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[Home / Daily News](#)

[Press Release Wires](#)

[Feature Stories](#)

[Headlines](#)

[Opinion/Editorial](#)

[Companies in this Issue](#)

[Stock Tables](#)

[Careers](#)

[Appointment Notices](#)

[Recent Issues](#)

[Archives](#)

Corporate Data

[Organization Search](#)

[Property Search](#)

[People Search](#)

[Country Search](#)

[Abbreviations](#)

Investment

[Metals Commentary](#)

[Investment Commentary](#)

[Newsletter Writers](#)

Features

[Technology for Business](#)

Supplier Information

[Suppliers Directory](#)

[Product Specs](#)

[Product Catalogue](#)

Industry Resources

[Events](#)

[News and Wire Services](#)

Daily News Thursday, August 16, 2007

Southern Arc takes on abandoned Indonesia

As junior mining companies across the world gripe about lab delays and equipment shortages caused by the so-called "super-cycle," **Southern Arc Minerals** (SA-V, SOACF-O) is a little more relaxed in sunny Indonesia.

Southern Arc president, John Proust, says the turnaround time for assay results takes about 7 days while equipment availability is barely a passing thought.

The company may bring in a second drill rig to its West Lombok property on Lombok Island.

"The availability of drill rigs is good," Proust says. "There's not as much demand."

The 1996-1997 edition of the *Canadian & American Mines Handbook* listed 126 companies operating in Indonesia while the 2006-2007 edition listed only 15.

Stemming from the Bre-X debacle that sent mining companies running clear of Indonesia a decade ago, the fallout has stigmatized the country, where the economic and political climate has improved, but junior companies have been reluctant to return.

That didn't change the geology, Proust says, and so he got his foot in the door early.

About four years ago, significant investors approached Proust, who was trying to find undervalued assets in the wake of the upturn in the resource cycle. Southern Arc had its initial public offering in June 2005, raising \$2 million to explore two projects on the islands of Lombok and Sumbawa.

"One of the most undervalued areas was Indonesia," Proust says. "It was in a post Bre-X hangover ... We found Indonesia really stacked up as one of the top three or four places where you could do elephant hunting."

Newmont Mining (NMC-T, NEM-N), one of the world's biggest miners, has been Southern Arc's elephant.

Political pressure has forced Newmont to relinquish several properties it has held onto over the years while it focused on bringing the Batu Hijau copper-gold mine on Sumbawa Island into production.

One of those was the 21-sq. km Selodong prospect, which Southern Arc tacked on to its West Lombok property next door.

Southern Arc started with six Newmont targets when it acquired Selodong in early 2006. Proust says Newmont spent between US\$12 million and \$16 million on exploration during the 1990s.

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Scooping up Selodong brought West Lombok's total area to 184 sq. km. Aside from Selodong there are three complex vein systems known as the Pelangan, Simba and Bising prospects, but for now the focus is Selodong.

The company made a deal with Newmont for all the data, including core samples, in exchange for a 2% net smelter return royalty and right of first refusal should Southern Arc ever look for a joint venture partner.

So far, Southern Arc can count 15 copper-gold porphyry targets that stick out of the ground like fingertips, on Selodong, which is located in the southern end of a northwest-trending structural corridor on the property.

What Proust wants to know is, "Do they coalesce at depth? Are they part of the same system?"

Research done by geophysical consultants confirms potential for an intact system but only drilling at depth will confirm it, Proust says.

In April 2007, Southern Arc began drilling at Selodong.

"Our plan is to put one or more holes into each of those 15 porphyries," Proust says.

Proust says its "early days" in terms of what the company is hoping to find. That being said, the first four holes – three holes on the Montong Botek porphyry target and the fourth hole on another target Blongas II porphyry -- returned positive results.

Drilled to depth of 476 metres, the first hole intersected 385 metres grading 0.3% copper and 0.4 gram gold per tonne, including 105 metres grading 0.6% copper and 1.04 grams gold per tonne.

The second hole was drilled 518 metres deep and intersected 385 metres grading 0.3% copper and 0.4 gram gold per tonne, including 117 metres grading 0.56% copper and 0.8 gram gold per tonne.

The third hole was 644 metres deep with a 363.5-metre intersection grading 0.3% copper and 0.51 gram gold per tonne, including 250 metres grading 0.35% copper and 0.64 gram gold per tonne and 57 metres grading 0.39% copper and 1 gram gold per tonne.

The fourth hole was drilled to a depth of 605 metres. The hole returned a 192-metre intersection grading 0.36% copper and 0.74 gram gold per tonne, including 102 metres grading 0.5% copper and 1.05 grams gold per tonne. Deeper intersections were included in a broader zone of mineralization, which graded 0.25% copper and 0.45 gram gold over 407 metres (to a depth of 577 metres).

Results from the fifth hole, also on the Blongas II target, was started in July and should be finished soon.

Southern Arc is exploring a total of seven projects on three islands in Indonesia – Lombok, Sumbawa and Flores.

The company raised \$2.1 million in April 2007 to fund its current drill program after which time the stock price surged from below 50¢ apiece to more than \$2 in June.

On a particularly tumultuous day today, Southern Arc dropped 12% or 16¢ to \$1.22 on a trading volume of 491,000 shares. The entire commodity sector was hard hit on the Toronto Stock Exchange as gold, oil and metal prices dropped on expectations that a global credit crunch will slow economic growth and reduce demand for resources.

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