SOUTHERN ARC MINERALS INC.

INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
MARCH 31, 2008 AND 2007

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2008.

SOUTHERN ARC MINERALS INC.
BALANCE SHEETS
(Unaudited)
(Expressed in Canadian dollars)

	March 31, 2008	June 30, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 10,664,903	$ 878,988
Prepaid expense and deposit	5,023	32,006
Receivables	9,792	9,933
Investment (Note 5)	-	1,408,258
	10,679,718	2,329,185
Equipment (Note 3)	18,384	21,628
Resource properties (Note 4)	11,454,542	8,443,787
Long-term investment (Note 5)	1,200,222	-
	$ 23,352,866	$ 10,794,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 72,638	$ 375,830
Shareholders' equity		
Capital stock (Note 6)	26,549,808	12,277,578
Share subscriptions received	-	43,750
Contributed surplus (Note 6)	6,275,793	1,580,928
Deficit	(9,545,373)	(3,483,486)
	23,280,228	10,418,770
	$ 23,352,866	$ 10,794,600

Nature and continuance of operations (Note 1)
Basis of presentation (Note 2)
Commitment (Note 10)

On behalf of the Board:

"John Proust" Director *"Doug Leishman"* Director

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

SOUTHERN ARC MINERALS INC.
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)
(Expressed in Canadian dollars)

	Three Month Period Ended March 31, 2008	Three Month Period Ended March 31, 2007	Nine Month Period Ended March 31, 2008	Nine Month Period Ended March 31, 2007
EXPENSES				
Amortization	$ 1,081	$ 1,011	$ 3,244	$ 2,729
Consulting fees	15,000	-	40,700	64,299
Investor relations	22,500	4,500	73,372	37,288
Management fees	46,500	37,500	130,500	112,500
Office and miscellaneous	53,706	21,033	130,690	48,504
Professional fees	60,869	41,240	112,870	111,973
Property investigation costs	5,708	933	10,369	22,562
Rent	12,165	9,785	33,697	27,305
Stock-based compensation (Note 6)	-	6,522	5,336,715	64,708
Transfer agent and filing fees	25,497	8,120	44,348	18,581
Travel	16,419	18,921	93,313	20,375
Loss before other items	(259,445)	(149,565)	(6,009,818)	(530,824)
OTHER ITEMS				
Interest income	117,295	2,892	159,735	46,715
Fair value adjustment to investment (Note 5)	-	-	(211,804)	-
	117,295	2,892	(52,069)	46,715
Loss for the period	(142,150)	(146,673)	(6,061,887)	(484,109)
Deficit, beginning of period	(9,403,223)	(2,803,136)	(3,483,486)	(2,465,700)
Deficit, end of period	$ (9,545,373)	$ (2,949,809)	$ (9,545,373)	$ (2,949,809)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.10)	$ (0.01)
Weighted average number of shares outstanding	71,249,731	46,671,145	63,635,918	46,519,526

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

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

	Three Month Period Ended March 31, 2008	Three Month Period Ended March 31, 2007	Nine Month Period Ended March 31, 2008	Nine Month Period Ended March 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (142,150)	$ (146,673)	$ (6,061,887)	$ (484,109)
Items not affecting cash:				
Stock-based compensation	-	6,522	5,336,715	64,708
Amortization	1,081	1,011	3,244	2,729
Fair value adjustment of asset backed commercial paper	-	-	211,804	-
Changes in non-cash working capital items:				
Decrease/(increase) in receivables	13,031	(976)	141	2,287
Decrease)/(increase) in prepaid expense and deposit	5,000	(34,908)	26,983	(28,413)
Increase/(decrease) in accounts payable and accrued liabilities	3,816	2,181	(41,307)	27,664
Net cash used in operating activities	(119,222)	(172,843)	(524,307)	(415,134)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to resource properties	(1,429,774)	(744,237)	(3,005,940)	(2,458,193)
Acquisition of equipment	-	-	-	(16,164)
Acquisition of investment	-	-	(1,412,026)	-
Proceeds from investment	-	-	1,408,258	-
Net cash used in investing activities	(1,429,774)	(744,237)	(3,009,708)	(2,474,357)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	308,676	1,610,150	14,143,260	1,610,150
Share issue costs	(8,145)	(88,703)	(823,330)	(83,555)
Advance from related party	-	10,114	-	10,880
Net cash provided by financing activities	300,531	1,531,561	13,319,930	1,537,475
Change in cash during period	(1,248,465)	614,481	9,785,915	(1,352,016)
Cash and cash equivalents, beginning of period	11,913,368	757,376	878,988	2,723,873
Cash and cash equivalents, end of period	$ 10,664,903	$ 1,371,857	$ 10,664,903	$ 1,371,857
Cash and cash equivalents consist of:				
Cash on hand	$ 281,659	$ 1,317,857	$ 281,659	$ 1,317,857
Term deposits	10,383,244	-	10,383,244	-
	$ 10,664,903	$ 1,371,857	$ 10,664,903	$ 1,371,857

Supplemental disclosure with respect to cash flows (Note 7)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in British Columbia on August 19, 2004. The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Indonesia. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters can not be predicted at this time. These 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 in business.

2. BASIS OF PRESENTATION

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements, except as noted below. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Change in accounting policy

Financial instruments

Effective July 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost.

2. BASIS OF PRESENTATION (cont'd…)

Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents as held-for-trading. Receivables and long-term investment are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost. The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has a policy not to use hedge accounting.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As a result of the application of Section 3855, there was no effect on the Company's deficit position as at July 1, 2007.

Accounting changes

Effective July 1, 2007, the Company implemented the new CICA Handbook Section 1506 "accounting changes". Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policy to be applied retrospectively unless doing so is impractical, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of change in accounting policies, estimates and error on the financial statements.

These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued that the company has not adopted because there are not yet in effect.

The adoption of this new section is not expected to have an impact on the Company's financial statements.

Assessing going concern

The Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. This section relates to disclosures and will not have an impact on the Company's financial results.

Capital disclosures

The AcSB issued CICA Handbook Section 1535 "Capital disclosures" The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This section relates to disclosures and will not have an impact on the Company's financial results.

2. BASIS OF PRESENTATION (cont'd…)

Recent accounting pronouncements

Goodwill and intangible assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and is not expected to have an impact on the Company's financial results.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Financial instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures,* which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation,* and Section 3865, *Hedges.* This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 relates to disclosures and will not have an impact on the Company's financial results.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation,* which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section carries forward standards that were previously established in Section 3861 relating to the presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3863 relates to disclosures and will not have an impact on the Company's financial results.

(Expressed in Canadian dollars)

3. EQUIPMENT

	March 31, 2008			June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Telephone equipment	$ 26,278	$ 7,894	$ 18,384	$ 26,278	$ 4,650	$ 21,628

4. RESOURCE PROPERTIES

For the nine months ended March 31, 2008	Lombok Property, Indonesia	Sumbawa Property, Indonesia	Total
Acquisition costs			
Balance, beginning and end of period	$ 1,051,254	$ 450,537	$ 1,501,791
Deferred exploration costs			
Incurred during the period:			
Assaying, testing, surveying and analysis	65,821	3,312	69,133
Camp construction, supplies and other	353,390	96,750	450,140
Drilling	520,429	-	520,429
Geological and other consulting	386,116	108,715	494,831
Travel	14,906	1,437	16,343
Total deferred exploration costs	1,340,662	210,214	1,550,876
Balance, beginning of period	5,162,829	3,239,046	8,401,875
Balance, end of period	6,503,491	3,449,260	9,952,751
Total resource property costs	$ 7,554,745	$ 3,899,797	$ 11,454,542

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain resource property interests as well as the potential for problems arising from the frequently ambiguous conveying history characteristic of many resource properties. The Company has investigated titles to all of its resource property interests and, to the best of its knowledge, title to all of its resource property interests are in good standing.

Lombok and Sumbawa Properties, Indonesia

The Company entered into an agreement with Sunda Mining Corporation ("Sunda") pursuant to which Sunda assigned its option to acquire certain rights on the Lombok property ("Lombok") and the Sumbawa property ("Sumbawa")(collectively the "Properties") to the Company, which Sunda had obtained from Indotan Inc. ("Indotan"). In consideration for the assignment, the Company paid $81,572 and issued 11,500,000 common shares valued at $862,500 to Sunda. Effective February 25, 2005, the Company and Indotan entered into a settlement agreement with respect to certain outstanding matters related to the Properties. Pursuant to this settlement, the Company and Indotan entered into an amended and restated option agreement (the "Option Agreement") which sets out all of the rights and responsibilities of the Company and Indotan with respect to the Properties.

4. RESOURCE PROPERTIES (cont'd…)

Pursuant to the Option Agreement, the Company has the option, directly with Indotan, to acquire all of its rights to the Properties in consideration for which the Company issued 1,000,000 common shares, valued at $125,000, and paid $180,000. The Company now has an option, until February, 2010 to acquire 50% of Indotan's 1% net smelter returns royalty ("NSR") on the Properties in consideration for the payment of $500,000. Concurrently with the signing of the Option Agreement, the Company received an option to acquire the remaining 50% of the 1% NSR, held by Indotan, on the Properties in consideration for $60,000 (paid) and $500,000, which can be paid prior to the expiry of the option in February, 2010. All of the holders of the NSR agreed that the NSR only applies to the Properties as at July 21, 2004 and not to any additional property interests which the Company acquires after that date.

In accordance with a limited power of attorney granted by Indotan pursuant to the Option Agreement, the Company caused Indotan to enter into two joint venture agreements (the "JV Agreements") with Indotan's Indonesian partner, PT Puri Permata Mega ("PTPM"), on the Properties. The Company has an initial 90% interest in the Lombok joint venture (the "Lombok JV") and the Sumbawa joint venture (the "Sumbawa JV"). At any time after a joint venture company is formed with respect to the Lombok JV and that company enters into a Contract of Work ("COW"), the Company can acquire a further 5% interest in the Lombok JV by providing funds to the Lombok JV in the amount of US$700,000. At any time after a joint venture company is formed with respect to the Sumbawa JV and that company enters into a COW, the Company can acquire a further 5% interest in the Sumbawa JV by providing funds to the Sumbawa JV in the amount of US$300,000. The Company has funded the respective amounts to each of the Lombok JV and Sumbawa JV.

Lombok and Sumbawa are currently comprised of two separate applications to the Indonesian Government for a COW to conduct mining activities and earn mineral rights to certain mineral tenements. Upon the approval in principle of the COW, preliminary general survey licenses ("SIPPs") were granted for the properties. The SIPP permits the Company to conduct preliminary general survey work over the COW application areas. The Sumbawa SIPP was granted on January 2, 2004 for an initial 12 month period. On April 19, 2005, an extension and expansion of the Sumbawa Property SIPP was granted until April 19, 2006 and on April 22, 2006, an extension was granted until April 22, 2007. A third 12 month extension to the SIPP period was granted by the local regional authorities on June 20, 2007. The Lombok SIPP was granted on December 4, 2002. On July 15, 2005, an extension and expansion of the Lombok Property SIPP was granted until February 15, 2006. A 12 month extension on the Lombok SIPP has been filed. The granting of a SIPP is not a guarantee that a COW will be entered into.

The Company entered into an agreement with PT Newmont Nusa Tenggara ("NNT") regarding a property ("*Block 1*") which is contiguous with the western boundary of the Company's current Lombok Island SIPP license. The acquisition was completed through a relinquishment by NNT of *Block 1* area. The terms of the agreement include granting NNT a 2% net smelter return ("NSR") on any mineral production from the area covered by *Block 1* together with a right of first refusal should the Company wish to introduce a new partner into any development within the area originally covered by *Block 1*.

5. LONG-TERM INVESTMENT

As at December 31, 2007, the Company held an investment of $1,200,222 consisting of Canadian Asset-Backed Commercial Paper ("ABCP"), net of a $211,804 fair value adjustment. The ABCP investment matured on August 17, 2007, but was not repaid and remains outstanding.

On August 16, 2007 it was announced that the Montreal Group representing banks, asset-backed commercial paper providers and major investors had reached a standstill agreement to restructure the ABCP market.

(Expressed in Canadian dollars)

5. LONG-TERM INVESTMENT (cont'd…)

On September 6, 2007, a Pan Canadian Committee ("the Committee") consisting of major investors was formed to restructure the affected ABCP trusts. On March 20, 2008 the committee released a detailed outline of the proposed restructuring plan. The proposed restructuring plan was approved by a majority of noteholders on April 25, 2008 and is subject to court approval. This restructuring is expected to replace the existing short-term investments with longer term notes with a maturity of 7 years, on average. These notes will be issued as Senior and Subordinated Notes and a margin facility will be in place to finance margin calls.

There is no active market for this type of investment; therefore, to determine the fair value, the Company used a probability weighted valuation technique considering the associated credit risk and the time value of money. Based on the limited available information the Company used the following assumptions in its valuation: the trust is a going concern, the Senior Notes will be AAA rated, and the Notes will be interest bearing. The credit risk interest premium was estimated by management and these estimates are not based on observable market prices or rates. The fair market value of this investment may be affected by changes in the assumptions. In addition, there is no certainty regarding the eventual recovery of this investment and consequently the timing and amount of any future cash flows may vary materially from current estimates.

Since the investment is no longer capable of reasonably prompt liquidation, the Company has reclassified this investment as long-term in other assets. This investment continues to be classified as held-for trading.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance as at June 30, 2006	46,442,884	$ 8,813,046	$ 1,546,833
Issued for cash	7,000,000	2,100,000	-
Exercise of warrants	3,062,049	1,451,525	(56,841)
Exercise of options	50,000	57,511	(22,511)
Stock-based compensation	-	-	66,113
Share issuance costs	-	(97,170)	-
Agent warrants	-	(47,334)	47,334
Balance as at June 30, 2007	56,554,933	12,277,578	1,580,928
Private placement	9,432,836	11,319,403	-
Bonus shares	210,000	266,700	-
Exercise of warrants	2,988,137	1,812,639	(53,532)
Exercise of options	2,225,000	2,065,218	(956,718)
Stock-based compensation	-	-	5,336,715
Share issuance costs	-	(823,330)	-
Agent warrants	-	(368,400)	368,400
Balance as at March 31, 2008	71,410,906	$ 26,549,808	$ 6,275,793

(Expressed in Canadian dollars)

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

The Company had 2,088,889 shares in escrow at March 31, 2008.

During the nine months ended March 31, 2008, the Company:

a) issued 2,988,137 common shares for proceeds of $1,759,107 pursuant to the exercise of warrants.

b) issued 2,225,000 common shares for proceeds of $1,108,500 pursuant to the exercise of options.

c) completed a brokered private placement for 8,960,336 units at a price of $1.20 per unit, with each unit being comprised of one common share and one-half of a transferable share purchase warrant. Each warrant may be exercised to purchase an additional common share of the Company at a purchase price of $1.75 for a period of two years to December 18, 2009. The Company paid an aggregate of $698,906 in cash commissions, $124,424 in share issuance costs and issued an aggregate of 582,422 agent's warrants valued at $368,400. Each agent's warrant is exercisable into one common share at an exercise price of $1.20 per common share for a period of one year to December 18, 2008.

d) completed a non-brokered private placement for 300,000 units at a price of $1.20 per unit, with each unit being comprised of one common share and one-half of a transferable share purchase warrant. Each warrant may be exercised to purchase an additional common share of the Company at a purchase price of $1.75 for a period of two years to December 18, 2009.

e) completed a private placement for 172,500 units at a price of $1.20 per unit. Each unit consists of one common share and one-half of a transferable share purchase warrant exercisable at $1.75 per share until January 8, 2010.

f) issued 210,000 common shares with a value of $1.27 per share to consultants, geologists and field personnel for working on the Company's mineral properties. The shares are subject to hold periods whereby one-third of the shares become freely tradable every six months over a period of 18 months.

Stock options

The Company grants stock options in accordance with the policies of the TSX Venture Exchange ("TSXV"). 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 stock on the date of grant. The stock options granted are exercisable for a period of five years. A summary of the Company's outstanding stock options granted is presented below.

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2006	4,225,000	$ 0.47
Cancelled	(250,000)	0.60
Exercised	(50,000)	0.70
Outstanding, June 30, 2007	3,925,000	0.46
Granted	3,615,000	1.56
Exercised	(2,225,000)	0.50
Outstanding, March 31, 2008	5,315,000	1.19
Number of options currently exercisable	5,315,000	$ 1.19

(Expressed in Canadian dollars)

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

During the nine months ended March 31, 2008, the Company reported stock-based compensation of $5,336,715, using the Black-Scholes Option Pricing model, as a result of 3,615,000 options granted. These amounts were recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was $1.47 per option.

During the nine months ended March 31, 2007, the Company reported stock-based compensation of $64,708, using the Black-Scholes Option Pricing model, as a result of vested options that were granted previously. These amounts were recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	Nine Month Period Ended March 31, 2008	Nine Month Period Ended March 31, 2007
Risk-free interest rate	4.28%	-
Expected life of options	5 years	-
Annualized volatility	160.10%	-
Dividend rate	0.00%	-

Warrants

The Company has granted warrants to purchase common shares. A summary of warrants granted is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2006	5,691,442	$ 0.62
Granted	3,759,010	0.45
Exercised	(3,062,049)	0.46
Outstanding, June 30, 2007	6,388,403	0.60
Granted	5,298,840	1.69
Exercised	(2,988,137)	0.59
Expired	(1,070,786)	0.94
Outstanding, March 31, 2008	7,628,320	$ 1.31

During the nine months ended March 31, 2008, the Company reported share issuance costs of $368,400, using the Black-Scholes option pricing model, as a result of 582,422 agent warrants granted.

(Expressed in Canadian dollars)

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of agent warrants granted during the period:

	Nine Month Period Ended March 31, 2008	Nine Month Period Ended March 31, 2007
Risk-free interest rate	3.82%	3.96%
Expected life of warrants	1 year	1 year
Annualized volatility	134.46%	100.92%
Dividend rate	0.00%	0.00%

Share purchase options and warrants

At March 31, 2008, the Company had share purchase options and warrants outstanding enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	900,000	$ 0.25	June 30, 2010
	675,000	0.56	January 13, 2011
	125,000	0.70	April 13, 2011
	3,215,000	1.56	September 26, 2012
	400,000	1.56	October 3, 2012
Warrants	2,329,480	0.45	March 28, 2009
	4,630,168	1.75	December 18, 2009
	582,422	1.20	December 18, 2008
	86,250	1.75	January 8, 2010

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company has the following significant non-cash transactions:

During the nine months ended March 31, 2008, the Company:

a) included in accounts payable $47,827 (June 30, 2007 - $309,712) of resource property costs.

b) allocated $53,532 to capital stock from contributed surplus for agent warrants exercised during the period.

c) allocated $956,718 to capital stock from contributed surplus for stock options exercised during the period.

d) issued 210,000 common shares valued at $266,700 to consultants, geologists, and field personnel for working on the Company's mineral properties.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

During the nine months ended March 31, 2008 the Company entered into transactions with related parties as follows:

a) Paid $130,500 (March 31, 2007 - $112,500) for management services and $13,500 (March 31, 2007 - $13,500) for administration, recorded in office expense, to a private company controlled by the Chief Executive Officer of the Company.

b) Paid $161,027 (March 31, 2007 - $82,923) for geological consulting services included in resource properties to an officer of the Company and a company controlled by an officer of the Company.

c) Paid $40,700 (March 31, 2007 - $18,410) for engineering consulting services to an officer of the Company.

d) Paid or accrued $57,300 (March 31, 2007 - $66,300) for professional accounting fees to a firm in which an ex-officer is a partner.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, deposit, receivables, accounts payable and accrued liabilities and long-term investment. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted.

Currency risk

The Company's largest non-monetary assets are its resource interests in Indonesia. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments. The Company does not maintain significant cash or monetary assets or liabilities in Indonesia. At March 31, 2008, the Company had US$46,743 (approximately CAD$47,827) in accounts payable.

10. COMMITMENT

The Company has committed to rent office space for the following annual amounts:

2008	$ 12,237
2009	24,474

(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION

The Company operates in one industry segment, being the exploration of resource properties. Geographic information is as follows:

	Nine Month Period Ended March 31, 2008	Nine Month Period Ended March 31, 2007
Loss for the period:		
Canada	$ (6,061,887)	$ (484,109)
	March 31, 2008	June 30, 2007
Resource properties - Indonesia	$ 11,454,542	$ 8,443,787
Equipment – Canada	18,384	21,628
	$ 11,472,926	$ 8,465,415