



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE NINE MONTHS ENDED
MARCH 31, 2021 AND 2020**

(Unaudited- Expressed in Canadian dollars)

SOUTHERN ARC MINERALS INC.
Management’s Discussion and Analysis
For the nine months ended March 31, 2021 and 2020

This Management’s Discussion and Analysis (“MD&A”), prepared as of May 27, 2021, should be read in conjunction with the unaudited condensed interim financial statements of Southern Arc Minerals Inc. (“Southern Arc”, or the “Company”) for the nine months ended March 31, 2021 and the audited consolidated financial statements for the year ended June 30, 2020 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company can be found on SEDAR at www.sedar.com and on the Company’s website at www.southernarcminerals.com.

Statements in this MD&A that are not historical facts are “forward-looking statements” that are subject to risk factors set out in a cautionary note contained herein. Readers are cautioned not to put undue reliance on forward-looking statements.

COMPANY OVERVIEW

Southern Arc 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.

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

On March 11, 2020, the novel coronavirus outbreak (“COVID-19”) was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company’s business are not known at this time. These impacts could include an impact on the Company’s ability to obtain debt and equity financing to fund ongoing investing activities as well as our ability to conduct business. These conditions result in significant uncertainties that may cast substantial doubt about the Company’s ability to continue as a going concern. 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.

FINANCIAL SNAPSHOT

	March 31, 2021	June 30, 2020	June 30, 2019
Total assets	\$ 3,582,672	\$ 15,328,170	\$ 17,455,389
Working capital	1,613,996	1,393,436	471,347
Total liabilities	43,036	169,515	1,589,773
Net income	5,949,473	53,467	4,622,204
Net income attributable to the Company	5,949,473	53,467	5,442,472
Basic income per share	\$ 0.30	\$ 0.00	\$ 0.38
Diluted income per share	\$ 0.30	\$ 0.00	\$ 0.35

At the date of this MD&A, the Company had approximately \$1.5 million in working capital, which includes the Company’s investments in shares of PT Ancora Tbk, Japan Gold Corp., Rise Gold Corp. Adriatic Metals Plc. and its investment in warrants of Adriatic Metals Plc.

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RECENT EVENTS

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

	# of securities	Carrying value – October 16, 2020
Common shares of Japan Gold Corp.	40,250,000	\$ 7,388,531
Common shares of Rise Gold Corp.	2,750,000	2,667,500
Common shares of Adriatic Metals Plc	1,664,668	3,246,103
		<u>\$13,302,134</u>

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

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

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

Other events

On March 9, 2020, the Company advanced an unsecured, non-interest-bearing loan to Japan Gold in the principal amount of \$1,000,000. This loan had a six-month term maturing on September 9, 2020. In consideration for the loan, the Company received a cash fee of 5% of the amount of the loan (\$50,000) and 500,000 non-transferable share purchase warrants of Japan Gold. Each warrant entitles the Company to purchase one common share of Japan Gold at \$0.40 per share until March 9, 2021. The fair value of these warrants was determined to be \$35,609 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; share price of \$0.32 and strike price - \$0.40; expected life of warrants – 1 year.

On May 22, 2020 and June 1, 2020, Japan Gold completed private placements of a total of 34,278,000 units at a price of \$0.25 per unit. Each unit consisted of one common share of Japan Gold and one half of a transferable common share purchase warrant exercisable at \$0.40 per share for a period of 24 months. Of the units issued by Japan Gold, 4,000,000 units were issued to the Company in exchange for the settlement of the \$1,000,000 loan. The Company recognized a gain on the settlement of the loan of \$156,813 as the fair value of the shares and warrants received exceeded the carrying value of the loan.

On January 6, 2020, the Company closed the second and final tranche of a non-brokered private placement. The Company sold 850,000 common shares at a price of \$0.35 per share for gross proceeds of \$297,500 which were all purchased by John Proust, the Company's CEO and Chairman.

On November 1, 2019, the Company closed a non-brokered private placement through the issuance of 2,150,000 common shares at a price of \$0.35 per share for gross proceeds of \$752,500. No finder's fees were paid in connection with the financing and proceeds were used for working capital. An Individual/entities related to John Proust, the Company's Chairman and CEO, purchased 1,150,000 shares (\$402,500) of the private placement. Morris Kid, a director of the Company, purchased 155,050 shares (\$54,268) of the private placement.

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PROPERTY REVIEW AND OUTLOOK

Indonesia – PT Ancora Indonesia Resources, Tbk

On December 12, 2017, the Company completed the sale of its 90% owned West Lombok Property (the “Property”) to PT Ancora Indonesia Resources, Tbk (“PT Ancora”), in consideration for a cash payment of US\$2,000,000 and a granting of a 3% Net Smelter Return royalty. 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 million. The Company used the cash proceeds from the sale to acquire 100 million shares of PT Ancora (4.81% of PT Ancora’s issued and outstanding) from third parties in a private transaction.

PT Ancora is an Indonesian company listed on the Indonesia Stock Exchange (OKAS:IJ).

SUMMARY OF QUARTERLY RESULTS

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Total assets	\$3,582,672	\$3,889,258	\$17,254,533	\$ 15,328,170
Working capital	1,613,996	1,969,548	1,467,298	1,393,436
Net income (loss)	(158,400)	5,993,058	114,815	(54,536)
Net income (loss) attributable to the Company	(158,400)	5,993,058	114,815	(54,536)
Basic income (loss) per share	(0.01)	0.27	0.01	(0.00)
Diluted income (loss) per share	(0.01)	0.27	0.01	(0.00)

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Total assets	\$ 12,930,662	\$ 15,656,601	\$16,896,929	\$17,455,389
Working capital	2,035,814	3,340,517	1,846,582	471,347
Net income (loss)	(703,993)	(980,680)	1,792,676	275,120
Net income (loss) attributable to the Company	(703,993)	(980,680)	1,792,676	169,455
Basic income per share	(0.04)	(0.06)	0.12	0.02
Diluted income per share	(0.04)	(0.06)	0.12	0.01

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2021

During the three-month period ended March 31, 2021, the Company had a net loss of \$158,400 compared to a net loss of \$703,993 for the three-month period ended March 31, 2020. Significant fluctuations occurred in the following categories:

- The Company recognized a realized and unrealized loss on its investments of \$370 (March 31, 2020: \$347,949).
- The Company did not record any losses for its share of holdings in Japan Gold as the Company no longer accounts for that investment as an investment in associate subsequent to the return of capital transaction. During the three-month period ended March 31, 2020 the Company recorded a loss of 273,432 on its equity investment in Japan Gold.
- During the quarter ended March 31, 2021, the Company recorded a gain on fair value adjustment on derivative liability of \$Nil (March 31, 2020: gain of \$43,088).

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RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED MARCH 31, 2021

During the nine-month period ended March 31, 2021, the Company had a net income of \$5,949,473 compared to \$108,003 for the nine-month period ended March 31, 2020. Significant fluctuations occurred in the following categories:

- d) During the nine-month period ended March 31, 2021, the Company completed the return of capital and recorded a gain of \$6,698,969.
- e) The Company recognized a realized and unrealized gain on its investments of \$161,973 prior to the return of capital (March 31, 2020: loss of \$590,069)
- f) The Company also recorded its share of the loss in its investment in Japan Gold of \$239,690 prior to the return of capital (March 31, 2020: \$891,467).
- g) During the nine-months ended March 31, 2021, the Company recorded a gain on fair value adjustment on derivative liability of \$Nil (March 31, 2020: gain of \$1,538,727). This difference resulted from the reversal of the derivative liability upon the termination of the call option Augusta had on 5,000,000 of the Company's common shares of Tethyan.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at March 31, 2021 was \$919,659 compared to \$349,773 at June 30, 2020. As at March 31, 2021, the Company's working capital was \$1,613,996 compared to a working capital of \$1,393,436 at June 30, 2020.

Net cash used in operating activities for the period ended March 31, 2021 was \$693,607 compared to cash provided by used in operating activities of \$374,845 during the period ended March 31, 2020.

Net cash used in investing activities for the period ended March 31, 2021 was \$126,042 (March 31, 2020 - \$Nil). \$4,849 was used to purchase equipment and \$130,891 was received from sale of Available for sale investments. During the period ended March 31, 2020, the Company repaid an advance of \$1,000,000.

Net cash provided by financing activities during the period ended March 31, 2021 was \$1,137,451 (March 31, 2020: \$1,433,900). This included proceeds of \$1,163,084 from the exercise of options and warrants and lease payments of \$25,633 for the Company's office lease (December 31, 2019: \$548,600 and \$151,133 respectively).

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company does not currently generate any revenues or have operations that generate cash flows. Accordingly, the Company relies on funding received from the sale of investments and financing received from the issuance of common shares or loans and borrowings to finance its strategic investment activities and general and administrative costs. On October 30, 2020, the Company distributed certain of its investment securities with a carrying value of \$13,302,134 to the shareholders of the Company. Subsequent to the distribution, the Company's business plan is to continue making strategic investments in resource companies with a focus on gold and copper-gold. Based on current plans, the Company has sufficient cash to finance its general and administrative expenses and other current obligations for the twelve-month period. However, the Company will be required to obtaining additional financing in order to fund additional investments or exploration projects. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future.

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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 month period ended March 31, 2021	Three month period ended March 31, 2020	Nine month period ended March 31, 2021	Nine month period ended March 31, 2020
Management fees	\$ 60,000	\$ 105,000	\$ 220,000	\$ 340,000

The management fees are paid to J. Proust & Associates Inc., a private company controlled by John Proust, the Chief Executive Officer and Chairman of the Company. Management fees include administrative, finance, accounting, investor relations and consulting services.

The above transactions occurred in the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

CURRENT SHARE DATA

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

As at March 31, 2021, the Company has no share options or share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

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

The nature of the Company's operations exposes the Company to credit risk, liquidity risk, market risk and geopolitical risk, which may have a material effect on cash flows, operations and comprehensive income.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit risk

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

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Liquidity risk

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

Market risk

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 not currently exposed to material foreign currency risk. The quoted market price of PT Ancora shares are subject to fluctuations and this impacts other comprehensive income. A 1% change (plus or minus) in the price of PT Ancora shares would change the fair value of the common shares and other comprehensive income by approximately \$6,729. 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 income by \$29,182.

Foreign exchange risk

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.

CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements as at June 30, 2020 and 2019. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Significant accounting judgements and estimates

The preparation of these financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These 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, if any. These estimates impact share-based compensation expense and share-based payment reserve.
- ii) The determination of fair value of investments in non-tradable warrants and call option issued on certain shares of Tethyan Resources Plc, 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.

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- i) 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.
- ii) The classification of the Company's investments as an investment in associate or financial assets through other comprehensive income 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 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.

LIMITATIONS OF CONTROLS AND PROCEDURES

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted.

With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- *uncertainties relating to receiving mining, exploration and other permits in Indonesia;*
- *unknown impact related to potential business disruptions stemming from the COVID-19 outbreak, or another infectious illness;*
- *the impact of increasing competition;*
- *unpredictable changes to the market prices for gold, copper and other commodities;*
- *availability of additional financing and farm-in or joint-venture partners;*
- *anticipated results of exploration and development activities;*
- *the Company's ability to sell the securities in its investments for a profit, or at all;*
- *the Company's ability to obtain additional financing on satisfactory terms or at all.*

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The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.