



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
MARCH 31, 2019 AND 2018**

(Unaudited - Expressed in Canadian dollars)

NOTICE TO READER
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Southern Arc Minerals Inc. (the “Company”) for the three and nine months ended March 31, 2019, 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.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

As at	March 31, 2019		June 30, 2018	
Assets				
Current				
Cash	\$	634,373	\$	1,173,385
Receivables		83,248		88,947
Prepaid expenses and other deposits		22,363		99,799
Investments (Note 4)		11,972,914		3,750,400
		12,712,898		5,112,531
Investments (Note 4)		1,324,860		678,012
Investment in associate (Note 3, 4)		9,168,179		1,356,402
Deposits		-		15,785
Exploration and evaluation assets (Note 5)		-		4,076,676
Property and equipment (Note 6)		17,809		694,430
Total assets	\$	23,223,746	\$	11,933,836
Liabilities				
Current				
Accounts payable and accrued liabilities	\$	54,842	\$	509,334
Derivative liability (Note 4)		2,801,924		-
Total liabilities		2,856,766		509,334
Shareholders' equity				
Capital stock (Note 7)		75,437,533		75,437,533
Treasury stock (Note 7)		(1,170,000)		(1,170,000)
Equity reserve (Note 7)		14,177,632		13,926,387
Accumulated other comprehensive income (loss)		3,859,956		(614,429)
Deficit		(71,938,141)		(77,475,077)
Equity attributable to shareholders		20,366,980		10,104,414
Non-controlling interest		-		1,320,088
Total shareholders' equity		20,366,980		11,424,502
Total liabilities and shareholders' equity	\$	23,223,746	\$	11,933,836

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issuance on May 28, 2019:

On behalf of the Board of Directors

"John Proust" Director

"Morris Klid" Director

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

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

	Three months ended, March 31, 2019		Three months ended, March 31, 2018		Nine months ended, March 31, 2019		Nine months ended, March 31, 2018	
Expenses								
Depreciation	\$	5,596	\$	5,829	\$	17,824	\$	24,311
Consulting		-		62,296		447,987		168,124
Office and miscellaneous		23,181		96,020		182,834		356,354
Financing expense		-		-		26,112		-
Management fees (Note 8)		120,000		450,000		627,000		756,000
Exploration expenses (Note 5)		-		118,746		51,679		976,012
Foreign exchange loss (gain)		399,422		(287,272)		14,482		(260,456)
Investor relations		26,013		158,125		88,514		250,782
Professional fees		23,608		39,356		304,315		146,895
Rent		12,042		65,814		145,632		194,353
Salaries and benefits		-		78,390		233,113		237,801
Transfer agent and filing fees		10,837		35,380		72,679		86,633
Travel		-		58,713		81,889		281,701
Share-based compensation (Note 7)		-		-		251,245		-
Loss before other items		(620,699)		(881,397)		(2,545,305)		(3,218,510)
Other income (expense)								
Interest and other income		3,848		11,279		14,876		22,725
Realized and unrealized gain on investments (Note 3, 4)		645,612		-		346,847		134,041
Equity loss from investment in associate (Note 3, 4)		(373,064)		(226,128)		(800,764)		(541,379)
Gain on disposition of investment in associate (Note 4)		654,651		-		654,651		-
Loss on fair value adjustment on derivative liability		(2,509,634)		-		(2,509,634)		-
Gain on disposition of subsidiary (Note 3)		6,700,991		-		6,700,991		434,592
Gain on sale of property (Note 5)		-		-		1,629,375		-
Gain on dilution of investment in associate (Note 4)		-		-		148,032		-
		5,122,404		(214,849)		6,184,374		49,979
Net income (loss) before income taxes	\$	4,501,705	\$	(1,096,246)	\$	3,639,069	\$	(3,168,531)
Income tax recovery (expense)		708,015		(41,269)		708,015		91,400
Net income (loss) for the period	\$	5,209,720	\$	(1,137,515)	\$	4,347,084	\$	(3,077,131)
Net income (loss) attributable to:								
Shareholders of Southern Arc Minerals Inc.	\$	5,209,720	\$	(433,704)	\$	5,536,936	\$	(1,544,403)
Non-controlling interests		-		(703,811)		(1,189,852)		(1,532,728)
	\$	5,209,720	\$	(1,137,515)	\$	4,347,084	\$	(3,077,131)
Basic income (loss) per share	\$	0.36	\$	0.15	\$	0.38	\$	(0.10)
Diluted income (loss) per share	\$	0.26	\$	0.11	\$	0.28	\$	(0.10)
Weighted average shares outstanding		14,389,616		14,525,727		14,389,616		14,730,410
Diluted weighted average shares outstanding		19,922,283		14,525,727		19,922,283		14,730,410

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

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

(Unaudited - Expressed in Canadian dollars)

	Three months ended,		Nine months	
	March 31, 2019	March 31, 2018	ended,	ended,
			March 31, 2019	March 31, 2018
Net income (loss) for the period	\$ 5,209,720	\$ (1,602,488)	\$ 4,347,084	\$ (3,077,131)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit/loss:				
Change in fair value financial asset through comprehensive income	5,905,791	(317,328)	5,766,891	298,820
Gain on available-for-sale investments classified to net loss	-	-	-	403,397
Cumulative foreign currency translation adjustment	(432,394)	-	(584,491)	-
Net income tax expense related to available for sale investments	(708,015)	41,269	(708,015)	(91,400)
	4,765,382	(276,059)	4,474,385	610,817
Total comprehensive income (loss) for the period	\$ 9,975,102	\$ (1,878,547)	\$ 8,821,469	\$ (2,466,314)
Comprehensive income (loss) attributable to:				
Shareholders of Southern Arc Minerals Inc.	\$ 9,975,102	\$ (3,102,576)	\$ 10,384,734	\$ (933,586)
Non-controlling interests	-	(450,748)	(1,563,265)	(1,532,728)
	\$ 9,975,102	\$ (3,553,324)	\$ 8,821,469	\$ (2,466,314)

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

SOUTHERN ARC MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian dollars)

For the nine months ended	March 31, 2019	March 31, 2018
Cash flows from operating activities		
Net income (loss) for the period	\$ 4,347,084	\$ (3,077,131)
Items not affecting cash:		
Depreciation	17,824	24,311
Income tax recovery	(708,015)	(91,400)
Exploration expense	-	240,886
Equity loss from investment in associate (Note 3, 4)	800,764	541,379
Realized and unrealized gain on investments (Note 4)	(346,847)	(134,041)
Gain on disposition of subsidiary (Note 3)	(6,700,991)	(434,592)
Gain on disposition of investment in associate (Note 4)	(654,651)	-
Loss on fair value adjustment of derivative liability	2,509,634	-
Gain on dilution of investment in associate (Note 4)	(148,032)	-
Foreign exchange gain	387,780	-
Share-based compensation (Note 7)	251,245	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	(208,343)	142,897
Accounts payable, accrued liabilities and other long-term liabilities	167,944	163,947
Net cash used in operating activities	(284,604)	(2,623,744)
Cash flows from investing activities		
Proceeds from sale of investments, net (Note 4)	-	3,647,400
Repayment (advance) of loan	1,174,446	(408,700)
Cash used to acquire investments (Note 4)	(750,000)	(5,749,073)
Redemption of short-term investment in subsidiary	600,000	3,350,000
Purchase of short-term investment in subsidiary	-	(4,550,000)
Investment in exploration property	-	(240,886)
Cash received on acquisition of subsidiary	-	2,549,073
Property and equipment	-	(660,969)
Exploration and evaluation assets	(1,278,854)	(3,376,091)
Net cash used in investing activities	(254,408)	(5,439,246)
Cash flows from financing activities		
Cash used to repurchase common shares	-	(405,352)
Net cash (used in) from financing activities	-	(405,352)
Change in cash during the period	(539,012)	(8,468,342)
Cash, beginning of the period	1,173,385	11,763,403
Cash, end of the period	\$ 634,373	\$ 3,295,061

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

SOUTHERN ARC MINERALS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited - Expressed in Canadian dollars)

Attributable to shareholders of Southern Arc Minerals Inc.

	Capital Stock	Treasury Stock	Equity Reserve	Accumulated Other Comprehensive Income (loss)	Deficit	Total	Non-controlling Interest	Total Equity
Balance, June 30, 2017	\$ 75,842,885	\$ (1,170,000)	\$ 13,926,387	\$ 863	\$ (73,395,553)	\$ 15,204,582	\$ (1,166,924)	\$ 14,037,658
Net loss for the period	-	-	-	-	(1,544,403)	(1,544,403)	(1,532,728)	(3,077,131)
Change in non-controlling interest	-	-	-	-	-	-	2,392,812	2,392,812
Common shares repurchased	(405,352)	-	-	-	-	(405,352)	-	(405,352)
Other comprehensive income	-	-	-	610,817	-	610,817	-	610,817
Balance, March 31, 2018	\$ 75,437,533	\$ (1,170,000)	\$ 13,926,387	\$ 611,680	\$ (74,939,956)	\$ 13,865,644	\$ (306,840)	\$ 13,558,804
Balance, June 30, 2018	\$ 75,437,533	\$ (1,170,000)	\$ 13,926,387	\$ (614,429)	\$ (77,475,077)	\$ 10,104,414	\$ 1,320,088	\$ 11,424,502
Net income (loss) for the period	-	-	-	-	5,536,936	5,536,936	(1,189,852)	4,347,084
Change in non-controlling interest	-	-	-	-	-	-	(130,236)	(130,236)
Share-based compensation	-	-	251,245	-	-	251,245	-	251,245
Other comprehensive loss	-	-	-	4,474,385	-	4,474,385	-	4,474,385
Balance, March 31, 2019	\$ 75,437,533	\$ (1,170,000)	\$ 14,177,632	\$ 3,859,956	\$ (71,938,141)	\$ 20,366,980	\$ -	\$ 20,366,980

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

SOUTHERN ARC MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

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 consolidated 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 is in the process of evaluating its exploration properties and has not yet determined whether the properties contain reserves that are economically recoverable. 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 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 approval of the consolidated financial statements. As a result, the Company will require cash injections by way of selling its investments or obtaining additional financing in order to fund 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 may cast significant doubt upon the Company’s ability to continue as a going concern. These consolidated 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 as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated 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, 2018, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved for issuance by the Company’s Board of Directors on May 28, 2019.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and:

- i) its wholly-owned Canadian subsidiary West Indonesia Mining Holdings Inc.;

Significant intercompany balances and transactions have been eliminated upon consolidation.

SOUTHERN ARC MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim 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, 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 non-tradable 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. See Note 1.
- 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 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.

SOUTHERN ARC MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and pronouncements

The following is an overview of accounting standard change that the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its 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 is in the process of finalizing its IFRS 16 transition impact calculations and lease accounting procedures and policies. As a result of adoption of IFRS 16, the Company's lease payments may no longer be recognized as an expense in office and miscellaneous and interest on lease obligations may be presented as financing expense with depreciation expense recognized on the right of use assets. The Company does not expect that the adoption of this standard will have a material impact on the consolidated financial statements.

3. DECONSOLIDATION OF SUBSIDIARY

Japan Gold Corp.

On September 15, 2016, the Company's then wholly owned subsidiary, Japan Gold KK ("JG KK") (formerly Southern Arc Minerals Japan KK ("SAMJ")), combined with Sky Ridge Resources ("Sky Ridge"), a publicly 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 JG KK, Southern Arc received 23,750,000 post-consolidation common shares of Japan Gold, representing approximately 42.9% of the issued and outstanding shares of Japan Gold on an undiluted basis. Japan Gold is a mineral exploration company which focuses on the acquisition and exploration of resources properties in northern Hokkaido, northern Honshu and Kyushu, Japan.

The Company determined that it had control of Japan Gold at the time of the Acquisition because of common key management personnel, board representation and the large block of shares the Company owns relative to the other shareholders of Japan Gold. Accordingly, the Company has consolidated Japan Gold from the date of Acquisition.

On August 9, 2017, the Company completed a financing with Japan Gold where it acquired 12,500,000 units of Japan Gold at a price of \$0.40 for total cost 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. As a result, the Company's ownership in Japan Gold increased to 53.06%.

SOUTHERN ARC MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

3. DECONSOLIDATION OF SUBSIDIARY (continued)

On December 21, 2018, Japan Gold completed a private placement of \$6,650,000 which resulted in an issuance of 44,333,334 common shares at a price of \$0.15 per share. The Company purchased 10,000,000 shares under this offering and concurrently effected a private sale of these shares. As a result of the private placement, the Company's ownership in Japan Gold decreased from 53.06% to 31.90% of the issued and outstanding common shares of Japan Gold. The Company determined as a result of the dilution, it has lost control of Japan Gold as at December 21, 2018. As the Company's interest allows the Company to exert significant influence over Japan Gold, the Company's remaining interest is now accounted for as an interest in associate using the equity method. The Company's remaining interest in Japan Gold was recognized at its fair value based on the market price of Japan Gold's common shares and warrants on December 21, 2018 and the difference between the carrying value of the net assets of Japan Gold and non-controlling interest and the fair value of the shares retained was recognized as a gain on disposition of subsidiary.

The following information summarizes the deconsolidation of Japan Gold for the period ended December 21, 2018, which is the date of deconsolidation:

<u>Fair value of Japan Gold as an equity investment</u>	
36,250,000 shares at \$0.23 per share (quoted market price)	\$ 8,337,500
12,500,000 warrants at \$0.094 per warrant	1,170,760
<u>Net assets of Japan Gold</u>	
Cash	-
Receivables	152,871
Prepays and deposits	139,459
Exploration and evaluation assets	5,069,217
Property and equipment	581,247
Accounts payable and accrued liabilities	(623,064)
Related party loan	(1,174,446)
Net assets of subsidiary	\$ 4,145,284
Derecognition of non-controlling interest in subsidiary	(1,028,918)
Derecognition of other comprehensive income related to the subsidiary	(309,097)
Gain on disposition of subsidiary	\$ 6,700,991

Up to the date of deconsolidation (for the period from July 1, 2018 to December 21, 2018), Japan Gold had no revenues and net loss of Japan Gold for this period was \$1,747,611 excluding certain inter-company eliminations which has been included in net loss of the company.

A continuity of the Company's investment in associate relating to Japan Gold is as follows:

	March 31, 2019
Balance - December 21, 2018	\$ -
Acquisition of investment	9,508,260
Share of net loss for the period	(340,081)
Balance - March 31, 2019	\$ 9,168,179

As at March 31, 2019, the Company valued the 12,500,000 warrants of Japan Gold at \$1,433,187 and recorded an unrealized gain on these warrants of \$262,427 in the statement of income.

SOUTHERN ARC MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

4. INVESTMENTS

a) Rise Gold Corp.

On April 18, 2018, the Company participated in a 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 \$2,000,000. Each unit consists of one share of common stock and one share purchase warrant. Each warrant is exercisable into one share at a price of \$0.15 per share for a period of 36 months from the date of issuance. The Company recognized a gain of \$1,453,301 on initial recognition of the common shares and warrants as their fair value exceeded the cost to acquire these securities.

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. Along with this purchase, the Company also received 875,000 share purchase warrants as finder’s fee. These finder’s fee warrants have an exercise price of C\$0.13 per warrant and expire on October 16, 2020. The fair value of these warrants as at March 31, 2019 was \$23,026 which is included in gain on investments as part of net income. Following the investment, the Company owns approximately 18.84% of Rise Gold’s issued and outstanding shares of common stock.

The Company has classified its investment in Rise Gold common shares as financial asset at fair value through comprehensive income with changes in fair value recorded in other comprehensive income (loss). The Rise Gold warrants are classified as derivatives and are recognized at their fair value with changes in fair value included in profit or loss.

As at March 31, 2019, the fair value of the Company’s investment in shares of Rise Gold was \$2,612,500 based on quoted market price of \$0.095 per share for 27,500,000 shares (June 30, 2018: \$1,800,000 for 20,000,000 shares). As a result, the Company recorded an unrealized gain of \$362,501 in accumulated other comprehensive income for the period ended March 31, 2019.

As at March 31, 2019, the fair value of Rise Gold’s warrants (total of 24,625,000 warrants) is \$668,861 (June 30, 2018: \$626,202 for a total of 20,000,000 warrants). During the period ended March 31, 2019, the Company recorded an unrealized loss on Rise Gold warrants of \$3,165 (March 31, 2018: \$Nil) in net income.

b) PT Ancora Indonesia Resources, Tbk.

On December 12, 2017, the Company acquired 100 million shares of PT Ancora Indonesia Resources, Tbk (“PT Ancora”), representing 5.66% of PT Ancora’s issued and outstanding, at a cost of (US\$2,000,000 or \$2,549,200) from third parties in a private transaction. PT Ancora is an Indonesian company listed on the Indonesia Stock Exchange (OKAS:IJ). The Company has classified its investment in PT Ancora as a financial asset at fair value through comprehensive income with changes in fair value recorded in other comprehensive income (loss). As at March 31, 2019, these shares had a fair market value of \$1,438,200 (June 30, 2018: \$1,950,400) based on the then quoted market prices of these shares resulting in the recognition of an unrealized loss of \$512,200 (June 30, 2018: \$598,801) in other comprehensive income (loss).

c) Tethyan Resources Plc.

As at March 31, 2019, the Company holds a total of 10,028,119 (June 30, 2018: 9,983,068) common shares of Tethyan Resources Plc (“Tethyan”), which represents 13.81% (June 30, 2018: 22.53%) of Tethyan’s issued and outstanding shares. Tethyan is a TSX Venture quoted junior exploration company with a focus on exploring for copper and gold within the Western Tethyan Orogenic Belt in Serbia.

On January 30, 2019, Tethyan closed a non-brokered private placement by issuing 16,580,000 units at a price of \$0.20 per unit for gross proceeds of \$3,316,000. Each unit was comprised of one ordinary share of Tethyan and one transferable share purchase warrant of Tethyan, which is exercisable into one ordinary share of Tethyan at an exercise price of \$0.25 per share for a period of five years from the closing date. In connection with the financing by Tethyan, the Company has granted an exclusive call option to Augusta Investments Inc. (“Augusta”) to purchase up to 5,000,000 of Southern

SOUTHERN ARC MINERALS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

4. INVESTMENTS (continued)

Arc's ordinary shares in Tethyan. The call option is valid for a period of 18 months and is exercisable at a price of \$0.25 per share for a total purchase price of up to \$1,250,000. In addition to the call option and at the request of Augusta, the Company also deposited all of 10,028,119 ordinary shares of Tethyan (including the 5,000,000 shares subject to the call option) into escrow for a period of 18 months.

On January 30, 2019, The Company recognized \$292,290 in derivative liability relating to the fair value of Augusta's call option. As at March 31, 2019, the fair value of this derivative liability increased to \$2,801,924 resulting in a loss on fair value of derivative liability of \$2,509,634 to be recognized on statement of income.

The Company's interest in Tethyan decreased from 22.53% to 13.81% as a result of dilution related to the January 30, 2019 equity financing in which the Company did not participate. The Company recognized a gain on dilution on its equity investment in Tethyan of \$148,032. As a result of the decrease in the Company's interest on January 30, 2019, the Company concluded that it no longer has significant influence over Tethyan and considers its investment in Tethyan as financial asset at fair value through comprehensive income.

As at March 31, 2019 the fair value of the Tethyan warrants is \$393,572 resulting in an unrealized gain of \$341,762 on Tethyan warrants to be recorded in net income.

A continuity of the Company's equity interest in Tethyan accounted for as investment in associate is as follows:

Balance - June 30, 2017	\$	1,496,812
Conversion of loan receivable		348,190
Gain on dilution of equity investment		731,368
Share of net loss for the year		(1,219,968)
Balance - June 30, 2018	\$	1,356,402
Acquisitional fo investment	\$	14,932
Gain on dilution of equity investment		148,032
Share of net loss for the period up to January 30, 2019		(460,683)
Balance - January 30, 2019	\$	1,058,683

Upon concluding that the Company no longer had significant influence over Tethyan, the Company recorded its investment in Tethyan at fair value using the quoted market price on January 30, 2019 of \$0.20 for a total of \$2,005,624. As such the Company recorded a gain on disposition of equity investment of \$946,941. This gain was partially offset by loss on fair value of derivative liability associated with the Augusta call option of \$292,290 resulting in a net gain on disposition of investment in associate of \$654,651.

As at March 31, 2019, the fair value of the Company's investment in Tethyan is \$7,922,214 (based on the publicly traded quoted market price of \$0.79 per share for 10,028,119 shares).

During the nine months ended March 31, 2019, \$14,932 of interest receivable accrued in connection with the \$400,000 previously advanced to Tethyan by the Company was used to exercise 45,051 whole warrants and acquire additional 45,051 shares of Tethyan.

During the nine months ended March 31, 2019, the Company advanced \$125,000 to Tethyan. These advances included a financing fee of 5% for a total of \$131,250 was repaid in full prior to March 31, 2019.

SOUTHERN ARC MINERALS INC.

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(Unaudited - Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Japan Gold Corp.

The Company's investment in associate, Japan Gold, owned 68 prospecting rights related to its interests in Japan. These prospecting rights provide the Japan Gold with the right to explore the areas of interest covered by these rights. Japan Gold's project portfolio also consists of 216 prospecting license applications for a combined area of 71,529 hectares over 17 separate projects on the three main islands of Japan.

	Ikutahara project	Eboshi project	Ohra-Takamine project	Tobaru project	Total
Balance, June 30, 2017	\$ 83,803	\$ 19,459	\$ -	\$ -	\$ 103,262
Consulting	1,178,255	45,727	-	-	1,223,982
Supply stock and material	866,314	-	-	-	866,314
Depreciation	335,922	-	-	-	335,922
Drilling	617,357	-	-	-	617,357
Geochemistry	40,761	8,331	-	-	49,092
Geophysics	7,947	1,449	-	-	9,396
Insurance	13,088	-	-	-	13,088
Travel	161,453	3,562	-	-	165,015
Field supplies	414,059	13,747	-	-	427,806
Foreign currency translation adjustment	251,661	13,781	-	-	265,442
Balance, June 30, 2018	\$ 3,970,620	\$ 106,056	\$ -	\$ -	\$ 4,076,676
Consulting	399,897	7,568	57,892	1,390	466,747
Insurance	14,585	-	-	-	14,585
Depreciation	130,975	-	-	-	130,975
Travel	124,759	2,248	14,262	-	141,269
Field Supplies	73,368	3,682	6,577	-	83,627
Foreign currency translation adjustment	147,370	4,720	3,166	82	155,338
Deconsolidation of subsidiary (Note 3)	(4,861,574)	(124,274)	(81,897)	(1,472)	(5,069,217)
Balance, March 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

West Lombok property

The Company, through a 90%-owned subsidiary, holds the exploration permit for the West Lombok property located on Lombok Island, Indonesia. During the year ended June 30, 2013, the Company conducted a review of the value of its West Lombok property and determined that its value had been impaired. As a result, the Company wrote off the carrying value. During the period ended March 31, 2019, the Company incurred an additional \$3,984 (June 30, 2018: \$65,576) of exploration costs relating to the West Lombok property.

On December 12, 2017, the Company completed the sale of the West Lombok Property to PT Ancora in consideration for a cash payment of US\$2,000,000 (\$2,549,200) and a granting of a 3% Net Smelter Return royalty. PT Ancora 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. 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 million.

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5. EXPLORATION AND EVALUATION ASSETS (continued)**West Lombok property (continued)**

The Company recognized a gain of \$434,592 on June 30, 2018 as a result of the PT Ancora transaction as follows:

Consideration received (US\$2,000,000)	\$	2,549,200
Cash		8,245
Current liabilities		(33,152)
Long-term liabilities		(253,292)
Non-controlling interest		2,392,807
Gain on investment	\$	434,592

Taliwang property

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 (\$1,629,375) and recognized a gain on sale of property of \$1,629,375,

6. PROPERTY AND EQUIPMENT

Cost	Equipment	Office furniture	Leasehold Improvements	Land and buildings	Total
At June 30, 2017	\$ -	\$ 26,716	\$ 16,461	\$ 140,565	\$ 183,742
Purchases	798,775	3,506	13,199	27,603	843,083
Foreign currency translation adjustment	43,345	-	-	14,100	57,445
At June 30, 2018	\$ 842,120	\$ 30,222	\$ 29,660	\$ 182,268	\$ 1,084,270
Purchases	-	-	-	-	-
Foreign currency translation adjustment	36,829	-	-	16,596	53,425
Deconsolidation of subsidiary (Note 3)	(878,949)	-	-	(198,864)	(1,077,813)
At March 31, 2019	\$ -	\$ 30,222	\$ 29,660	\$ -	\$ 59,882
Accumulated depreciation					
At June 30, 2017	\$ -	\$ 1,669	\$ 2,058	\$ 19,442	\$ 23,169
Depreciation capitalized in exploration and evaluation assets	301,737	-	-	34,185	335,922
Depreciation expenses	-	6,728	14,829	9,192	30,749
At June 30, 2018	\$ 301,737	\$ 8,397	\$ 16,887	\$ 62,819	\$ 389,840
Depreciation capitalized in exploration and evaluation assets	107,104	-	-	23,871	130,975
Depreciation expenses	-	5,667	11,122	1,035	17,824
Deconsolidation of subsidiary (Note 3)	(408,841)	-	-	(87,725)	(496,566)
At March 31, 2019	\$ -	\$ 14,064	\$ 28,009	\$ -	\$ 42,073
Total carrying value, June 30, 2018	\$ 540,383	\$ 21,825	\$ 12,773	\$ 119,449	\$ 694,430
Total carrying value, March 31, 2019	\$ -	\$ 16,158	\$ 1,651	\$ -	\$ 17,809

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7. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2018, 14,519,616 (June 30, 2018 – 14,519,616) are issued of which 14,389,616 (June 30, 2018 – 14,389,616) are outstanding and 130,000 (June 30, 2018 – 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. A summary of the Company's outstanding share options granted is presented in the following table.

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2016 (remaining average contractual life is 4.16 years)	959,000	\$ 0.32
Exercised	(57,500)	0.32
Expired	(12,500)	0.32
Outstanding at June 30, 2017 and June 30, 2018 (remaining average contractual life is 2.41 years)	889,000	\$ 0.32
Granted – December 14, 2018	577,000	\$ 0.35
Expired	(30,000)	\$ 0.32
Number of options exercisable at March 31, 2019 (remaining average contractual life is 2.88 years)	1,436,000	\$ 0.34

During the period ended March 31, 2019, the Company recorded a share-based compensation expense of \$251,245 (March 31, 2018: \$Nil). Out of this amount \$172,100 was related to the options issued by Southern Arc and \$79,145 was related to options issued by Japan Gold.

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

	December 14, 2018
Risk-free interest rate	1.62%
Expected life of options (in years)	5
Annualized volatility	75.00%
Share price	\$ 0.45
Fair value of options granted	\$ 0.30
Forfeiture rate and dividend rate	0.00%

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7. SHAREHOLDERS' EQUITY (continued)**Share purchase warrants**

As at March 31, 2019, 4,066,667 warrants remain outstanding exercisable into common shares of the Company at \$0.32 until January 26, 2021.

8. 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:

	Three months ended March 31, 2019	Three months ended March 31, 2018	Nine months ended March 31, 2019	Nine months ended March 31, 2018
Management fees	\$ 120,000	\$ 450,000	\$ 627,000	\$ 756,000
Share-based compensation	\$ 161,659	\$ -	\$ 161,659	\$ -

During the period ended March 31, 2019, the Company and Japan Gold paid \$627,000 (March 31, 2018: \$756,000) in management fees to a private company controlled by the Chief Executive Officer and Chairman of the Company. Out of this amount, \$282,000 relates to management fees incurred by Japan Gold. Management fees include administrative, finance, accounting, investor relations and consulting services.

On August 29, 2018, 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. As at March 31, 2019, this loan including the fee payable was repaid in full.

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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9. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties. The Company's assets and liabilities by geographic areas as at March 31, 2019 and June 30, 2018 are as follows:

As at March 31, 2019	Indonesia	Japan	Canada	Total
Current assets	\$ -	\$ -	\$ 12,712,898	\$ 12,712,898
Investment	-	-	1,324,860	1,324,860
Investment in associate	-	-	9,168,179	9,168,179
Property, plant and equipment	-	-	17,809	17,809
Deposits	-	-	-	-
Exploration and evaluation assets	-	-	-	-
Total liabilities	-	-	(2,856,766)	(2,856,766)
	\$ -	\$ -	\$ 20,366,980	\$ 20,366,980

As at June 30, 2018	Indonesia	Japan	Canada	Total
Current assets	\$ -	\$ 909,671	\$ 4,202,860	\$ 5,112,531
Investment	-	-	678,012	678,012
Investment in associate	-	-	1,356,402	1,356,402
Property, plant and equipment	-	659,834	34,596	694,430
Deposits	-	15,785	-	15,785
Exploration and evaluation assets	-	4,076,676	-	4,076,676
Total liabilities	-	(455,719)	(53,615)	(509,334)
	\$ -	\$ 5,206,247	\$ 6,218,255	\$ 11,424,502

For the period ended March 31,	2019	2018
Net income for the period – Canada	\$ 6,094,695	\$ 2,445,852
Net loss for the period – Japan	(1,747,611)	(3,265,533)
Net loss for the period – Singapore	-	(2,257,450)
Net income (loss) for the period	\$ 4,347,084	\$ (3,077,131)

10. COMMITMENTS

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

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11. 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. 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 assesses the collectability and fair value of this receivable at each reporting period. The carrying value of cash, short term deposits and receivables totaling \$717,621 represents the Company's maximum exposure to 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 quoted market price of Rise Gold, Tethyan and PT Ancora shares are subject to fluctuations and this impacts other comprehensive income. A 1% change (plus or minus) in the price of Rise Gold, Tethyan and PT Ancora shares would change the fair value of the shares by approximately \$119,729.

Foreign exchange risk

As at March 31, 2019, the Company has investments in companies who operate in Japan, Serbia, United States and Indonesia. As the Company does not directly operate in these countries, the Company's exposure to foreign currency fluctuations is limited.

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 Rise Gold, Tethyan and PT Ancora were recognized at fair value using the quoted market price of these instruments. Accordingly, these are classified as level 1. The Rise Gold, Tethyan and Japan Gold warrants were recognized at fair value using level 2 inputs. The fair value of the warrants were determined using a Black-Sholes option pricing formula. The carrying value of cash, receivables, accounts payable and accrued liabilities approximate their fair value due to their short-term nature.