Arc	
	September 30, 2018	November 28, 2018
Cash	\$ 522,031	\$ 584,406
Loan and other receivables	31,791	23,552
Prepaid expense and other deposits	14,932	-
Investment in PT Ancora.	1,713,899	1,407,600
Investment in Rise Gold Corp. shares	1,200,000	1,925,000
Investment in Rise Gold Corp. warrants	274,407	274,407
Investment in Tethyan Resources Plc. shares (at quoted market price)	1,497,460	1,905,343
Investment in Tethyan Resources Plc. Warrants (at fair value)	34,169	51,810
Investment in Japan Gold Corp. shares (at quoted market price)	3,262,500	4,712,500
Investment in Japan Gold Corp warrants (at fair value)	252,380	411,861
Total assets	\$ 8,803,569	\$ 11,296,479
Total liabilities	\$ (760,145)	\$ (775,096)
Net assets	\$ 8,043,424	\$ 10,521,383

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The Company is listed on the TSX Venture Exchange under the symbol “SA”. To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company conducts its activities through wholly-owned subsidiaries, limited liability companies, partnerships and joint ventures.

FINANCIAL SNAPSHOT

	September 30, 2018	June 30, 2018	June 30, 2017
Total assets	\$ 10,306,370	\$ 11,933,836	\$ 14,717,787
Exploration properties	4,221,704	4,076,676	103,263
Working capital	2,562,037	4,603,197	12,192,363
Net loss	(1,508,375)	(3,985,319)	(791,240)
Net income (loss) attributable to the Company	(1,093,507)	(4,079,524)	2,368,093
Basic income (loss) per share	\$ (0.08)	\$ (0.28)	\$ 0.16
Diluted income (loss) per share	\$ (0.08)	\$ (0.28)	\$ 0.12

At the date of this MD&A, the Company had approximately \$900,000 in working capital.

RECENT EVENTS

On October 23, 2018, the Company’s subsidiary, Japan Gold entered into a binding letter agreement with First Quantum Minerals Ltd. (“FQML”) to explore four of its lithocap projects (collectively, the “Lithocap Projects” and each a “Project”) in Japan. FQML has committed to manage and oversee a systematic surface exploration reconnaissance program on each project prior to June 30, 2019. Upon completion of the initial exploration programs, FQML will have the option to enter into a formal earn-in agreement (“Option Agreement”) on any Project individually, pursuant to which FQML may earn-in to 51% of a Project by completing a minimum of US\$5 million in total exploration expenditures prior to June 30, 2022. For any project that FQML options, it will endeavor to maintain minimum average annual expenditures of US\$1 million per year during the initial earn-in period. Upon earning a 51% interest in a Project, FQML would have the right to earn an additional 29% interest in a Project by solely funding the Project until FQML makes a “Decision to Mine”, increasing FQML’s ownership in a Project to 80%.

On October 26, 2018, the Company received US\$750,000 from the sale of its Taliwang project in 2014. A provision for impairment for this amount was recognized in a prior year. The Company also disposed of its 5% net smelter royalties in connection with the Taliwang project for an additional US\$500,000. In total, the Company received cash proceeds of US\$1,250,000.

On November 6, 2018, the Company purchased 7,500,000 units in Rise Gold at a price of C\$0.10 per unit for a purchase price of C\$750,000 by way of a private placement. Each unit consists of one share of Rise Gold’s common stock and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional share of Rise Gold’s common stock at an exercise price of C\$0.13 per share until November 6, 2020. Following the investment, the Company owns approximately 18.84% of Rise Gold’s issued and outstanding shares of common stock.

PROPERTY REVIEW AND OUTLOOK

Japan – Japan Gold Corp.

Further to its diversification strategy announced in December 2012, Southern Arc seeks to identify and invest in undervalued mineral exploration opportunities in politically safe jurisdictions. Japan is one of the most stable and corruption-free jurisdictions in the world and is regarded by Southern Arc’s management as highly prospective yet largely underexplored, despite a history of significant gold production and known mineral occurrences

When the Japan Mining Act was amended in 2012 for the first time allowing foreign mineral companies the ability to hold exploration and mining permits, the Company’s wholly owned subsidiary, Southern Arc Minerals Japan KK (“SAMJ”), began reviewing Japan’s extensive geoscientific database and historical gold production data to pinpoint areas with good exploration potential.

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On September 15, 2016, Southern Arc sold its interest in SAMJ to Japan Gold (formerly Sky Ridge) in exchange for 23,750,000 common shares of Japan Gold, representing approximately 42.9% of the issued and outstanding shares of Japan Gold on an undiluted basis at the time of the transaction. The Company now holds 53.06% of the issued and outstanding shares of Japan Gold.

Since September 2016, Japan Gold has expanded its project portfolio which now comprises of 68 Prospecting Rights and 216 prospecting rights applications accepted for a combined area of 71,529 hectares over 17 separate projects. Twelve of the projects, in Hokkaido and Kyushu, cover areas with known gold occurrences and a history of mining, and are prospective for high-grade epithermal gold mineralization. Four of the projects, in southern Hokkaido and northern Honshu, cover areas of known gold occurrences and gold-bearing lithocaps, which could indicate the presence of porphyry mineralization.

Having prospecting rights applications accepted by the Ministry of Economy, Trade and Industry (METI), reserves the land for Japan Gold and allows for active surface exploration programs such as mapping, surface sampling and geophysics. Granting of Prospecting Rights by the METI allows for more advanced forms of exploration, such as drilling.

To date, the Company holds the following Prospecting Rights:

- 38 Prospecting Rights have been granted at the Ikutahara Project (19,114 hectares)
- 5 Prospecting Rights at the Ohra-Takamine Project (1,681 hectares)
- 9 Prospecting Rights at the Eboshi Project (3,080 hectares)
- 4 Prospecting Rights at the Tobaru Project (1,347 hectares)
- 12 Prospecting Rights at the Kamitsue Project (4,069 hectares)

On February 5, 2018, Japan Gold reported results from its first scout drilling program completed in late December 2017 on the Akebono prospect at its Ikutahara Project in Hokkaido, Northern Japan. These results support the presence of high grade gold shoots in the Akebono vein system previously indicated by historic sampling of underground workings.

On March 1, 2018, Japan Gold announced its corporate strategy in 2018. The strategy has two parts. Firstly, to undertake a series of work programs at several projects throughout Japan. Japan Gold has generated compelling drill targets, focusing on high grade epithermal veins in and around historic mines and workings, and will seek to rapidly progress these targets to the permitting phase so that they can be drill tested in 2018. Secondly, the Company is actively seeking joint venture partners to accelerate exploration on its significant Japan portfolio and is currently updating its website to give details on each of its projects.

On September 12, 2018, Japan gold announced that its five prospecting rights application over the Ohra-Takamine Project in the Southern Kyushu Epithermal Gold Province, Japan have been granted as full Prospecting Rights by METI. On October 24, 2018, Japan Gold announced that six additional prospecting rights applications at the Ohra-Takamine Project in the Southern Kyushu Epithermal Gold Province of Japan have been accepted by METI. The six new applications total 2,024 hectares and add to the existing area of granted prospecting rights, 1,681 hectares at the Ohra-Takamine Project.

On September 12, 2018, Japan Gold announced that its five prospecting rights applications over the Ohra-Takamine Project in the Southern Kyushu Epithermal Gold Province, Japan have been granted as full Prospecting Rights by METI. The Ohra-Takamine Project totals 1,681 hectares covering historical gold-silver mines in the highly gold endowed Hokusatsu-Kushikino mining district, in the Southern Kyushu Epithermal Gold Province.

On October 2, 2018, Japan Gold announced that four of its prospecting rights applications over the Tobaru Project in the Southern Kyushu Epithermal Gold Province, Japan have been converted to Prospecting Rights by METI. The Tobaru Project totals 1,347 hectares covering a large alteration zone adjacent and along strike to the Fuke epithermal gold mine in the highly gold endowed Hokusatsu-Kushikino mining district, in the Southern Kyushu Epithermal Gold Province.

On October 23, 2018, Japan Gold entered into a binding letter agreement with First Quantum Minerals Ltd. ("FQML") to explore four of its lithocap projects (collectively, the "Lithocap Projects" and each a "Project") in Japan. FQML has committed to manage and oversee a systematic surface exploration reconnaissance program on each project prior to June 30, 2019. Upon completion of the initial exploration programs, FQML will have the option to enter into a formal earn-in agreement ("Option Agreement") on any Project individually, pursuant to which FQML may earn-in to 51% of a Project by completing a minimum of US\$5 million in total exploration expenditures prior to June 30, 2022. For any project that FQML options, it will endeavor to maintain minimum average annual expenditures of US\$1 million per year during the initial earn-in period. Upon earning a

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51% interest in a Project, FQML would have the right to earn an additional 29% interest in a Project by solely funding the Project until FQML makes a "Decision to Mine", increasing FQML's ownership in a Project to 80%.

On October 24, 2018, Japan Gold announced that six additional prospecting rights applications at the Ohra-Takamine Project in the Southern Kyushu Epithermal Gold Province, Japan have been accepted by METI. The six new applications total 2,024 hectares and add to the existing area of granted prospecting rights (1,681 hectares) at the Ohra-Takamine Project.

On November 6, 2018, Japan Gold announced that a further fifteen applications have been converted to Prospecting Rights at its Ikutahara Project. The new Prospecting Rights cover high priority targets in the Kitano-o gold district and the Ryuo mine areas and allow for drill testing to commence in the 2019 season. Out of the 56 prospecting rights license applications over the Ikutahara Project, 38 have not been converted to Prospecting Rights by METI.

On November 7, 2018, Japan Gold announced that its twelve prospecting rights applications over the Kamitsue Project on the island of Kyushu, Japan have been converted to Prospecting Rights by METI. The Kamitsue project is included in the binding letter agreement with FQML to explore the Company's prospective lithocap projects. The Company and FQML are currently on the ground at Kamitsue undertaking geological mapping and sampling as part of this joint initiative.

More details, including project details and exploration progress, can be found on the company's website at www.japangold.com

Serbia - Tethyan Resources PLC Investment

The Company holds a total of 10,028,119 common shares of Tethyan, which represents 19.91% of Tethyan's issued share capital, at an average price of \$0.25 per share for a total investment in associate of \$2,475,657. Tethyan is a junior exploration company listed on the TSX-V, with a focus on exploring for copper, gold and other base metals within the Western Tethyan Orogenic Belt in the European Balkan Region. Tethyan holds rights with respect to licenses in Serbia and is looking for other copper and gold projects in Eastern Europe. Tethyan has two active exploration projects in Serbia, the "Suva Ruda" project (a copper and gold porphyry target) and "Gokcanica" project (an epithermal and porphyry gold system). Tethyan currently has an option to purchase 100% of the Suva Ruda project from a Serbian private company Deep Research d.o.o at any time during an 8 year period for a €6,000,000 cash payment provided that Tethyan achieves certain exploration and payment milestones. In May 2016, Tethyan executed an option agreement with Rockstone Group LLC pursuant to which Tethyan can earn up to an 80% interest in the Gokcanica project licenses in Southern Serbia.

On December 14, 2016, Tethyan completed its 4 diamond drill hole program (total 2,318 metres) at the Rudnitsa copper-gold porphyry project located within the Suva Ruda exploration permit. Tethyan has received assay results for all four drill holes which demonstrated good grade distribution and high-grade mineralization.

On September 14, 2017, Tethyan announced results of the drilling program completed in July 2017 at the Rudnitsa copper-gold porphyry prospect within the Suva Ruda exploration permit in Serbia. This drill program consisted of 4 diamond drill holes for a total of 2,127.6 metres.

On January 17, 2018, Tethyan announced results from soil sampling and mapping at the Kremice exploration target located in the northern part of the Suva Ruda license in Southern Serbia, which indicate potential for gold-copper porphyry mineralisation over a large area. Details can be found in the Company's news release dated January 17, 2018.

On April 24, 2018, Tethyan completed a non-brokered private placement of 5,213,500 units at a price of C\$0.25 per unit for gross proceeds of C\$1,303,375. Each unit comprises of one ordinary share and one-half of one transferable share purchase warrant of Tethyan. Each whole warrant is exercisable into one ordinary share of Tethyan at an exercise price of C\$0.35 per share for a period of three years.

On June 29, 2018, the Company closed the acquisition with Dr. Radomir Vukcevic ("Dr.Vukcevic") of all of the issued and outstanding shares of a Serbian company, Taor d.o.o. ("Taor") (the "Transaction"). Taor holds two exploration licenses totaling approximately 100 square kilometres situated adjacent to the Suva Ruda license, which the Company has an option to acquire. Upon completion of the Transaction, the Company will own or hold an option over exploration licenses totalling approximately 350 square kilometres in the historic Raška lead and zinc mining district in Southern Serbia.

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On August 17, 2018, Tethyan completed a non-brokered private placement for gross proceeds of C\$1,500,000. The private placement consisted of 6,000,000 units at a price of C\$0.25 per unit. Each unit is comprised of one ordinary share and one-half of one transferable share purchase warrant of Tethyan. Each whole warrant will be exercisable into one ordinary share of the Tethyan at an exercise price of C\$0.35 per share for a period of three years from the closing date of the private placement. Dr. Mike Andrews, a director of Tethyan, acquired 908,000 units and invested C\$277,000 under the private placement. Tethyan also issued 1,575,000 options to officers, directors and consultants. The options are priced at C\$0.25 and are valid for a period of three years.

On August 22, 2018, Tethyan completed its first drill program at the recently acquired Kizevak zinc-lead silver project in Serbia. The Kizevak project is situated on an exploration license held by Tethyan's Serbian subsidiary Taor d.o.o. and is located 1km southeast along strike from a past-producing open pit zinc-lead mine. The drill programme consisted of 4 diamond drill holes for a total of 957.3 metres and was designed to test for extensions of mineralisation along-strike from the historic mine. The drill target is defined by a strong zinc-lead-silver soil anomaly (500 by 260m) coincident with small-scale pits and excavations containing galena and sphalerite mineralised float. All drill samples have been submitted for preparation at ALS Bor, Serbia, and analysis at ALS Loughrea, Ireland (multi-element oxidizing digestion with ICP-MS finish, code ME-ICPORE) and ALS Rosia Montana, Romania (30g fire assay, code Au-AA23).

On September 4, 2018, Tethyan announced results from its initial diamond drill program at the Kizevak zinc-lead-silver project in Southwest Serbia. All assays have been received and drilling has returned broad zones of polymetallic vein and breccia type mineralization in all holes with highlights including:

- 12.0 m @ 22.03 % zinc, 10.29 % lead, 167 g/t silver and 0.18 g/t gold for 35.09 % ZnEq (Hole KSEDD002, from 130 m)
- 43.0 m @ 4.30 % zinc, 2.49 % lead, 26 g/t silver and 0.21 g/t gold for 7.39 % ZnEq (Hole KSEDD001, from 193 m)
- including 13.1 m @ 11.28 % zinc, 5.05 % lead, 57 g/t silver and 0.32 g/t gold for 17.44 % ZnEq (from 221 m)
- 40.0 m @ 4.35 % zinc, 2.14 % lead, 27 g/t silver and 0.34 g/t gold for 7.37 % ZnEq (Hole KSEDD003, from 137 m)
- 22.2 m @ 2.95 % zinc, 2.41 % lead, 41 g/t silver and 0.18 g/t gold for 6.23 % ZnEq (Hole KSEDD003, from 160 m)

Holes were drilled on two sections 80 m apart with a spacing of 40 m between the holes. All holes intercepted significant mineralisation between 85 and 190 m below surface, and mineralisation remains open in all directions. For more information, see Tethyan's press release on September 4, 2018 on Tethyan's website.

On September 24, 2018, Tethyan announced that it had contracted Terratec Geophysical Services GmbH ("Terratec") to conduct a Time Domain Induced Polarization (TDIP) geophysical survey on the Kizevak zinc-lead silver project. Tethyan is also conducting a trenching and channel sampling program in the same area for approximately 400 metres, and anticipates the arrival of a recently acquired magnetometer and base station within the next six weeks to be used to conduct ground magnetic surveys over priority targets at the Kremice and Kaznovice exploration licenses to assist with interpreting structure and zones of magnetic destructive alteration.

On October 10, 2018, Tethyan announce that it has submitted two composite samples for metallurgical test work at the Mining and Metallurgy Institute, Bor, Serbia (MMI). The test work is aimed at providing preliminary data from which more detailed optimization test work can be designed, and to give a basic indication of the grade-recovery curves for zinc, lead and silver. Samples were selected from the two main styles of mineralisation identified to date; massive sulphide vein breccias and fracture fill mineralisation, and were collected from quarter-cut diamond drill core. The samples were numbered as composite 01 (Massive Sulphide) and Composite 02 (Fracture Fill), weighing 39 and 28 kg, respectively.

More details, including project details and exploration progress, can be found on the company's website at www.tethyan-resources.com

California - Rise Gold Corp.

On April 19, 2018, Southern Arc announced that it has participated in the non-brokered private placement of Rise Gold Corp. ("Rise Gold"), a company listed on the Canadian Securities Exchange. The Company purchased 20,000,000 units of Rise Gold

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at a price of \$0.10 per unit for the aggregate amount of \$2,000,000. Currently, the Company holds 14.44% of Rise Gold's issued and outstanding shares of common stock.

Rise Gold is an exploration-stage mining company with its principal asset being the Idaho-Maryland Gold Mine located near Grass Valley, California USA. The Idaho-Maryland Gold Mine is a major past producing high grade gold mine with total past production of 2,414,000 oz of gold at an average mill head grade of 17 gpt gold from 1866-1955. It was producing up to 129,000 oz gold per year before being forced to shut down in 1942 by the U.S. government in WWII. Details of historic production disclosure in Rise press release dated April 4th 2017 and available at www.sedar.com

Rise Gold owns 175 acres of industrial zoned fee-simple land in Nevada County, California along with 2,800 acres of private mineral rights which encompasses the Idaho-Maryland Gold Project.

On April 25, 2018, Rise Gold announced that exploration drilling has resumed at its Idaho-Maryland Gold Project. More details, including project details and exploration completed to date, can be found on the company's website at www.risegoldcorp.com On October 16, 2018, Rise Gold completed a strategic initial investment in the financing of C\$1.75 million through the purchase of 17,500,000 Units with Yamana Gold Inc. through a wholly-owned subsidiary, Meridian Jerritt Canyon Corp (the "Acquiror"). As a result of the investment, the Acquiror now owns approximately 12.6% of Rise Gold's issued and outstanding shares. In connection with the financing, Rise Gold has granted the Acquiror a right to participate in any future equity financings of Rise Gold to maintain and increase its equity ownership up to 19.9% of the issued and outstanding shares of Rise Gold.

On November 6, 2018, the Company purchased 7,500,000 units in Rise Gold at a price of C\$0.10 per unit for a purchase price of C\$750,000 by way of a private placement. Each unit consists of one share of Rise Gold's common stock and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional share of Rise Gold's common stock at an exercise price of C\$0.13 per share until November 6, 2020. Following the investment, the Company owns approximately 18.84% of Rise Gold's issued and outstanding shares of common stock.

Indonesia

West Lombok Property (Lombok Island)

On December 12, 2017, the Company completed the sale of the West Lombok Property (the "Property") to PT Ancora Indonesia Resources, Tbk ("PT Ancora"), in consideration for a cash payment of US\$2,000,000 and a granting of a 3% Net Smelter Return royalty. Under the terms of the agreement, PT Ancora has the right to buy back the NSR from the Company at any time by paying an additional US\$2 million. The Company has used the cash proceeds from the sale to acquire 100 million shares of PT Ancora (5.66% of PT Ancora's issued and outstanding) from third parties in a private transaction.

PT Ancora, an Indonesian company listed on the Indonesia Stock Exchange (OKAS:IJ), acquired all of the issued and outstanding shares of the Company's Singaporean subsidiary Indotan Lombok Pte Ltd ("IL"). IL owns 90% of PT Indotan Lombok Barat Bangkit, an Indonesian company, which holds the IUP.

During the period ended September 30, 2018, the Company received US\$750,000 from the sale of its Taliwang project in 2014. A provision for impairment for this amount was recognized in a prior year. The Company also disposed of its 5% net smelter royalties in connection with the Taliwang project for an additional US\$500,000. In total, the Company received cash proceeds of US\$1,250,000.

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SUMMARY OF QUARTERLY RESULTS

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total assets	\$ 10,306,370	\$ 11,933,836	\$ 14,124,676	\$ 15,663,042
Exploration properties	4,221,704	4,076,676	3,479,354	2,163,804
Working capital	2,560,037	4,603,197	8,311,290	7,240,033
Net loss	(1,508,375)	(908,189)	(1,137,515)	(537,264)
Net loss attributable to the Company	(1,093,507)	(511,741)	(433,704)	(214,972)
Basic loss per share	(0.08)	(0.03)	(0.03)	(0.01)
Diluted loss per share	(0.08)	(0.03)	(0.03)	(0.01)

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Total assets	\$ 14,216,538	\$ 14,717,787	\$ 17,063,255	\$ 12,797,665
Exploration properties	755,670	103,263	-	-
Working capital	8,802,477	12,192,363	9,112,101	5,340,106
Net income (loss)	(1,402,351)	(290,332)	4,120,479	(1,916,599)
Net income (loss) attributable to the Company	(895,726)	382,148	4,318,501	(1,230,491)
Basic income (loss) per share	(0.06)	0.03	0.27	(0.13)
Diluted income (loss) per share	(0.06)	0.02	0.21	(0.13)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

During the three-month period ended September 30, 2018, the Company had a net loss of \$1,508,375 compared to \$1,402,351 for the three-month period ended September 30, 2017. Significant fluctuations occurred in the following categories:

- The Company did not hold any investments in Osisko during the quarter ended September 30, 2018 and as a result, did not record any gain on sale of Osisko shares or change in fair value of investments in Osisko warrants (September 30, 2017: gain of \$134,041).
- During the quarter ended September 30, 2018, the Company recorded its share of the loss in its investment in Tethyan of \$184,327 (September 30, 2017: \$181,879).
- During the quarter ended September 30, 2018, the Company recorded an income tax expense of \$Nil (September 30, 2017: \$120) resulting from temporary differences arising from fair value adjustment on available-for-sale investments.
- Consulting fees in the quarter ended September 30, 2018 were \$184,098 compared to \$427,363 in the same period in the previous year. This was lower due to decreased activities related to the field work programs of Japan Gold during the three months ended September 30, 2018 (September 30, 2017 - \$427,363 and \$186,341 respectively).
- Investor relations and travel expense during the quarter ended September 30, 2018 of \$30,399 and \$55,049 respectively (September 30, 2017: \$46,498 and \$139,229 respectively) decreased as there were fewer costs associated with materials and marketing for Japan Gold Corp during the quarter ended September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at September 30, 2018 was \$694,366 compared to \$573,385 from June 30, 2018. This increase was mainly due to a loan received from a director of the Company. As at September 30, 2018, the Company's working capital was \$2,560,037 compared to a working capital of \$4,603,197 at June 30, 2018. Out of this amount, \$438,168 of working capital related to Japan Gold as at September 30, 2018.

Net cash used in operating activities for the period ended September 30, 2018 was \$950,416 compared to net cash used of \$1,050,218 during the year ended September 30, 2017.

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Net cash from investing activities during the period ended September 30, 2018 included net cash proceeds received on sale of investments of \$Nil (September 30, 2017 - \$447,400), net cash used to purchase short term investment of \$Nil (September 30, 2017: \$4,000,000), net cash received from redemption of short-term investment of \$600,000 (September 30, 2017: \$550,000), and cash used in exploration and evaluation expenses of \$175,853 (September 30, 2017: \$652,407).

Financing activities during the period ended September 30, 2018 consist of \$647,250 of cash received from a director of the Company.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company does not currently generate any revenues or have operations which generate cash flows. Accordingly, the Company relies on financing received from the issuances of common shares or loans and borrowings to finance its exploration activities and general and administrative costs. Based on current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its planned activities for the twelve months from the date of this MD&A. As a result, the Company will require cash injections by way of selling its investments or obtaining additional financing in order to fund planned exploration activities and required general and administrative expenses. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue business.

RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	September 30, 2018	September 30, 2017
Management fees	\$ 259,000	\$ 153,000

During the period ended September 30, 2018, the Company and Japan Gold paid \$259,000 (September 30, 2017: \$153,000) in management fees to J. Proust & Associates Inc., a private company controlled by John Proust, the Chief Executive Officer and Chairman of the Company. Out of this amount, \$144,000 relates to management fees incurred by Japan Gold. Management fees include administrative, finance, accounting, investor relations and consulting services.

During the prior year ended June 30, 2018, the Company's subsidiary, Japan Gold, purchased from PT. Promincon Indonesia ("PMC") three compact portable diamond core drill rigs, other equipment and supply stock and material for a total of \$US1,224,702 (\$1,584,465). Of this amount \$866,314 was classified as exploration and evaluation assets and \$718,151 was recorded as property, plant and equipment. Mike Andrews, a director and officer of Japan Gold and the Company has a controlling interest in PMC.

The Company entered into a loan agreement with Promincon Pte, a company controlled by a director of the Company, for US\$500,000. The loan matures three months after its issue and the Company will pay a one-time fee of 5% of the principal amount. The loan is secured by the shares of Tethyan owned by the Company and remains outstanding. As at September 30, 2018, the balance of this loan including the fee payable is \$679,612.

The above transactions occurred in the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

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CURRENT SHARE DATA

As at the date of this MD&A, the Company had 14,519,616 common shares issued, of which 14,389,616 are outstanding and 130,000 are treasury shares.

As at November 28, 2018, the Company had share options outstanding as follows:

	Number of Options	Exercise Price	Expiry Date
Options	889,000	\$ 0.32	November 26, 2020
	889,000		

As at the date of this MD&A, the Company had 4,066,667 share purchase warrants outstanding exercisable at \$0.32 until January 26, 2021.

COMMITMENTS

The Company entered into a lease agreement for office space in Vancouver with annual rent expense of approximately \$206,000.

SUBSEQUENT EVENTS

On October 23, 2018, the Company's subsidiary, Japan Gold entered into a binding letter agreement with First Quantum Minerals Ltd. ("FQML") to explore four of its lithocap projects (collectively, the "Lithocap Projects" and each a "Project") in Japan. FQML has committed to manage and oversee a systematic surface exploration reconnaissance program on each project prior to June 30, 2019. Upon completion of the initial exploration programs, FQML will have the option to enter into a formal earn-in agreement ("Option Agreement") on any Project individually, pursuant to which FQML may earn-in to 51% of a Project by completing a minimum of US\$5 million in total exploration expenditures prior to June 30, 2022. For any project that FQML options, it will endeavor to maintain minimum average annual expenditures of US\$1 million per year during the initial earn-in period. Upon earning a 51% interest in a Project, FQML would have the right to earn an additional 29% interest in a Project by solely funding the Project until FQML makes a "Decision to Mine", increasing FQML's ownership in a Project to 80%.

On October 26, 2018, the Company received US\$750,000 from the sale of its Taliwang project in 2014. A provision for impairment for this amount was recognized in a prior year. The Company also disposed of its 5% net smelter royalties in connection with the Taliwang project for an additional US\$500,000. In total, the Company received cash proceeds of US\$1,250,000.

On November 6, 2018, the Company purchased 7,500,000 units in Rise Gold at a price of C\$0.10 per unit for a purchase price of C\$750,000 by way of a private placement. Each unit consists of one share of Rise Gold's common stock and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional share of Rise Gold's common stock at an exercise price of C\$0.13 per share until November 6, 2020. Following the investment, the Company owns approximately 18.84% of Rise Gold's issued and outstanding shares of common stock.

RISKS AND UNCERTAINTIES

The nature of the Company's operations exposes the Company to credit risk, liquidity risk, market risk and geopolitical risk, which may have a material effect on cash flows, operations and comprehensive income.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

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Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by maintaining its bank accounts at large financial institutions. Accounts receivable consists of amounts receivable from the Canadian federal government for the refundable GST amounts. The Company assess the collectability and fair value of this receivable at each reporting period.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1 in the accompanying financial statements.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Company's cash is minimal.

Foreign exchange risk

The Company currently operates in Japan and Indonesia. The Company could accordingly be at risk for foreign currency fluctuations.

At September 30, 2018, the Company had ¥2,553,375 (approximately CDN\$29,108) in cash, and ¥22,336,366 (approximately CDN\$254,635) in accounts payable and accrued liabilities. As at September 30, 2018, Yen amounts were converted at a rate of ¥0.01140 to CDN\$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN\$22,553.

Geopolitical risk

The Company has properties in Indonesia and the Company has a 53.06% interest in Japan Gold, which has prospecting rights license applications and Prospecting Rights in Japan. In addition, the Company holds a 19.91% interest in Tethyan Resources which has projects in Serbia. As such, the Company is subject to political, economic and other uncertainties, including, but not limited to, changes in policies and regulations or the personnel administering them, changes with regard to foreign ownership of property rights, exchange controls and royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are to be conducted, as well as risks of loss due to civil strife, acts of war and insurrections. If a dispute arises regarding the Company's property interests, the Company cannot rely on western legal standards in defending or advancing its interests.

Industry

The Company is engaged in the acquisition and exploration of and investment in resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically mineable deposits. The focus of the Company is on areas in which the geological setting is well understood by management.

Gold and metal prices

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the US\$ with other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities.

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The prices of other metals and mineral products for which the Company may explore all have the same or similar price risk factors.

Trends

Continued strength in the US dollar, decreasing oil prices and the stable gold price increases demand, especially from Asia, and perception of increased risk in major financial markets has supported a discernible need for the development of commodity exploration projects. Junior companies, like Southern Arc, are key participants in identifying properties of merit to explore and develop.

CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements as at June 30, 2018 and 2017. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Significant accounting judgment and estimates

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited, to the following:

- i) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices related to the issuance of share options. These estimates impact share-based compensation expense and share-based payment reserve.
- ii) The determination of fair value of investments in warrants, which are derivative instruments, requires assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact mark to market gains and losses recognized in profit or loss.

Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

- i) The Company's assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained in the near term.
- ii) The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which the subsidiary operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.
- iii) The Company's assessment of the economic recoverability and probability of future economic benefits of exploration and evaluation costs capitalized, subject to impairment analysis.
- iv) The classification of the Company's investments as an investment in associate or investment held as available for sale is determined by reviewing whether the Company has significant influence based on the percentage of holdings and other qualitative factors. The Company's investments held as available for sale and investment in associate is subject to evaluation of significant and prolonged declines in value. The Company considers an

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investment to be impaired if there is a decline of 20% or more of an investment's quoted market price that persists for period of nine months or more.

New accounting standards and pronouncements

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, de-recognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is July 1, 2018. Other than changes to the classification of financial instruments to conform to classifications of IFRS 9 and additional disclosures, the Company does not expect any material impacts on the financial statements on adoption of IFRS 9.
- IFRS 15 - Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be effective for the Company on July 1, 2018. As the Company does not currently earn revenues, adoption of this standard will not have any impact on the consolidated financial statements.
- IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for the Company on July 1, 2019. The Company does not expect that adoption of this standard will have a material impact on the consolidated financial statements.

QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE

The technical information in this document has been reviewed by Dr. Michael Andrews, Southern Arc's President & Chief Operating Officer, PhD, FAusIMM, who has sufficient experience relevant to the style of mineralization under consideration and qualifies as a Qualified Person as defined by National Instrument 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted.

With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- *uncertainties relating to receiving mining, exploration and other permits in Indonesia;*
- *the impact of increasing competition;*
- *unpredictable changes to the market prices for gold, copper and other commodities;*
- *availability of additional financing and farm-in or joint-venture partners;*
- *anticipated results of exploration and development activities;*
- *the Company's ability to sell the securities in its investments for a profit, or at all;*
- *the Company's ability to obtain additional financing on satisfactory terms or at all.*

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: volatility in the market price for minerals; uncertainties associated with estimating resources;

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geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.