



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2022 AND 2021**

(Unaudited - Expressed in Canadian dollars)

SOUTHERN ARC MINERALS INC.
Management’s Discussion and Analysis
For the three months ended September 30, 2022 and 2021

This Management’s Discussion and Analysis (“MD&A”), prepared as of November 17, 2022, should be read in conjunction with the unaudited condensed interim financial statements of Southern Arc Minerals Inc. (“Southern Arc” or the “Company”) for the three months ended September 30, 2022 and the audited consolidated financial statements for the year ended June 30, 2022 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 was incorporated in British Columbia, Canada on August 19, 2004. The Company is a Canadian company focused on creating value through project generation and strategic investments in mineral resource companies with a focus on gold and copper-gold. The Company’s head office is located at Suite 650 - 669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

The Company is listed on the NEX board of the TSX Venture Exchange under the symbol “SA.H”. To date, the Company has not generated revenues from operations and is focused on creating value through project generation and strategic investments in mineral resource companies with a focus on gold and copper-gold.

In late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. In response to the military action by Russia, various countries, including Canada, the United States, the United Kingdom and European Union issued broad-ranging economic sanctions against Russia. Such sanctions (and any future sanctions) and other actions against Russia may adversely impact, among other things, the Russian economy and various sectors of the economy, including but not limited to, financials, energy, metals and mining. Accordingly, the actions discussed above and the potential for a wider conflict could increase financial market volatility and cause severe negative effects on regional and global economic markets. As a result, the Company’s business, financial condition, and results of operations may be negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action.

On March 11, 2020, the novel coronavirus outbreak (“COVID-19”) was declared a pandemic by the World Health Organization. Although the Company has not been significantly impacted to date, the extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, related government responses and the impact on the global economy, which are uncertain and cannot be predicted. These impacts could include an impact on the Company’s ability to obtain debt and equity financing to fund ongoing investing activities as well as our ability to conduct business. These conditions result in significant uncertainties that may cast substantial doubt about the Company’s ability to continue as a going concern. The accompanying financial statements for the period ended September 30, 2022 do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

FINANCIAL SNAPSHOT

	September 30, 2022	June 30, 2022	June 30, 2021
Total assets	\$ 1,108,327	\$ 1,153,454	\$ 2,564,390
Working capital	1,048,091	1,100,148	1,452,975
Total liabilities	57,003	49,871	61,242
Net (loss) income	(65,005)	(1,399,420)	5,274,035
Basic and diluted (loss) income per share	\$ (0.00)	\$ (0.06)	\$ 0.22

At the date of this MD&A, the Company had approximately \$990,000 in working capital, which consists of the Company’s current assets including the Company’s investments in shares of Japan Gold Corp., Rise Gold Corp. and Adriatic Metals Plc., net of current liabilities.

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RECENT EVENTS

In October 2020, the Company completed a return of capital transaction by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia). Pursuant to the plan of arrangement, the Company exchanged each of its outstanding common shares for one new Class A common share and one redeemable share of the Company. The Class A common shares have similar rights as the old common shares and are listed on the NEX board of the TSX Venture Exchange. The redeemable shares were immediately redeemed in exchange for the distribution of the following securities to the shareholders of the Company on a pro-rata basis:

	# of securities	Carrying value – October 16, 2020
Common shares of Japan Gold Corp.	40,021,489	\$ 7,264,003
Common shares of Rise Gold Corp.	2,734,388	2,654,385
Common shares of Adriatic Metals Plc	1,655,187	3,246,843
		\$13,345,231

For each common share of Southern Arc, a shareholder of Southern Arc received:

- 1 Class A of Southern Arc (NEX: SA.H),
- 1.7577751 common shares of Japan Gold Corp. (TSXV: JG),
- 0.12009743 common shares of Rise Gold Corp. (CSE: RISE),
- 0.0726999 ordinary shares of Adriatic Metals plc. (LSE: ADT1)

On the record date of October 16, 2020, the distribution was recognized at the fair value of the assets distributed of \$20,088,749 resulting in a gain on distribution of \$6,743,518 which is recognized in net income. The fair value of the shares distributed was based on the quoted market value of those shares, a level one input.

As the Company held 130,000 of its own shares in treasury, it received distribution of 228,510 common shares of Japan Gold Corp., 15,612 common shares of Rise Gold Corp., and 9,481 ordinary shares of Adriatic Metals plc.

During the period ended September 30, 2021, the Company sold all its remaining shares in PT Ancora for proceeds of \$563,945. The Company also sold 125,322 of its shares in Adriatic for proceeds of \$302,783.

During the year ended June 30, 2022, a total of 5,084,100 warrants with weighted average exercise price of \$0.40 expired unexercised. On August 9, 2022, a total of 12,500,000 warrants with an exercise price of \$0.40 expired unexercised

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SUMMARY OF QUARTERLY RESULTS

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Total assets	\$1,108,327	\$1,153,454	\$1,399,131	\$1,835,510
Working capital	1,048,091	1,100,148	1,349,070	1,795,624
Net loss	65,005	225,920	453,182	234,712
Basic and diluted loss per share	0.00	0.06	0.02	0.01

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Total assets	\$2,099,674	\$2,564,390	\$3,582,672	\$3,889,258
Working capital	2,031,435	1,452,975	1,613,996	1,969,548
Net (loss) income	(485,606)	(679,438)	(158,400)	5,993,058
Basic and diluted (loss) income per share	(0.02)	(0.04)	0.01	0.27

During the quarter ended September 30, 2021, the Company sold its investments in PT Ancora and Adriatic for proceeds of \$866,728, which increased its working capital compared to June 30, 2021. During the quarter ended December 31, 2020, the Company had an increase in net income (from \$114,815 on September 30, 2020 to \$5,993,058) due to the a gain recorded from the return of capital transaction.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

During the three-month period ended September 30, 2022, the Company had a net loss of \$65,005 compared to a net loss of \$485,606 for the three-month period ended September 30, 2021. Significant fluctuations occurred in the following categories:

- a) The Company recognized an unrealized loss on its investment in warrants of \$1,002 (September 30, 2021: \$391,348).

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at September 30, 2022 was \$980,375 compared to \$1,045,281 at June 30, 2022. As at September 30, 2022, the Company's working capital was \$1,048,091 compared to a working capital of \$1,100,148 at June 30, 2022.

Net cash used in operating activities for the period ended September 30, 2022 was \$64,906 compared to cash used in operating activities of \$96,490 during the period ended September 30, 2021.

Net cash from activities during the period ended September 30, 2022 was \$Nil (September 30, 2021: \$866,728 due to the sale of the Company's Ancora and Adriatic shares during the year).

There were no financing activities during the periods ended September 30, 2022 and 2021.

The condensed interim 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 that generate cash flows. Accordingly, the Company relies on funding received from the sale of investments and financing received from the issuance of common shares or loans and borrowings to finance its strategic investment activities and general and administrative costs. On October 16, 2020, the Company distributed certain of its investment securities with a carrying value of \$13,345,231 to the shareholders of the Company. Subsequent to the distribution, the Company's business plan is to continue making strategic investments in resource companies with a focus on gold and copper-gold. Based on current plans, the Company has sufficient cash to finance its general and administrative expenses and other current obligations for the next twelve-month period. However, the Company will be required to obtaining additional financing in order to fund additional

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investments or exploration projects. 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 may cast significant doubt upon the Company's ability to continue as a going concern.

RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and officers of the Company.

Key management compensation for the period ended September 30, 2022 consisted of management fees of \$60,000 (September 30, 2021 - \$60,000) paid to two private companies controlled by the Chief Executive Officer and Chairman of the Company. Management fees include administrative, finance, accounting, investor relations and consulting services.

The Company also reimbursed a private company controlled by the Chief Executive Officer and Chairman of the Company \$7,500 in occupancy costs (September 30, 2021 - \$7,500). As at September 30, 2022, the Company had a deposit balance of \$4,706 (June 30, 2022 - \$4,706) for its occupancy costs.

The above transactions are recorded at the consideration established and agreed to by the related parties.

CURRENT SHARE DATA

As at the date of this MD&A, the Company has 22,898,283 common shares issued, of which 22,768,283 are outstanding and 130,000 are treasury shares.

As at September 30, 2022 and the date of this MD&A, the Company has no share options or share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

The Company's business could be significantly adversely affected by the effects of any widespread global outbreak of contagious diseases. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Company's products and likely impact operating results. In particular, the outbreak of COVID-19 has had a negative impact on global financial conditions. The Company cannot accurately predict the impact COVID-19 will have on the Company's business, including its ability to obtain financing or third parties' ability to meet their obligations with the Company, as well as due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. The Company has not been significantly impacted to date, the extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, related government responses and the impact on the global economy, which are uncertain and cannot be predicted.

Due to the Russian invasion to Ukraine, various countries, including Canada, the United States, the United Kingdom and European Union issued broad-ranging economic sanctions against Russia. The ramifications of the hostilities and sanctions may not be limited to Russia, Ukraine and Russian and Ukrainian companies and may spill over to and negatively impact other regional and global economic markets (including Europe, Canada and the United States), companies in other countries (particularly those that have done business with Russia and Ukraine) and on various sectors, industries and markets for securities and commodities globally, such as oil and natural gas. The extent and duration of the military action or future escalation of such hostilities, the extent and impact of existing and future sanctions, market disruptions and volatility, and the result of any diplomatic negotiations cannot be predicted. While we expect any direct impacts to our business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect our business and may make it more difficult for us to raise equity or debt financing. In addition, the impact of other current macro-economic factors on our business, which may be exacerbated by the war in Ukraine – including inflation, supply chain constraints and geopolitical events – is uncertain.

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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.

Credit risk

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfil its payment obligations and arises primarily from the Company's financial assets. The Company is primarily exposed to credit risk on its cash and cash equivalents and accounts receivable. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions. The carrying value of these financial assets represents the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's cash and cash equivalents. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

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. The Company is subject to foreign currency fluctuations primarily on its cash denominated in a currency other than the Canadian dollar. As at September 30, 2022, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$9,153. The quoted market price of Japan Gold, Rise Gold, and Adriatic shares are subject to fluctuations and this impacts other comprehensive income. A 1% change (plus or minus) in the price of these shares would change the fair value of the common shares and other comprehensive income by approximately \$884.

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, 2022 and 2021. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Significant accounting judgements and estimates

The preparation of these financial statements requires management to make certain estimates, judgements 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. These financial statements include estimates which, by their nature, are uncertain. 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 conditions and other factors, including expectations of future events that are believed to be reasonable under the current 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, the valuation of investments in warrants which requires estimates of volatility and discount rates. These assumptions affect the fair value of these investments in warrant and the related unrealized gains (losses) on investments.

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Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments. The Company's assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained as required.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, the Company's management cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the fact that judgements in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, through collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company's officers are not required to certify the design and evaluation of the Company's disclosure controls and procedures and internal controls over financial reporting and have not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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: treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its projects 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:

- *unknown impact related to potential business disruptions stemming from the COVID-19 outbreak, or another infectious illness and the conflict in Ukraine;*
- *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;*
- *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; 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

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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.