



**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED  
DECEMBER 31, 2023 AND 2022**

*(Unaudited - Expressed in Canadian dollars)*

**NOTICE TO READER**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of Southern Arc Minerals Inc. (the “Company”) for the three and six months ended December 31, 2023, have been prepared by management and are the responsibility of the Company’s management and have not been reviewed by an auditor.

**SOUTHERN ARC MINERALS INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian dollars)

<b>As at</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 71,293	\$ 183,800
Receivables	5,078	8,584
Prepaid expenses and other deposits (Note 6)	14,109	17,735
Investments (Note 3)	256,667	252,828
	347,147	462,947
<b>Furniture and equipment</b> (Note 4)	2,223	2,627
<b>Total assets</b>	<b>\$ 349,370</b>	<b>\$ 465,574</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 55,036	\$ 39,798
	55,036	39,798
<b>Deferred gain on investment</b> (Note 3)	19,152	29,249
<b>Total liabilities</b>	74,188	69,047
<b>Shareholders' equity</b>		
Capital stock (Note 5)	78,577,429	78,577,429
Treasury stock (Note 5)	(1,170,000)	(1,170,000)
Equity reserve	12,219,119	12,219,119
Accumulated other comprehensive loss	(509,091)	(512,056)
Deficit	(88,842,275)	(88,717,965)
<b>Total shareholders' equity</b>	275,182	396,527
<b>Total liabilities and shareholders' equity</b>	<b>\$ 349,370</b>	<b>\$ 465,574</b>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issuance on February 28, 2024:

**On behalf of the Board of Directors**

"John Proust" Director

"Morris Klid" Director

The accompanying notes are an integral part of these condensed interim financial statements.

**SOUTHERN ARC MINERALS INC.**  
**STATEMENTS OF NET LOSS**  
(Unaudited - Expressed in Canadian dollars)

	Three months ended December 31, 2023	Three months ended December 31, 2022	Six months ended December 31, 2023	Six months ended December 31, 2022
<b>Expenses</b>				
Depreciation (Note 4)	\$ 202	\$ 202	\$ 404	\$ 404
Foreign exchange loss (gain)	940	(14,365)	(2,382)	(43,009)
Investor relations	611	611	1,222	1,222
Management fees (Note 6)	30,000	60,000	60,000	120,000
Office and miscellaneous (Note 6)	6,969	19,217	15,137	39,192
Professional fees	44,195	19,654	55,998	31,384
Transfer agent and filing fees	4,991	9,444	6,800	12,733
<b>Loss before other items</b>	<b>(87,908)</b>	<b>(94,763)</b>	<b>(137,179)</b>	<b>(161,926)</b>
<b>Other income (expense)</b>				
Interest and other income	-	4,974	1,898	8,134
Realized and unrealized gain (loss) on investment (Note 3)	(5,225)	-	874	(1,002)
Amortization of deferred gain on warrants (Note 3)	5,049	-	10,097	-
	(176)	4,974	12,869	7,132
<b>Net loss for the period</b>	<b>\$ (88,084)</b>	<b>\$ (89,789)</b>	<b>\$ (124,310)</b>	<b>\$ (154,794)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average shares outstanding (Note 5)</b>	<b>22,768,283</b>	<b>22,768,283</b>	<b>22,768,283</b>	<b>22,768,283</b>
<b>Diluted weighted average shares outstanding (Note 5)</b>	<b>22,768,283</b>	<b>22,768,283</b>	<b>22,768,283</b>	<b>22,768,283</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**SOUTHERN ARC MINERALS INC.****CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited - Expressed in Canadian dollars)

	Three months ended December 31, 2023	Three months ended December 31, 2022	Six months ended December 31, 2023	Six months ended December 31, 2022
<b>Net loss for the period</b>	\$ (88,084)	\$ (89,789)	\$ (124,310)	\$ (154,794)
<b>Other comprehensive income</b>				
<b>Items that may not be subsequently reclassified to income:</b>				
Change in fair value of investments (Note 3)	(46,781)	6,489	(7,132)	19,235
Amortization of deferred gain on common shares (Note 3)	5,048	-	10,097	-
	(41,733)	6,489	2,965	19,235
<b>Total comprehensive loss for the period</b>	\$ (129,817)	\$ (83,300)	\$ (121,345)	\$ (135,559)

The accompanying notes are an integral part of these condensed interim financial statements.

**SOUTHERN ARC MINERALS INC.**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian dollars)

For the six months ended	December 31, 2023	December 31, 2022
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (124,310)	\$ (154,794)
Items not affecting cash:		
Depreciation	404	404
Realized and unrealized (gain) loss on investments (Note 3)	(874)	1,002
Amortization of deferred gains on warrants (Note 3)	(10,097)	-
Unrealized foreign exchange gain	(2,382)	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	7,132	(9,100)
Accounts payable and accrued liabilities	15,238	(13,263)
Net cash used in operating activities	(114,889)	(175,751)
<b>Change in cash during the period</b>	<b>(114,889)</b>	<b>(175,751)</b>
Effect of foreign exchange on cash	2,382	-
Cash, beginning of the period	183,800	1,045,281
<b>Cash, end of the period</b>	<b>\$ 71,293</b>	<b>\$ 869,530</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**SOUTHERN ARC MINERALS INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited - Expressed in Canadian dollars)

	Capital Stock	Treasury Stock	Equity Reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity	
	Number of shares	Capital Stock					
<b>Balance, June 30, 2022</b>	<b>22,768,283</b>	<b>\$78,577,429</b>	<b>\$ (1,170,000)</b>	<b>\$ 12,204,724</b>	<b>\$ (209,083)</b>	<b>\$ (88,299,487)</b>	<b>\$ 1,103,583</b>
Net loss for the period	-	-	-	-	-	(154,794)	(154,794)
Other comprehensive loss	-	-	-	-	19,235	-	19,235
<b>Balance, December 31, 2022</b>	<b>22,768,283</b>	<b>\$78,577,429</b>	<b>\$ (1,170,000)</b>	<b>\$ 12,204,724</b>	<b>\$ (189,848)</b>	<b>\$ (88,454,281)</b>	<b>\$ 968,024</b>
<b>Balance, June 30, 2023</b>	<b>22,768,283</b>	<b>\$78,577,429</b>	<b>\$ (1,170,000)</b>	<b>\$ 12,219,119</b>	<b>\$ (512,056)</b>	<b>\$ (88,717,965)</b>	<b>\$ 396,527</b>
Net loss for the period	-	-	-	-	-	(124,310)	(124,310)
Other comprehensive loss	-	-	-	-	2,965	-	2,965
<b>Balance, December 31, 2023</b>	<b>22,768,283</b>	<b>\$78,577,429</b>	<b>\$ (1,170,000)</b>	<b>\$ 12,219,119</b>	<b>\$ (509,091)</b>	<b>\$ (88,842,275)</b>	<b>\$ 275,182</b>

The accompanying notes are an integral part of these condensed interim financial statements.

## **SOUTHERN ARC MINERALS INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Southern Arc Minerals Inc. (“Southern Arc” or “the Company”) 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.

These condensed interim financial statements for the periods ended December 31, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company’s business plan is to make strategic investments in resource companies with a focus on gold and copper-gold. The Company’s ability to continue as a going concern is dependent upon successful execution of its business plan and ultimately generating net income and positive cashflow. For the period ended December 31, 2023, the Company recorded a net loss of \$124,310 and had negative cash flows from operations of \$114,889. These conditions result in a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company expects to continue to raise the necessary financing in order to meet its business objectives primarily through the issuance of common shares at the appropriate time. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These financial statements 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 and such adjustments could be material to the financial statements.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of presentation**

These condensed interim financial statements have been prepared in accordance with IFRS, as applicable to interim financial reports including IAS 34, “Interim Financial Reporting”, and should be read in conjunction with the Company’s annual financial statements for the year ended June 30, 2023, which have been prepared in accordance with IFRS.

These condensed interim financial statements were approved for issuance by the Company’s Board of Directors on February 28, 2024.



## **SOUTHERN ARC MINERALS INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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,

- i. The determination of the fair value of warrants received, including the liquidity discount applied which requires an estimation of volatility and discount rates (Note 3).
- ii. The determination of the fair value of shares purchased, including the liquidity discount applied which requires an estimation of volatility and discount rates (Note 3).

These assumptions affect the fair value of investments in warrants, common shares, deferred gains and the amortization thereof, and the related unrealized gains (losses) on investments.

#### *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. See Note 1.

## SOUTHERN ARC MINERALS INC.

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

### 3. INVESTMENTS

The following table summarizes the Company's investments as at December 31, 2023 and June 30, 2023:

	December 31, 2023		June 30, 2023	
	Number of Securities	Fair Value	Number of Securities	Fair Value
Investment in shares of Rise Gold Corp.	1,015,612	\$ 201,486	1,015,612	\$ 187,888
Investment in warrants of Rise Gold Corp.	500,000	1,536	500,000	662
Investment in shares of Adriatic Metals Plc.	9,481	34,221	9,481	26,574
Investment in shares of Japan Gold	228,510	19,424	228,510	37,704
<b>Total investments</b>		<b>\$ 256,667</b>		<b>\$ 252,828</b>

#### a) Rise Gold Corp.

The Company previously received 15,612 common shares of Rise Gold Corp. ("Rise Gold") in October 2020 as part of a return of capital transaction to the shareholders of the Company as the Company holds a number of its own shares in treasury.

On January 24, 2023, the Company subscribed for 1,000,000 units in a private placement offering of Rise Gold for a total investment of \$534,800 (US\$400,000). Each purchased unit is comprised of one common share of Rise Gold and one half of one purchase warrant. Each whole purchase warrant entitles the Company to purchase an additional common share of Rise Gold at US\$0.60 per share until January 31, 2025.

The accounting fair value of the Rise Gold common shares at acquisition date on January 24, 2023 was determined to be \$626,400, using the quoted market price of \$720,000 and taking into account a liquidity discount of \$93,600 which reflects that the common shares were subject to a four month hold period. Management used a Black-Scholes pricing model to determine the value of the liquidity discount and the inputs into the model are shown in a table below. The liquidity discount of \$93,600 was amortized into comprehensive loss over the four month hold period as part of the change in fair value of the investment.

The accounting fair value of the Rise Gold warrants at acquisition date was determined to be \$92,474, using a Black-Scholes pricing model valuation of \$106,292 and taking into account a liquidity discount of \$13,818 which reflects that the warrants were subject to a four month hold period. The liquidity discount was amortized into net loss over the four month hold period as part of the unrealized loss on the investment. The inputs into the Black-Scholes model to determine the liquidity discount and the valuation of the warrants as at acquisition date and as at June 30, 2023 are shown in the tables below.

The \$184,074 difference between the \$534,800 acquisition cost of the Rise Gold units and the \$718,874 accounting fair value of the Rise Gold common shares (\$626,400) and warrants (\$92,474) was recognized as a deferred gain at initial recognition. The \$146,921 deferred gain relating to the Rise Gold common shares was amortized into other comprehensive income over the four month hold period. The \$37,152 deferred gain relating to the Rise Gold warrants is being amortized into net loss on a straight-line basis over the two-year contractual term of the warrants. As at December 31, 2023, the deferred gain balance relating to the Rise Gold common shares has been fully amortized and the deferred gain balance related to the Rise Gold warrants is \$19,152. The deferred gain balance related to the Rise Gold warrants is presented as a non-current liability in the statement of financial position.

The quoted market price of Rise Gold common shares was higher for the six months ended December 31, 2023 compared to the year ended June 30, 2023. As a result, during the period ended December 31, 2023, the Company recorded a net gain on the Rise Gold common shares in other comprehensive loss of \$13,598. The Company also recorded a gain on the Rise Gold warrants in net loss of \$874.

**SOUTHERN ARC MINERALS INC.**

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

**3. INVESTMENTS (continued)**

The following weighted average assumptions were used for the Black-Scholes valuation of the Rise Gold liquidity discount for the common shares and warrants:

		<b>January 24, 2023</b>
Risk-free interest rate		4.41%
Expected hold period (in years)		0.351
Expected volatility		60%
Share price (US\$)	\$	0.54
Exercise price (US\$)	\$	0.54
Value of Put Option		13%

The following weighted average assumptions were used for the Black-Scholes valuation of the Rise Gold warrants:

	<b>December 31, 2023</b>	<b>June 30, 2023</b>	<b>January 24, 2023</b>
Risk-free interest rate	3.88%	4.54%	3.80%
Expected life of warrants (in years)	1.09	1.59	2.02
Expected volatility	55%	55%	55%
Share price (US\$)	\$ 0.20	\$ 0.12	\$ 0.54
Exercise price (US\$)	\$ 0.60	\$ 0.60	\$ 0.60
Value of Call Option	\$ 0.00	\$ 0.00	\$ 0.16

The Chief Executive Officer (“CEO”) of the Company is a director in Rise Gold and through entities controlled by the CEO, participated in the Rise Gold private placement by purchasing 262,613 units for \$144,436 (US\$105,045). The Chief Financial Officer (“CFO”) of the Company is also the CFO of Rise Gold.

**b) Adriatic Metals plc**

The Company previously received 9,481 shares of Adriatic Metals plc. (“Adriatic”) in October 2020 as part of a return of capital transaction to the shareholders of the Company as the Company holds a number of its own shares in treasury.

As at December 31, 2023, the Company has 9,481 shares of Adriatic remaining with a fair value of \$34,221 (June 30, 2023: \$26,574).

**c) Japan Gold Corp.**

The Company previously received 228,510 common shares of Japan Gold Corp. in October 2020 as part of a return of capital transaction to the shareholders of the Company as the Company holds a number of its own shares in treasury. As at December 31, 2023, the fair value of these shares was \$19,424 (June 30, 2023: \$37,704).

During the year ended June 30, 2023, 12,500,000 Japan Gold Corp. warrants with a weighted average exercise price of \$0.40 expired unexercised.

**SOUTHERN ARC MINERALS INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars)

**4. FURNITURE AND EQUIPMENT**

<b>Cost</b>	<b>Office Furniture</b>	<b>Leasehold Improvements</b>	<b>Total</b>
At June 30, 2023	\$ 35,071	\$ 29,660	\$ 64,731
Addition	-	-	-
At December 31, 2023	\$ 35,071	\$ 29,660	\$ 64,731
<b>Accumulated depreciation</b>			
At June 30, 2022	\$ 31,636	\$ 29,660	\$ 61,296
Depreciation expenses	808	-	808
At June 30, 2023	\$ 32,444	\$ 29,660	\$ 62,104
Depreciation expenses	404	-	404
At December 31, 2023	\$ 32,848	\$ 29,660	\$ 62,508
<b>Total carrying value, June 30, 2023</b>	<b>\$ 2,627</b>	<b>\$ -</b>	<b>\$ 2,627</b>
<b>Total carrying value, September 30, 2023</b>	<b>\$ 2,223</b>	<b>\$ -</b>	<b>\$ 2,223</b>

**5. SHAREHOLDERS' EQUITY**

The Company's authorized share capital consists of an unlimited number of Class A common shares without par value. As at December 31, 2023, 22,898,283 (June 30, 2023 – 22,898,283) are issued of which 22,768,283 (June 30, 2023 – 22,768,283) are outstanding and 130,000 (June 30, 2023 – 130,000) are in treasury.

**Share options**

The Company grants share options in accordance with its share option plan and the policies of the TSX Venture Exchange. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The terms of the option, including the vesting terms and the option price, are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's shares on the date of grant. The share options granted are exercisable for a period of up to ten years, as determined by the board of directors at the time of grant.

As at December 31, 2023 and June 30, 2023, the Company has no options outstanding.

**Share purchase warrants**

As at December 31, 2023 and June 30, 2023, the Company has no share purchase warrants outstanding.

**6. RELATED PARTY TRANSACTIONS**

**Key management and personnel compensation**

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

Key management compensation for the three and six-month period ended December 31, 2023, consisted of management fees of \$30,000 and \$60,000 (December 31, 2022 - \$60,000 and \$120,000) respectively 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 \$Nil in occupancy costs (December 31, 2022 - \$7,500 and \$15,000 respectively) during the three and six-month period ended December 31, 2023. As at December 31, 2023, the Company had a deposit balance of \$4,706 (June 30, 2023 - \$4,706) for its occupancy costs.

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

**7. SEGMENTED INFORMATION**

A reporting segment is defined as a component of the Company that:

- Engages in business activities from which it may earn revenues and incur expenses;
- Operating results are reviewed regularly by the entity's chief operating decision maker; and
- Discrete financial information is available

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties and investments. As at December 31, 2023 and June 30, 2023, all of the Company's assets and liabilities and income are in Canada.

## SOUTHERN ARC MINERALS INC.

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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#### 8. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market 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** is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company currently does not have any significant credit 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.

**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 December 31, 2023, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$657. 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 \$2,551. A 1% change (plus or minus) in the market price used in the valuation of the Company's investment in warrants would change the fair value of the warrants and net loss by \$77.

#### Fair value

IFRS requires disclosure about fair value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's investment in common shares of Japan Gold Corp., Rise Gold and Adriatic were recognized at fair value using the quoted market price of these instruments. Accordingly, these are classified as level 1, except for the Rise Gold shares which were classified as level 2 on initial recognition, as the inputs used in the determination of the liquidity discount were not directly observable. Subsequently, the investment in common shares of Rise Gold were classified as level 1. The Rise Gold warrants were recognized at fair value using level 2 inputs. The fair value of the Rise Gold warrants was determined using a Black-Scholes option pricing formula along with comparable volatility calculated using similar comparable companies of Rise Gold. The carrying value of cash, receivables, deposits and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.