SOUTHERN ARC MINERALS INC.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Introduction

The following discussion, prepared as of October 26, 2007, is management's assessment and analysis of the results and financial condition of Southern Arc Minerals Inc. (the "Company") and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2007 and audited financial statements for the year ended June 30, 2006. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all figures are reported in Canadian dollars unless otherwise indicated. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward- looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in gold and copper exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of resources and reserves and the geology, the possibility that future exploration, development or exploration results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors in the Company's Management Proxy Circular that can be found on the SEDAR website. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold and copper; that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Description of Business

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 mineral properties in Indonesia. To date, the Company has not generated revenues from operations and is considered to be in the exploration stage.

Industry

The Company is engaged in the acquisition and exploration of resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management.

Trends

In recent years, the resource exploration industry had been through a very difficult period, with low prices for both precious and base metals. Lack of interest led to low market capitalizations and large companies found it was easier to grow by purchasing companies or mines than to explore for them. This led to downsizing of large company exploration staff and many professionals took early retirement or left the industry to pursue other careers. As a result of these trends, there were limited mining projects in the pipeline and a shortage of experienced explorationists. With improving metal prices and increasing demand, especially from Asia, there is a discernible need for development of exploration projects. Junior companies, like the Company, are a key participant in identifying properties of merit to explore and develop.

Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, including adverse movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

Gold and Metal Prices

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products for which the Company may explore all have the same or similar price risk factors.

Resource Properties

The Company's accounting policy is to record its resource properties at cost. Exploration and development expenditures relating to resource properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

Lombok Island and Sumbawa Island Properties, Indonesia

Background

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 Island property ("Lombok") and the Sumbawa Island property ("Sumbawa") (collectively the "Properties") to the Company, which Sunda had obtained from 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 Inc. ("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.

Pursuant to the Option Agreement, the Company acquired all of Indotan's rights to the Properties in consideration for 1,000,000 common shares of the Company, valued at $125,000, and $180,000 in cash. Indotan is still nominally in control of the properties by virtue of being the legal holder of applications to the Indonesian government for contracts of work respecting each property, but Indotan has assigned all beneficial rights respecting the ownership and conduct for such applications to the Company (see below for details). Under the terms of the option agreement, Indotan retained a 1% net smelter return royalty ("NSR") in connection with the

properties. The Company has an option, until February, 2010 to acquire 50% of Indotan's 1% NSR on the Properties in consideration for the payment of $500,000. The Company acquired this option for $60,000. 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.

The Lombok and Sumbawa properties 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. Based on information from the regional government, the preliminary round of negotiations on the new 7+ generation COW agreement for the Taliwang property will commence in mid-November 2007. Accordingly, the joint central government-provincial government COW negotiating team is currently being assembled. It is hoped that the COW can be finalized before January 2008.

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. Relevant extensions for the Lombok SIPP license were filed in early 2006 and are pending awaiting the revocation by the Central Government of an unconstitutional provincial land utilization regulation. Because of both central and regency Mines Department endorsement letters the Company has continued unabated throughout 2006-2007 with a full exploration program. It is hoped that once the local land utilization regulation has been revised that COW negotiations will commence forthwith.

The Company also entered into an agreement with PT Newmont Nusa Tenggara ("NNT") regarding a 8,860 ha 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*.

West Lombok Project

This area was previously held by PT Newmont Nusa Tenggara, a subsidiary of the Newmont Mining Corporation. Through an agreement with Newmont, announced on January 11, 2006, Newmont relinquished the area and the Company incorporated it into its COW application area. Newmont has provided the results of its previous exploration of the area, and this has been incorporated into the Company's database.

Selodong Prospect

Newmont previously explored the Selodong area during the 1990s completing 7,956 m of diamond drilling within a 2.0 by 2.5 km area. This area forms part of the Selodong Intrusive Complex ("SIC"). Thirty-five of 52 drill holes intersected intervals of Cu-Au mineralized diorite-porphyry and volcanics. The Company has obtained the drill core and digital database from Newmont and the Company geologists have fully utilized these in their drill planning.

Porphyry consultant Gerald Clark, FAusIMM, CPGeo, has reviewed all geological data and has recommended a program of deeper drill holes to test extensions of known mineralization. A man-portable rig capable of coring 200 m PQ, 400 m HQ and 600+ m NQ was mobilized to site in late February 2007 to commence a 7,000+ m program. A second man-portable rig will be mobilized to site by the 1st week of November 2007.

Montong Botek and Blongas II are regarded as the best porphyry targets at this point and are the focus of the initial drilling program. At Montong Botek 8 out of 13 drill holes were stopped in Cu-Au

mineralization (due to drilling limitations) and several intersected long intervals of significant Cu-Au grades. For example:

SGD001 366.2 m @ 0.24% Cu, 0.37 g/t Au from 2.0 m (composite of 3 mineralized intervals)

PSG004 82.0 m @ 0.49% Cu, 0.73 g/t Au from 0.0 m

PSG028 150.6 m @ 0.21% Cu, 0.42 g/t Au from 0.0 m

and three of the drill holes exhibited increasing gold grade with depth:

PSG015B 75.8 m @ 0.40% Cu, 0.38 g/t Au from 75.0 m
(inc. 15.8 m @ 0.64% Cu, 0.72 g/t Au from 135.0 m to end of hole)

PSG018 141.5 m @ 0.37% Cu, 0.63 g/t Au from 14.0 m
(inc. 52.3 m @ 0.58% Cu, 1.1 g/t Au from 103.2 m to end of hole)

PSG018B 140.6 m @ 0.31% Cu, 0.51 g/t Au from 10.6 m
(inc. 76.2 m @ 0.34% Cu, 0.70 g/t Au from 75.0 m to end of hole)

At Blongas II 6 out of 10 drill holes ended in mineralization and two deeper holes recorded long intervals of Cu-Au mineralization containing high Au intervals:

SGD002 192.2 m @ 0.25% Cu, 0.54 g/t Au from 153.3 m
(inc. 61.1 m @ 0.38% Cu, 0.93 g/t Au from 202.6 m)

SGD003 285.0 m @ 0.19% Cu, 0.38 g/t Au from 154.8 m
(inc. 67.1 m @ 0.29% Cu, 0.71 g/t Au from 267.4 m)

Based on interpretation of geology and alteration mineralogies, the Montong Botek and Blongas II porphyries would appear to have suffered little erosion; hence there is good potential for preservation of the full mineralized system at depth.

Since April 2007, the Company has completed six drill holes (SLD001 to SLD006) totaling 3,995.1 metres in the SIC area, with the seventh, SLD007 currently in progress. These holes have tested two of the 15 porphyry Cu-Au targets and all have intersected broad zones (363.5 to 442.2 metres) of significant Cu-Au mineralization. Within these intervals significant widths of high grade Cu-Au values were intersected and as such the SIC porphyry

system would be classified in the "Gold-Rich" category of porphyry Cu mineralization. Details of holes drilled by the Company in the SIC area are detailed in Table 1 below:

Table 1: Southern Arc SIC Drilling Intercepts

Hole	UTM Coord.		Elev. (m)	Azi. (deg)	Incl. (deg)	Depth (m)	Significant Drill Intersection
	Easting	Northing					
SLD001	390950	9021167	130.9	045º	-65º	476.0	442.2 m at 0.28% Cu / 0.42 g/t Au from 33.8 m (incl. 105.0 m at 0.60% Cu / 1.04 g/t Au from 33.8 m)
SLD002	391049	9021236	150.3	225º	-60º	518.0	384.65 m at 0.30% Cu / 0.40 g/t Au from 18.1 m (incl. 117.2 m at 0.56% Cu / 0.80 g/t Au from 118.7 m
SLD003	390869	9021117	149.8	090º	-60º	643.5	363.5 m at 0.30% Cu / 0.51 g/t Au from 33.3 m (incl. 250.1 m at 0.35% Cu / 0.64 g/t Au from 33.3 m)
SLD004	391158	9022027	78.3	220º	-65º	605.0	407.25 m at 0.25% Cu / 0.45 g/t Au from 160.25 m (incl. 192.25 m at 0.36% Cu/0.74g/t Au from 160.25m)
SLD005	391017	9021886	95.7	090º	-65º	565.6	406.6 m @ 0.23% Cu / 0.29 g/t Au from 8.0 m (incl. 42.5 m @ 0.39% Cu / 0.57 g/t from 200.4 m)
SLD006	391206	9022193	90.3	260º	-65º	607.0	500.2 m @ 0.17% Cu / 0.30 g/t Au from 49.8 m (incl. 174 m @ 0.22% Cu / 0.45 g/t Au from 200.2 m)
SLD007	391159	9022431	185.3	290º	-65º		Hole in progress

SLD001, located within the northern part of the Montong Botek Porphyry Stock (MBPS), was drilled northeast at an inclination of -65°, with the aim of extending mineralization previously intersected by Newmont drilling, along with testing the limits of mineralization in the northeast quadrant of the MBPS. SLD001 was completed at a total depth of 476.0 m, with the first 33.8 m intersecting an non-mineralized late stage dyke, below which continuous mineralization was logged to the bottom of the hole, resulting in an overall intersection averaging **0.28% Cu and 0.42 g/t Au from 442.2 metres** (33.8 to 476.0 m).

High-grade Cu-Au mineralization in SLD001 intersected between 33.8 and 138.8 m is hosted within an early phase of mineralized quartz-diorite. This high-grade intrusive phase is inferred to have been intersected in several of the previous shallow Newmont drill holes including: **PSG004, PSG015B, and PSG032**. Extensions of this high-grade phase are being targeted in the ongoing drilling program by the Company.

Drill hole SLD002 was drilled at an inclination of -60 degrees in the opposite direction of drill hole SLD001 to determine the south western extent of the mineralization.

The first 335.0 m of SLD002 intersected moderate to strong stockwork porphyry veining hosted by a number of quartz diorite intrusive phases and associated brecciation zones. Around 335 m the diorites appear faulted against a chaotic, polymictic diatreme breccia which continues to a depth of 478 m. This breccia exhibited a variety of hydrothermal textures and structures. Basement rock comprising recrystallized limestone with lesser tuffaceous horizons prograding into marbles and later garnet-epidote skarns was logged from 478 m to the end of the hole.

Drill hole SLD003 was completed at a total depth of 643.5 metres. It was drilled eastward at an inclination of -60 degrees targeting the eastern and southern extensions of Cu-Au mineralization intersected in SLD001 and SLD002.

The upper half of SLD003 to a depth of 288.4m intersected chalcopyrite and locally bornite mineralized porphyry stockworks hosted in a series of quartz diorite intrusives, which were later cut by hornblende diorite dykes. From 288.4 to 497.2m a polymictic diatreme breccia intersected in both SLD001 and SLD002 was logged. The breccia contains variable amounts of mineralized diorite clasts which have been stoped out of the enclosed porphyry stock and contribute to elevated Cu-Au grades. A slice of basement metasediments and associated garnet-epidote skarns was logged from 497.2 to 526.4 m, whilst feldspar to diorite porphyry intrusives often displaying high temperature alteration assemblages was encountered for remainder of the hole.

The drill rig was subsequently moved in late June 2007 to the Blongas II Porphyry target, located 600 m north of Montong Botek.

Drill hole SLD004 was drilled on a southwest azimuth at an inclination of -65 degrees targeting extensions of Cu-Au mineralization previously intersected in drillholes SGD002 and SGD003 completed by Newmont. It was completed at a total depth of 605.0 meters.

The upper 85 m of SLD004 intersected sheared, phyllic altered dioritic intrusives, with localized stockwork veining and rare secondary copper minerals. From 85 to 160 m a post-mineralization hornblende diorite dyke was intersected. Variable secondary magnetite alteration, with associated porphyry-style stockwork and disseminated copper sulfide minerals are observed within diorite intrusives between 160 to 523 m. Post-mineralization diorite dykes cross-cut these intrusives from 352 to 390 m. Strong secondary potassic-altered feldspar porphyry intrusives were logged in the remainder of the hole.

Drill hole SLD005 was completed at a total depth of 565.6. It was drilled eastward at an inclination of -65 degrees targeting test lateral extensions of mineralization from Newmont drill holes SGD002, PSG002 and PSG002A

The upper 241.2 m intersected a series of magnetite altered diorite intrusives hosting porphyry-style quartz-stockwork veining including higher grade intervals; 72.1 m at 0.38% Cu and 0.30 g/t Au from 97.7 m and 42.5 m at 0.39% Cu and 0.57 g/t Au from 200.4 m. Moderate to strong phyllic alteration overprints potassic assemblages in these lithologies to the detriment of copper mineralization. From 172.1 to 200.4 m a post-mineralization hornblende diorite dyke was intersected. A fault-sliver of volcanic country rock, with metasediment equivalents was logged from 241.4 to 252.7 m. Mineralized intrusives logged between 252.7-539.9 m show variable secondary magnetite alteration and porphyry stockworking, but again are overprinted by later phyllic alteration. Intense phyllic alteration of intrusive units is prevalent for the remainder of the hole. Shear/fault zones often 10's of meters wide were intersected throughout the majority of the hole, confirming the dominant regional N-NW structural regime.

Drill hole SLD006 was completed at a total depth of 605.0. It was drilled westward at an inclination of -65 degrees targeting a possible N to NW trending structural corridor of porphyry Cu-Au mineralization through Blongas I and II.

For the length of drill hole SLD006 a number of generations of altered diorite intrusives hosting porphyry-style quartz stockwork veining were logged. These are observed to be cut by syn- and post-mineralization dykes of dacitic and dioritic compositions. The mineralized intrusives generally exhibit zones of potassic alteration with secondary magnetite, hosting higher copper-gold grades, and zones showing variable overprinting by phyllic alteration. Phyllic alteration marginal to higher-grade potassic mineralization is a zonation typical of many porphyry Cu-Au deposits.

Drill hole SLD007 located 240 m north of drill hole SLD006 continues to the test the concept of a N to NW trending structural corridor of porphyry Cu-Au mineralization through Blongas I and II targets. This zone appears to be some 250 to 300 m wide and approximately 1000 m in length.

The Company's recent compilation of surface geological mapping, geochemical and geophysical results has developed 15 porphyry Cu/Au drill targets within the SIC. These 15 distinct porphyry Cu-Au drill targets are located over an aerial extent in excess of 20 square kilometers. They show coincident magnetic highs associated with secondary magnetite alteration, elevated surface Cu-Au-Mo geochemistry and associated intense fracturing and vein stockworks typical of porphyry Cu-Au deposits. Six of these targets were scout drilled by the previous operator Newmont and this drilling has confirmed the model. The remaining nine target areas have yet to be drill tested. Details of each of these drill targets are shown in Table 2.

Because of the strong spatial correlation of elevated Cu-Au grades and secondary magnetite alteration recognized in drillholes to date, the Company has had geophysical consultants GRS of Brisbane, Australia, undertake modeling of ground magnetic data from the Selondong area. Images from 3D geological/geomagnetic models by GRS confirm the potential for significant depth and size of the 15 targets. This work forms part of the on-going objective of developing 3D geological/geomagnetic models to focus ongoing drill targeting and exploration within the SIC.

Based on the encouraging drilling results to date and the large number of porphyry Cu-Au drill targets as detailed in Table 2, Management intends to drill test each target to better understand the geometry, grade, and size potential with the objective of prioritizing the targets for future work.

Table 2: Selodong Intrusive Complex Porphyry Cu-Au Drill Targets

Anomaly	Geology	Geophysics				Surface Geochemistry					Mineralized Drill Intercepts (Cu in %, Au in g/t)
		3D		Mag IP		Soil	Rock	Cu	Au	Mo	
		Mod	High	Mod	High						
Montong Botek	Magnetite altered diorite + Quartz stockworks centered on N & NE structure.	✓			✓	✓	✓	✓	✓	✓	- 18 shallow drill holes max. depth 155.5 m. - 4 deep drill holes (3 by the Company) to max. depth 643.5 m. - Intercepts from 14 to 442.2 m, with ranges of 0.21-0.6 Cu & 0.24-1.04 Au. - Best interval: 442.2 m @ 0.28 Cu & 0.42 Au (incl. 105.0 m @ 0.6 Cu & 1.04 Au)
Blongas I (BI)	Magnetite altered diorite + quartz stockworks centered on N & NE structure.	✓			✓	✓	✓	✓	✓	✓	- 4 shallow drill holes, max. depth 129.9m. - 1 deep drill hole depth 501.2m. - Intercepts from 20.5 to 115.1m, with ranges of 0.09-0.19 Cu & 0.1-0.3 Au. - Best interval: 115.1m @ 0.14 Cu & 0.24 Au.

Blongas II (BII)	Magnetite altered diorite + quartz stockworks centered on N & NE structure.		✓		✓	✓		✓	✓	✓	-10 shallow drill holes max. depth 150m. - 3 deep holes (1 by SA) to max. depth 605m. - Intercepts from 40.4 to 407.25m with ranges of 0.19-0.5 Cu and 0.25-1.05 Au. - Best interval: 407.25m @ 0.25 Cu & 0.45 Au (incl. 102.25m @ 0.5 Cu & 1.05 Au)
Blongas III (BIII)	Magnetic anomaly covered by alluvium diorite and quartz stockworks are mapped peripherally.	✓		✓		✓		✓	✓	✓	Not yet drill tested
Belikat-Mahoni	Zones of quartz stockworks in altered diorite centered on a complex structural zone at the margin of a regional circular feature.		✓		✓	✓	✓	✓	✓	✓	- 4 shallow drill holes, max. depth of 150.8m. - Intercepts from 19.7 to 72.6m, with ranges from 0.05-0.1 Cu & 0.18-0.42 Au. - Best interval: 67.6m @ 0.1 Cu & 0.21 Au, the last 2 samples of this hole gave 7.6m @ 0.13 Cu & 0.38 Au.
Kekalik	3 areas of quartz stockworks in altered diorite centered on a local circular feature with N & NE structural intersects.		✓		✓	✓	✓	✓	✓	✓	- 3 historic drill holes, maximum depth of 150.2m. - Intercepts from 17.3 to 72.1m with ranges from 0.03-0.13 Cu & 0.13-0.27 Au. - Best interval: 72.1m @0.13 Cu & 0.25 Au.
KK2	Magnetite altered diorite + quartz stockworks centered on NE & NW structure.		✓	✓		✓		✓	✓	✓	Not yet drill tested
KK3	Magnetite altered diorite + quartz stockworks centered on NE & NW	✓			✓	✓		✓	✓	✓	Not yet drill tested

	structure.										
Kedaro	Magnetite altered diorite + quartz stockworks centered on N & NW structure intersection.		✓		✓	✓	✓	✓	✓	✓	Not yet drill tested
D2	Magnetite altered diorite + quartz stockworks centered on NE & NW structure.		✓		✓	✓		✓	✓	✓	Not yet drill tested
KD3	Quartz stockworks hosted in porphyry intrusives centered on N & NW structure intersection.	✓		✓		✓		✓	✓	✓	Not yet drill tested
KD4	Quartz stockworks hosted in porphyry intrusives centered on N & NE structure intersection.	✓			✓	✓		✓	✓	✓	Not yet drill tested
KD5	Zones of quartz stockworks hosted in porphyry intrusives centered on N & NE structure intersection.	✓			✓	✓		✓	✓		Not yet drill tested
KD6	N & NE structure intersection on margin of local circular feature, target to be mapped.	✓		✓		✓		✓	✓		Not yet drill tested
Lapangan Geres	Magnetite altered diorite + Quartz stockworks, mineralization also hosted in breccia (diatreme). N &		✓				✓	✓	✓		Not yet drill tested

	NE structure intersection on margin of regional circular feature.										

Pelangan Prospect (Kayu Putih, Tanjung, Radja, Ratu and Lala mineralized structured breccia)

In the West Lombok Project, the Company's field crews have focused on Mineralized Structural Breccia ("MSB") targets at the Pelangan Prospect. Prospect evaluation programs thus far have involved initial prospect-scale flocculant BLEG sampling, followed by survey grid establishment, detailed geological mapping (at 1:500 and 1:2,000 scales), selective hand costeaning, rock saw outcrop sampling, petrological studies, ground CSAMT geophysical surveys and shallow diamond drilling programs.

The Kayu Putih and Tanjung mineralized structural breccia were both known to be in the order of 400 to 800 m long; however surface prospecting by Southern Arc has extended known zones of mineralization in some cases by an additional 300 m to 400 m in strike length, and/or identified entirely new sub-parallel zones (Radja, Ratu and Lala). Particularly encouraging are the possible high grade ore shoots in the east-west segment of Kayu Putih and in parts of Radja and Ratu. In the case of Kayu Putih outcrop channel samples have returned:

6.8 m @ 22.43 g/t Au
0.9 m @ 34.60 g/t Au
2.7 m @ 7.1 g/t Au & 21 g/t Ag

Radja and Ratu surface intercepts have returned values to a maximum of 1.0 m @ 6.51 g/t Au & 31 g/t Ag, whilst 3 m semi-continuous chip samples have reported values to a peak of 34.1 g/t Au & 170 g/t Ag.

Although controlling structures are easily visible as linear or sigmoidal topographical highs, what is actual in situ versus subcrop has been difficult to ascertain. Often the mixed zone of outcrop, subcrop and rubble material is 40 to 50 metres wide. For practical reasons the Company mobilized a small man-portable drill rig in late June 2006 to drill a series of shallow, scissored drill holes (40 to 80 m depth, termed "geo-drilling") to provide subsurface information on structural breccia geometry and grade. This is complimented by ground CSAMT geophysical surveys, a proven geophysical technique in identifying the mineralized structured breccias, veining and peripheral silification. From June 2006 until February 2007 fifty one drill holes totaling 3,762.05 metres were completed.

Drill Hole Review:

Raja, Ratu & Lala Mineralized Structural Breccias

The Raja, Ratu and the Lala MSBs are located within the southern portion of the Pelangan Prospect. Zones of significant gold/silver mineralization have been intersected in 12 of 19 drill holes completed

Highlights of drill hole intervals include:

Drill hole QDG04:		3.7 m @ 2.3 g/t Au
	(including;	1.4 m @ 4.9 g/t Au)
		4.3 m @ 2.1 g/t Au & 10 g/t Ag
	(including;	2.5 m @ 3.2 g/t Au & 16 g/t Ag)
Drill hole QDG06		1.0 m @ 7.36 g/t Au & 186 g/t Ag
Drill hole RDG01:		10.7 m @ 2.9 g/t Au & 20 g/t Ag
	(including;	4.7 m @ 5.8 g/t Au & 27 g/t Ag)

		3.45 m @ 4.1 g/t Au & 64 g/t Ag
	(including;	1.1 m @ 7.6 g/t Au from 63.2 m)
Drill hole RDG02:		6.1 m @ 2.4 g/t Au & 17 g/t Ag
	(including;	3.5 m @ 3.8 g/t Au & 26 g/t Ag)
Drill hole RDG03:		6.3 m @ 2.5 g/t Au / 81 g/t Au
	(including;	1.6 m @ 5.7 g/t Au / 50 g/t Ag)
		12.1 m @ 2.3 g/t Au & 16 g/t Ag
	(including;	3.15 m @ 4.8 g/t Au & 22 g/t Ag
Drill hole RDG04:		9.5 m @ 6.2 g/t Au & 41 g/t Ag
	(including;	3.05 m @ 14.2 g/t Au & 61 g/t Ag)
Drill hole RDG05:		22.95 m @ 4.1 g/t Au & 17 g/t Ag
	(including;	2.25 m @ 14.6 g/t Au & 10 g/t Ag
	and	1 m @ 21.4 g/t Au & 23 g/t Ag)
Drill hole RDG06:		16.1 m @ 2.7 g/t Au & 23 g/t Ag
	(including;	5.7 m @ 5.2 g/t Au & 30 g/t Ag)
Drill hole RDG07:		11.3 m @ 2.8 g/t Au / 22 g/t Ag
	(including	1.6 m @ 6.6 g/t Au / 38 g/t Ag)
		19.75 m @ 4.6 g/t Au & 28 g/t Ag
	(including;	2.5 m @ 5.5 g/t Au & 28 g/t Ag
	and	3.9 m @ 13.5 g/t Au & 22 g/t Ag
	and	4.6 m @ 3.6 g/t Au & 24 g/t Ag)
Drill hole RDG08:		13.1 m @ 1.3 g/t Au & 15 g/t Ag
	(including;	1.85 m @ 2.5 g/t Au & 16 g/t Ag
	and	1.7 m @ 2.6 g/t Au & 27 g/t Ag)
Drill hole RDG12		22 m @ 1.0 g/t Au & 14 g/t Ag
	(including	3.8 m @ 2.3 g/t Au & 13 g/t Ag)

Raja MSB

The Raja MSB comprises a 1.7 km long north-northwest trending mineralized, linear breccias zone which has been subdivided by mapping into north, central and southern zones. The north-northwest trend of Raja is a secondary structure related to the dominant 320° orientation which hosts numerous mineralized breccias and porphyry occurrences within the West Lombok Property. At surface the Raja MSB exhibits a 'pinch and swell' character with zones up to 20 metres in width.

Shallow drilling along the central and southern zones of the Raja MSB to date has confirmed continuity of gold mineralization with a 600 metre strike length between drill holes QDG06 and RDG07. Two holes have been completed on the northern extension of the vein and have intercepted significant quartz and sulphide rich zones confirming the continuity of the structure north from the central Raja MSB.

All drill holes were cored at angles between 55° to 60°, and spaced at intervals between 50 to 150 metres along strike, and confirming a vertical to sub-vertical dip on the structure. Most of the mineralization was intercepted below the base of surface oxidation.

The program to date has confirmed the presence of extensive, near surface gold mineralization within the central and southern parts of the Raja MSB. Drilling intercepts are of a comparable magnitude to earlier surface outcrop sampling. Phase 2 drilling planned for the 1st quarter of 2008 will comprise a series of deeper holes to test both vertical and lateral extensions of significant Au-Ag drill intercepts.

Ratu MSB

Five of the 19 holes reported are located at the Ratu Zone. The 5 drill holes targeted extensions below high-grade surface rock-float at the Ratu MSB but failed to intersect major structures. The large volume of locally high-grade material located at the Ratu MSB is now believed to be derived from the Tanjung MSB. Narrow mineralized drill intercepts recorded at the Ratu MSB are related to "horse-tail" splay structures developed between the Raja and Tanjung MSB's.

Lala MSB

First-pass mapping and sampling has been completed over the Lala MSB which parallels the Raja MSB 350 metres to the east. Mapping has defined a series of mineralized structures oriented between north-northwest and east-west over a 1 kilometre strike. Mineralized structure exposures are comprised of outcrops up to 15 metres in width in the southern zone but generally are limited to discontinuous sub-crops to the central and northern zones. Assay results from 163 rock-chip samples collected to date show consistently high grades along the length of the Lala MSB. The average gold result from 163 rock-chips is 1.6 g/t Au with a peak result of 51 g/t Au. A series of shallow drill holes are planned to test the down-dip extensions of these high-grade surface samples.

Tanjung-Jati Mineralized Structural Breccias

The Tanjung-Jati MSB is located in the western region of the Pelangan Prospect. Zones of potentially significant gold mineralization have been intersected in 8 of 13 drill holes completed within the Tanjung-Jati MSB.

Highlights of drill hole intervals include:

Drill hole TDG01:		18.45 m @ 1.1 g/t Au & 4 g/t Ag;
	(including;	1.6 m @ 4.1 g/t Au & 3 g/t Ag);
Drill hole TDG02:		10.5 m @ 13.4 g/t Au & 8 g/t Ag;
	(including;	2.3 m @ 47.9 g/t Au & 24 g/t Ag).
Drill hole TDG03:		8.6 m @ 2.7 g/t Au / 4 g/t Ag;
	(including;	2.95 m @ 6.1 g/t Au / 9 g/t Ag);
Drill hole TDG06		4.6 m @ 3.1 g/t Au & 10 g/t Ag;
	(including	1.45 m @ 5.5 g/t Au & 10 g/t Ag);
Drill hole TDG07		18.45 m @ 1 g/t Au & 7 g/t Ag;
	(including	1.2 m @ 6.6 g/t Au & 4 g/t Ag);
Drill hole JDG03		9.2 m @ 5.9 g/t Au & 11 g/t Ag;
	(including	1.25 m @ 24.9 g/t Au & 7 g/t Ag);
		9.05 m @ 1.6 g/t Au & 10 g/t Ag;
	(including	1.75 m @ 6.1 g/t Au & 28 g/t Ag).

Tanjung-Jati MSB comprises a 1.5 km long northwest trending structure divided by a central split to form Jati to the west and Tanjung to the east. The northwest trend of Tanjung-Jati parallels the dominant 320° orientation.

At surface the mineralized structural breccias exhibit a 'pinch and swell' character with zones up to 20 metres in width. Shallow drilling along the strike length of the zone has confirmed continuity to depths of around 50 metres with locally high-grade intercepts.

All drill holes to date have been cored at angles between 55° to 60°, and spaced at intervals between 50 to 230 metres along strike, confirming a vertical to sub-vertical dip on the structural breccias. Most of the mineralization has been intercepted below the base of surface oxidation.

The program to date has confirmed the presence of mineralized zones with locally high grade intercepts. Sub-surface intercepts are up to 15 metres wide showing good continuity along strike. Infill and deeper drilling will seek to locate more high-grade mineralization as significant areas along strike, which also host high grade surface samples, have yet to be drilled. Drilling intercepts received so far are generally comparable in magnitude to previous outcrop sampling.

Kayu Putih Mineralized Structural Breccias

The Kayu Putih Mineralized Structural Breccias ("Kayu Putih MSB") is situated in the northern area of the Pelangan Prospect. Zones of potentially significant gold mineralization have been intersected in 9 of the 14 drill holes assayed within the Kayu Putih MSB.

Highlights of drill hole intervals include:

Drill hole KDG003:		3 m @ 4.1 g/t Au
	(including;	1 m @ 5.9 g/t Au)
Drill hole KDG004:		11.4 m @ 9.6 g/t Au & 47 g/t Ag
	(including;	1 m @ 71 g/t Au & 182 g/t Ag)
Drill hole KDG012:		11.1 m @ 3.1 g/t Au & 8 g/t Ag
	(including;	2.55 m @ 9 g/t Au & 16 g/t Ag)
		4.1 m @ 5.9 g/t Au & 9 g/t Ag
	(including;	1.1 m @ 18.1 g/t Au / 25 g/t Ag)
Drill hole KDG013:		5 m @ 4.2 g/t Au & 15 g/t Ag
	(including;	1.4 m @ 9.8 g/t Au & 21 g/t Ag)

Kayu Putih comprises two intersecting mineralized structures with east-west and northwest trends, over an area of 800 by 400 metres. The east-west oriented structure at Kayu Putih is inferred to be hosted within 'en-echelon ramp-structures', which can be associated with high-grade mineralization. At the Kayu Putih MSB, the en-echelon ramp-structures are developed between major, mineralized northwest trending structures that parallel the dominant 320° orientation which hosts numerous mineralized structural breccias and porphyry occurrences within the West Lombok Property.

Southern Arc has completed 17 shallow drill holes drilled on a north-south grid orientation at angles between 55° to 60° dip with variable spacing between holes. The deepest mineralized intercept occurs at 59 metres vertically below surface and most intersections occur below the base of complete oxidation. Dips of the structures vary between 60° to 80°. The majority of drill holes are drilled perpendicular to the mineralized structures. Drilling at Kayu Putih has been spaced between 50 to 100 metre intervals.

The program to date has confirmed the presence of near surface high-grade zones within the southern part of the mineralized structure. A 450 metre long strike zone between drill holes KDG02 and KDG12 shows the best potential for continuous high grade mineralization. Phase 2 drilling planned for the 1st quarter of 2008 will comprise a series of deeper holes to test the down-dip extension of this zone for high-grade shoots.

Mencanggah Prospect (West Lombok)

Preliminary surface evaluation programs consisting of geochemical sampling and mapping have been completed at the Mencanggah Prospect, located centrally within a 13 km long northwest trending structural corridor of mineralization and alteration along which also lie the Pelangan Epithermal-Gold and Selodong Copper-Gold Porphyry Prospects. Eleven targets displaying epithermal vein/breccia and/or porphyry Cu-Au mineralization styles were evaluated. Five anomalies have been selected for further detailed prospect-scale work, including scout diamond drilling where warranted.

The first-pass evaluation program comprised geologic mapping and the collection of 2,189 channel and rock chip samples over a 50 km² area. The five selected targets scheduled for follow-up include Tibu Serai and Bising, which host gold-mineralized structural breccias ("MSBs"), along with Mahoni, Kedaro and Lepangan Geres, which are located on the margins of the Selodong Intrusive Complex ("SIC**"**) and exhibit both porphyry-style stockwork veins and MSBs.

Tibu Serai is located within the northern part of the Mencanggah Prospect, comprising an area of 1,800 m by 700 m and hosts six discrete (T1 to T6) northwest trending MSBs with maximum dimensions to 840 m by 20 m. 151 chip-channel samples between 1 m to 5 m lengths were collected across the strike at nominal 20 m intervals along the MSBs. Significant surface gold intersections include:

TS1: *2* m @ 95 g/t; 2 m @ 9.83 g/t; 2.5 m @ 6.12 g/t; & 6 m @ 2.25 g/t.
TS2: 2 m @ 8.2 g/t; 2 m @ 3.59 g/t; & 2 m @ 2.77 g/t.
TS3: 3 m @ 1.83 g/t.
TS4: 2 m @ 5.84 g/t.
TS5: 2 m @ 2.71 g/t.

The composite weighted average for all channel samples reported a tenor of 1.98 g/t Au.

The Bising MSB target is located centrally within the Mencanggah Prospect and comprises two major east-west trending MSB zones (B1 & B2) up to 700 m in strike length and 100 m wide. From 93 chip-channel samples of 1m to 5 m lengths an overall average grade of 2.27 g/t Au was reported.

Higher grade gold intercepts include:

B1: 66 m @ 1.1 g/t (incl. 12 m @ 3.54 g/t & 4 m @ 6.26 g/t)
22 m @ 1.13 g/t (incl. 2 m @ 2.11 g/t).

B2: 8 m @ 1.9 g/t (incl. 2 m @ 3.95 g/t)
2 m @ 6.81 g/t; 4 m @ 1.92 g/t; & 2 m @ 3.19 g/t.

Mahoni lies at the extreme south of the prospect and represents one of three targets exhibiting porphyry-style mineralization along the margins of the SIC. Mineralization and alteration have been identified within a 2.0 km by 1.0 km north-south corridor comprising MSBs in the western and northern portions, whilst porphyry style stockwork veining, with locally overprinting MSBs, is found in the south-eastern portion.

MSB mineralization comprises several north-south trending discontinuous lenses up to 5 m wide and having a maximum length of 500 m. From 205 rock-chip samples assayed the average gold tenor reported was 1.02 g/t, to a peak value of 54.0 g/t.

Porphyry stockworks are coincident with ground-magnetic "highs". Sampling of weathered leached exposures reported an average tenor of 0.07 g/t Au, to a maximum of 1.75 g/t Au and 1.4% Cu. In general, copper values are very subdued as a result of near-surface oxidation.

Porphyry-style stockwork mineralization hosted within altered diorite at Kedaro has been identified over a 300 m by 300 m area centered on the northeast end of a strong ground magnetic anomaly. Twenty-two rock chip samples collected from the quartz-limonite stockworks reported an average grade of 0.30 g/t Au, to a maximum tenor of 2.2 g/t Au.

Lepangan Geres is located at the northeast margin of the prospect, comprising a 1.0 km by 1.5 km area of hydrothermal alteration on the margins of a large magnetic anomaly. Mineralized outcrops of altered diorite and diatreme-style breccias have been sampled in the northeast and southwest corners of the target. These outcrops display gold anomalism equivalent to porphyry-style grades. Assay highlights include:

- Southwest zone: Twenty six channel samples of up to 10 m in length within a 200 m by 150 m area returned a weighted average grade of 0.19 g/t Au, including 10 m @ 0.89 g/t Au. Copper is anomalous with a peak value of 0.17 %.

- Northeast zone: Five channel samples of up to 5 m lengths along a 20 m outcrop reported a weighted average grade of 0.37 g/t Au and a peak copper value of 0.20%.

All five targets exhibit significant mineralization and alteration based on first-pass investigations. Further detailed work will seek to quantify and clarify the mineralization styles to identify potential drill targets.

East Lombok Project

Awang Prospect

Surface mapping and sampling, accompanied by ground CSAMT surveying at the Awang Prospect, has identified a number of low sulfidation quartz vein swarms, some of which can be traced for up to 2.5 km in strike length, with widths of 3 to 8 metres. Highest Au-Ag grades (4.63 g/t Au & 110 g/t Ag) coincide with low temperature (<200º C) quartz forms, which are subordinate to higher temperature (250-260º C) forms and higher Au:Ag ratios. At least 4 to 5 drill holes are warranted to test these vein targets.

Sumbawa Island Properties

Lemonga Gold Prospect (West Sumbawa)

Exploration on the Lemonga Prospect is focused on a low-sulphidation epithermal quartz vein system over which surface mapping by the Company and previous operators has confirmed hydrothermal argillic alteration within an area approximately 1 km East-West by 1.5 km North-South. Five quartz vein targets, named Amy, Betty, Cici, Dessy and Evi, have been identified within the alteration zone. The best exposed vein, the Amy Vein, has a mapped strike extent of at least 950 meters.

The phase two drilling program was completed in July 2006, with a total of 5,655.50 metres drilled in 40 diamond core holes (LDG-17 to 56). All holes were drilled at right angles to the strike of the veins at -45º and -60º inclinations. Drill hole rationale and results have been detailed in Management Discussion and Analysis filed on SEDAR on March 1, 2007. The prospect is currently on a care and maintenance basis.

Ramit Prospect (West Sumbawa)

Following the identification of two structurally-controlled, high sulfidation epithermal vein prospects (Semoan & Raboya) and their apparent genetic association with a large helimag anomaly (interpreted as an intrusive or sub-volcanic body) coincident with an extensive chargeability high (based on IP/resistivity results), a porphyry high-sulfidation model was conceived and drill tested. A total of four holes totaling 1,218.75 m were drilled to explore the conceptual porphyry and porphyry shoulder target beneath a 750-m east-west IP chargeability zone. Although extensive porphyry-style alteration and mineralization was intersected, reported gold and copper grades were of

low tenor. Further petrological work, a ground magnetic survey, and subsequent data interpretation are required to be able to vector further drill holes.

Jereweh Prospect (West Sumbawa)

A number of historical Newmont geochemical anomalies in the southern part of the property were evaluated in the first half of 2007 by field teams namely the J3 and J6 anomalies.

J3 Prospect

The J3 Prospect is situated in the south-eastern corner of the Company's Taliwang property, approximately 12 km north of Newmont's Batu Hijau porphyry Cu-Au mine. J3 was discovered by Newmont during first pass regional drainage sampling in 1987 and subsequently targeted by detailed geochemical and geophysical programs. Au-Ag±base metal mineralization was identified from a contact zone of a flat lying silicified limestone and an altered volcaniclastic sediment unit. Newmont's channel sampling from a mineralized 2.7 m thick limestone bed averaged 6.75 g/t Au with a maximum of 12.0 g/t Au and 121 g/t Ag. This anomalous outcrop is situated on the eastern edge of a 1.8 x 1.3 km zone of widespread anomalous Au soil geochemistry. The most significant anomaly, within this zone comprises a 700 x 200 m NW trending zone of >50 ppb Au in soil. This is interpreted as an erosional window through unaltered limestone cover re-exposing the mineralized limestone/volcanic contact. Moderate base metal, As, Sb and Mo soil anomalies as well as IP and resistivity anomalies are associated with elevated gold soil geochemistry throughout the area.

Preliminary orientation surveys by the Company's personnel during November to December 2006 relocated the Newmont discovery outcrop referred to above which SA geologists have named "Hitam Manis" (HM, Indonesian for "Black Sweet"). Outcrop sampling and mapping of the main silicified zone (interpreted as jasperoid ledges) and the peripheral alteration envelope, reported significant high grade Au-Ag channel samples. From 14 rock samples submitted, 6 samples assayed >1.0 g/t Au, including 216.0 g/t Au and 330 g/t Ag over 3.0 metres, 64.0 g/t Au and 52 g/t Ag over 3.0 metres and 10.40 g/t Au & 50 g/t Ag over 3.3 metres respectively .

Immediately south of HM, a possible fault offset of similar jasperoidal material returned a value of 33.6 g/t Au and 17 g/t Ag over 2.5m. Assay results from additional surface rock chip sampling peripheral to HM confirm the widespread Au anomalism previously defined by Newmont. Significant rock chip values including 10.1 g/t Au and 14.3 g/t Au have been reported as far as 720 m northwest and 635 m west of HM respectively. Several pods of jasperoid outcrop and subcrop have been mapped up to 2,500 m west of HM coinciding with Newmont's Au-As-Sb soil anomalies.

Channel sampling using a portable diamond rock saw reported intersections in the northern area of the HM zone include:

5.0m (3.6 m) @ 6.78 g/t Au & 123 g/t Ag
2.3m (1.6 m) @ 3.14 g/t Au & 44 g/t Ag
5.3m (3.8 m) @ 1.3 g/t Au & 6 g/t Ag
5.0m (3.6 m) @ 1.31 g/t Au & 13 g/t Ag
4.9m (3.4 m) @ 18.09 g/t Au & 39 g/t Ag
(True thickness of the mineralized bed is shown in brackets)

The four best contiguous diagonal sections result in a weighted average of 7.93 g/t Au & 57 g/t Ag over a rock face averaging 3.5 m high and approximately 12 m wide.

In the same area as described in the preceding paragraph, selected diagonal cuts and a composite sample were taken along the face of a NW trending fault trace and returned high grade channel samples of 4.0m @ 139.6 g/t Au & 93 g/t Ag, and 3.0m @ 58.4 g/t Au & 136 g/t Ag. A composite sample of eight contiguous diagonal cuts averaged 10.47 g/t Au & 54g/t Ag over a vertical face with dimensions 1.75 m high and 14.0 m long. While the company is comfortable with these assays results we have no way of determining the third dimensions of these higher grades zones without subsurface (drill) samples.

Additional channel sampling of a NE to N curving jasperoid ledge (3m high × 120m long) situated approximately 350 m southeast from the zone of higher grades resulted in surface intersections of:

1.0m (0.7m) @ 3.12 g/t Au & 18 g/t Ag	2.0m (1.4m) @ 2.57 g/t Au & 182 g/t Ag
2.0m (1.4m) @ 2.52 g/t Au & 18 g/t Ag	3.5m (2.5m) @ 2.43 g/t Au & 35 g/t Ag
2.0m (1.4m) @ 2.36 g/t Au & 171 g/t Ag	1.5m (1.1m) @ 2.36 g/t Au & 5 g/t Ag

(True thickness of the mineralized bed is shown in brackets)

An orientation IP ground survey over the area of interest defined geophysical signatures suggestive of subsurface lateral extensions of known jasperoid surface mineralization. Modeling suggests that these subsurface bodies are flat-lying, with lesser north-south structural feeder zones postulated in the eastern grid area. Further to the west similar geophysical signatures have been noted in areas of subcropping jasperoid and extensive talus scree fields.

A total of seven holes totaling 413.6 m were drilled at inclinations of -45º to -75º, to a maximum depth of 79.40 metres. The holes were targeted to test subsurface extensions of known surface Au-Ag jasperoid mineralization. All but one drill hole intersected a shallow, westward-dipping jasperoid layer of variable thickness (intercepts of 0.2 to 5.55 m), hosted by a volcano-sedimentary sequence of andesitic tuff, lavas, fossiliferous limestones and marls. No definitive sub-vertical structural feeder zones were identified.

Aside from an intersection in drill hole J3DH-01 of 2.0 m at 1.93 g/t Au and 11 g/t Ag from 7.2 to 9.2 m, no other significant Au-Ag intersections were reported.

J6 Prospect

The J6 Prospect is located approximately 4 km west of J3. Mineralization here comprises auriferous base-metal veins hosted within hydrothermal breccia bodies and volcaniclastic and pyroclastic rocks. Trenching of quartz stockwork zones by the previous operator returned anomalous results including 110m @ 1.09 g/t Au (includes 25m @ 2.46 g/t Au). Scout diamond drilling (seven holes totalling 651.3 m) in 1998 by Newmont intersected erratic quartz base-metal sulfide (pyrite-galena-sphalerite-chalcopyrite) sheeted veins and stockworks, with significant intersections of 8.41 g/t Au over 3.9m, 20.8 g/t Au over 0.70m and 10.2 g/t Au over 1.73m.

Sabalong KP (West Sumbawa)

On April 28, 2007, the Company was issued an exploration license (Kuasa Pertambangan, "KP") over parts of West Sumbawa Island, West Nusa Tenggara Province. The Sabalong KP area (9,950 Ha) was previously explored by Newmont (1986 to 1992) and Rio Tinto Zinc (1993 to 1998) under fourth and sixth generation Contracts of Work. The KP license issued by the Sumbawa regency is valid for twelve months and can be extended for a further 12 months as part of the General Survey conditions of the license.

Previous exploration in the KP area by Newmont reported Au-Ag anomalous drainages from four contiguous catchment areas. Subsequent follow-up ground traverses identified extensive hydrothermal alteration of intermediate pyroclastics and intrusive rocks, hosting high-sulfidation epithermal quartz veins. Rock chip assays reported a maximum tenor of 0.77 g/t Au and 260 g/t Ag. The area was dropped afterwards as part of mandatory relinquishments that form part of the conditions of the Contract of Work. Rio Tinto Zinc (RTZ) subsequently acquired the KP area, as well as other ex-Newmont blocks, as part of a 543,200 ha Contract of Work area. Initial reconnaissance sampling by RTZ reconfirmed Newmont's Au-Ag anomalous catchment areas, along with delineation of potential carbonate-replacement and base metal mineralization further to the east. Additional prospect evaluation work defined an area of 3.0 by 2.0 km of phyllic alteration assemblages, hosting zones of residual silica and enargite-bearing quartz veins typical of high-sulfidation epithermal systems. Subsequent diamond drilling reported (Dalimunthe and Stevadji, 1998) an encouraging intersection of 32m @ 3.5 g/t Au from drill hole SL-18.

The Company commenced preliminary exploration activities in June 2007 and has completed, to date, a regional BLEG program and initiated follow-up surface prospect evaluation programs.

East Elang KP (Southwest Sumbawa)

The Company, through its locally controlled Indonesian division, on March 13, 2006 was issued an exploration license (Kuasa Pertambangan, "KP") for an area of 9,670 ha adjoining Newmont's Elang copper and gold porphyry discovery. The license was renewed for a further 12 month period commencing on the March 13, 2007.

The Company commissioned lithostructural consultant Peter Pieters to undertake a remote sensing/photogeological study of the KP and surrounding areas including the Elang discovery. Pieters has suggested that the intersection of NNW trending fault/fractures and a major 4-6 km wide WNW trending structural corridor, together along with secondary NNW to N tensional structures play a role in localizing hydrothermal alteration and mineralization. All these structural components that influence the distribution of mineralization at the Elang discovery are also found on the Company's property. In the northern extreme of the KP previous explorer's BLEG gold anomalies correspond with an interpreted remnant Miocene volcanic centre. The anomalous gold values may be related to low sulfidation epithermal vein deposits linked to concealed intrusives.

Airborne geophysical data recently provided to the Company by Newmont was analyzed by consultant geophysicist Nigel Hungerford, FAusIMM, ASEG to establish whether similar geophysical responses from the Elang discovery are repeated on the KP. Newmont flew two generations of aeromagnetic surveys over the property and adjacent ground including Elang in 1991 (400-1000 m N-S flight lines) and 1993 (200 m E-W flight lines). Hungerford noted that the Elang discovery sits at the intersection of obvious NNW and NNE magnetic lineaments. Similar linear directions extend through the KP area. Circular magnetic features with subdued magnetic responses (about 600nT) derived from secondary magnetite alteration as at Elang were noted in two locations within the KP. One in the SW corner lies at the intersection of NNW and NE linears. Another broader magnetic anomaly occurs on the eastern property boundary and is inferred to be an alteration aureole to a large intrusive body.

Ground truthing of the structural interpretation, along with a regional stream sediment sampling program at a density of one sample per km^2 are anticipated to commence January 2008, upon the issuing of the mandatory Forestry access permit.

Flores Property, Indonesia

The Company has previously been granted four exploration licenses over parts of West Flores Island. The areas have been previously explored under fourth and seventh generation COW. Licenses were granted for Bolol on September 8, 2005, Longgo on October 4, 2005, Tebedo and Dalong on August 1, 2005. Additional 12 month extensions were granted for Longgo and Tebedo on February 24, 2007 and July 4, 2006 respectively. The Bolol and Dalong KP licenses were relinquished because of a lack of economic potential.

Longgo KP (Flores)

Previous exploration at the Longgo KP (1,207 ha) reported highly anomalous Cu-Zn-+/-Pb soil and rock geochemistry over an area of 2,500 m by 500 m. Early workers suggested that base metal anomalism was related to structurally and stratigraphically controlled epithermal mineralization. Initial evaluation work by the Company's field crews comprising prospect-scale geologic mapping, bedrock geochemistry validation, petrological studies and outcrop channel sampling.

Assay results from bedrock auguring have confirmed the validity of the historical Aberfoyle Cu-Pb-Zn soil anomaly, with 43 of 124 samples reporting values in excess of >500ppm Cu to a maximum tenor of 7,890ppm Cu. Similar Pb and Zn levels, together with associated Ag and Mo are coincident, or peripheral to the Cu

enriched zones, which extend over a strike length of 1,000 metres and are individually up to 170m wide. Elevated soil geochemistry is related to a series of strongly oxidized hematite±magnetite-gypsum-base metal sulfide gossanous pods located along a northwest structural linear. Immediately westward geologic mapping has identified advanced argillic altered volcanics, with localized base metal sulfide veins and stockwork. Moderate surface intersections of 0.14-0.67 g/t Au, 0.11-1.47% Cu, 0.13-2.05% Pb and 0.13-3.60% Zn have been reported from both localities to date.

Interpretation of ground EM and IP/resistivity surveys over the area over interest have indicated that surface mineralization is of limited extent and has no depth potential. On this basis the Company has decided to abandon its license and write-off the property.

Tebedo KP (Flores)

The Tebedo KP covers an area of 1,291 ha and is easily accessed by road from the regional port of Labuanbajo on west Flores. Possible structurally-controlled exhalative and replacement Au-Ag base metal mineralization has been mapped over an area of 450 m by 400 m, within brecciated flow-banded dacites, which are covered to the west and north by post-mineral epiclastics and limestones. Two parallel north-northeast trending zones of silica-barite-base metal veining of widths up to 36 m and 200+ m strike length host the majority of mineralization. These appear to lens out to the south and are inferred to be down-faulted to the north and masked by epiclastic cover. Channel sampling of historical costeans and newly-discovered exposures has returned significant intersections of:

TR-01: 11 m (at) 4.72 g/t Au & 445 g/t Ag
TR-02: 25 m (at) 2.01 g/t Au & 234 g/t Ag
TR-03: 5 m (at) 2.76 g/t Au & 348 g/t Ag
TR-04: 28 m (at) 3.39 g/t Au & 126 g/t Ag
TR-06: 36 m (at) 3.20 g/t Au & 183 g/t Ag (including 10 m (at) 5.02 g/t Au & 339 g/t Ag)

Scattered rock chip highs to a maximum of 5.43 g/t Au and 704 g/t Ag suggest the potential for sub-parallel mineralized zones. Interpretation of results to date suggests that the mineralized zones may form the limbs of a shallow plunging, NNE trending syncline. This concept, along with potentially hidden mineralized zones below the cover rock has been recently been tested using ground IP-resistivity and TDEM surveys.

Interpretation of ground EM and IP/resistivity surveys over the area over interest have indicated that surface mineralization is of limited extent and has no depth potential. On this basis the Company has decided to abandon its license and write-off the asset.

Other Properties, Indonesia

The Company is also aggressively pursuing other mineral opportunities within Indonesia. Along with research of the potential of historical reported mineral occurrences, negotiations are continually being conducted with various governmental and private entities with the aim of acquiring stakeholds, whether in the form of JVs, farm-in, or contract exploration agreements, in greenfields through to more advanced projects.

Financing

The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the financial statements.

	Year ended June 30, 2007	Year ended June 30, 2006	Period From Incorporation on August 19, 2004 to June 30, 2005
Total revenues	$ -	$ -	$ -
Loss for the year	(1,017,786)	(1,884,382)	(581,318)
Basic and diluted loss per share	(0.02)	(0.05)	(0.03)
Total assets	10,794,600	8,156,158	3,726,995
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

Loss for the year

Decrease of $866,596 in 2007 loss for the year is mainly due to the $1,197,125 decrease in stock-based compensation offset with $323,422 increase in resource property write down. Stock-based compensation is recorded as a result of issuing options to directors, officers and consultants. During the year ended June 30, 2007, the Company reported stock-based compensation of $66,113 using the Black-Scholes option pricing model, as a result of vested options that were granted previously. During the year ended June 30, 2006, the Company recorded stock-based compensation of $1,263,238 (2005 - $187,205). The increase in the loss, from 2005 to 2006, is primarily a result of the increase in the stock-based compensation.

Total assets

During the year ended June 30, 2007 the Company's total assets increased by $2,638,442 mainly due to the cash received from private placements and from exercise of stock options and warrants offset with operating expenditures and resource property written off. Increase of $4,429,163 in total assets during 2006 compared to 2005 is mainly due to the net cash of $5,003,088 received from financing activities offset by operating expenditures for the year.

Results of Operations

During the year ended June 30, 2007, the Company incurred a loss of $1,017,786, compared to a loss of $1,884,382 for the year ended June 30, 2006, as a result of incurring various general and administrative expenses. The general and administrative expenses primarily consisted of:

a) consulting fees of $79,299 (June 30, 2006 - $116,613). The decrease is a result of a decrease in the use of consultants in fiscal 2007.

b) professional fees of $162,710 (June 30, 2006 - $138,518) for corporate oversight and stewardship, administration and accounting services, and for general corporate counsel.

c) management fees of $150,000 (June 30, 2006 - $109, 580). The increase is due to an increase in the monthly management compensation in fiscal 2007.

The Company also recognized stock-based compensation of $66,113 (June 30, 2006 - $1,263,238) in the statement of operations as a result of vesting incentive stock options granted in previous years. No stock options were issued during the year ended June 30, 2007. The Company expended $3,408,327 on resource properties and wrote-off $347,219 of resource property costs relating to the Flores property.

During the year ended June 30, 2007, the Company completed a non-brokered private placement of 7,000,000 units at a price of $0.30 per unit for gross proceeds of $2,100,000. Each unit consists of one common share and one-half of a non-transferable share purchase warrant. Each whole warrant may be exercised to purchase an additional common share of the Company at a purchase price of $0.45 for a period of two years to March 28, 2009. If the weighted daily average trading price of the Company's common shares on the TSX exceeds $0.70 for 10 consecutive trading days, the Company may give 30 days written notice to the holders of warrants that the warrants will expire. Share issue costs of $144,504 were incurred in connection with the private placement, including 259,010 agent warrants with a fair value of $47,334.

Selected Quarterly Financial Information and Forth Quarter

	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Total assets	$ 10,794,600	$ 9,870,209	$ 7,776,487	$ 7,915,080
Resource properties and deferred costs	8,443,787	7,930,215	6,965,583	6,054,429
Working capital	1,953,355	1,538,469	630,945	1,695,870
Accumulated deficit	(3,483,486)	(2,949,809)	(2,803,136)	(2,629,037)
Net Loss	(533,677)	(146,673)	(174,099)	(163,337)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)

	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005
Total assets	$ 8,156,158	$ 8,094,658	$ 4,860,083	$ 3,572,684
Resource properties and deferred costs	5,382,679	4,508,688	3,651,387	3,154,781
Working capital	2,502,397	3,426,357	1,006,688	249,272
Accumulated deficit	(2,465,700)	2,077,160	(866,394)	(722,132)
Net Loss	(388,540)	(1,210,766)	(144,262)	(140,814)
Basic and diluted loss per share	(0.01)	(0.03)	(0.01)	(0.00)

Significant quarterly net loss fluctuations are primarily a result of:

- $347,219 resource property write off during the quarter ended June 30, 2007
- stock-based compensation expense for the stock options granted and vested during the quarters ended June 30, 2006 and March 31, 2006.

During the quarter ended June 30, 2007, the Company expended and capitalized a total of $859,355 in deferred acquisition and exploration expenditures. On average the Company expended and capitalized $852,082 per quarter during the year ended June 30, 2007. The Company abandoned two of the Flores Property licenses and wrote-off $347,219 of related resource property assets to operations.

Liquidity and Capital Resources

The Company has financed its operations to date primarily through the issuance of common shares. The audited financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As at the date of this MD&A, the Company had working capital of approximately $3,000,000. Approximately $1.4 million of the Company's cash is invested in Canadian asset-backed commercial paper ("ABCP"). The notes were purchased on July 20, 2007 and matured on August 17, 2007. However, the notes were not paid out by the bank and remain outstanding. The Company believes that this liquidity issue with ABCP will not disrupt its business operations in the short term.

Net cash used in operating activities for the year ended June 30, 2007 was $566,545 compared to net cash used of $635,762 during the year ended June 30, 2006. The cash used in operating activities for the periods consists primarily of the operating loss from the general and administrative expenditures and a change in non-cash working capital items.

Net cash used in investing activities for the year ended June 30, 2007 was $4,765,484 compared to cash used of $2,656,900 during the year ended June 30, 2006. The cash used in investing activities for the periods consists primarily of the acquisition and exploration of resource properties and an investment of $1,408,258 in ABCP.

Net cash provided by financing activities for the year ended June 30, 2007 was $3,487,144 compared to $5,003,088 during the year ended June 30, 2006. The cash provided by financing activities consists of the issuance of common shares net of share issuance costs.

The Company has adequate working capital to meet its ongoing exploration and general and administrative expense obligations. Depending on the development of the business, the Company may need to raise additional cash for working capital or other expenses. Presently, the Company has no revenues and obtains its cash requirements through equity financing, such as private placements. The Company may encounter higher than anticipated expenses, or opportunities for acquisitions or other business initiatives that require significant cash commitments, or other unanticipated problems or expenses that could result in a requirement for additional capital before that time. In this event the Company may need to raise additional cash and financing may not be available on favourable terms, or at all.

Investor Relations

The Company engages an arms-length investor relations consultant in order to raise its profile with the investment community. During the year ended June 30, 2007, the Company paid $60,000 to this consultant.

Related Party Transactions

The Company entered into transactions with related parties for the year ended June 30, 2007 as follows:

a) Paid $150,000 (June 30, 2006 - $109,500) for management services and $18,000 (June 30, 2006 - $7,500) for administration fees, recorded in office expense, to a private company controlled by Chief Executive Officer of the Company.

b) Paid $193,405 (June 30, 2006 - $158,768) 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 $33,410 (June 30, 2006 - $Nil) for engineering consulting services to an officer of the Company.

d) Paid $50,046 (June 30, 2006 - $62,600) and recorded in accounts payable and accrued liabilities an additional $37,154 (June 30, 2006 - $7,500) 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.

The amounts due from related parties are as follows:

	June 30, 2007	June 30, 2006
Due (to) from or a company of a director and officer	$ -	$ 10,880

The fair value of the amounts due to or from related parties is not determinable as they have no fixed terms of repayment, do not bear interest and are unsecured.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, deposit, receivables and accounts payable and accrued liabilities. 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.

The Company's financial instruments also include approximately $1.4 million investment in Rocket A Note issued by Coventree Inc. This note, bearing annual interest yield of 4.59%, was purchased on July 20, 2007 and matured on August 17, 2007. However, the note was not paid out by the bank and remains outstanding. The note continues to be rated of the highest possible rating for commercial paper. If the current disruption of the commercial paper market continues, the note may require a write down, which could be material. The Company believes that this current liquidity issue with commercial paper markets will not disrupt its business operations in the short term.

Currency risk

The Company's largest 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.

Commitment

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

2008	$ 40,646
2009	16,998

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements other than those disclosed and under resource properties.

Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model in determining the fair value of options and agent warrants granted for stock-based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective price assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

Current Share Data

As at October 26, 2007, the Company has 60,625,554 common shares issued and outstanding and has the following stock options and warrants outstanding:

	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	814,250	0.50	December 28, 2007
	71,406	0.56	December 28, 2007
	1,090,786	1.00	March 24, 2008
	39,360	0.70	March 24, 2008
	2,526,980	0.45	March 28, 2009

Disclosure Controls and Procedures

Disclosure controls and procedures are defined under Multilateral Instrument 52-109 - Certification of Disclosure Controls in Issuers' Annual and Interim Filings ("MI 52-109") as "… controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation and include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is accumulated and communicated to the issuer's management, including its chief executive officer and chief financial officer (or persons who perform similar functions to a chief executive officer or a chief financial officer), as appropriate to allow timely decisions

regarding required disclosure". The Company has conducted a review and evaluation of its disclosure controls and procedures, with the conclusion that it has an effective system of disclosure controls, and procedures as defined under MI 52-109. In reaching this conclusion, the Company recognizes that two key factors must be and are present:

a) the Company is very dependant upon its advisors and consultants (principally its legal counsel) to assist in recognizing, interpreting, understanding and complying with the various securities regulations disclosure requirements; and

b) an active Board and management with open lines of communication.

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size to justify a separate department or one or more staff member specialists in this area. Therefore the Company must rely upon its advisors and consultants to assist it and as such they form part of the disclosure controls and procedures.

Proper disclosure necessitates that one not only be aware of the pertinent disclosure requirements, but one is also sufficiently involved in the affairs of the Company and/or receives the communication of information to assess any necessary disclosure requirements. Accordingly, it is essential that there be proper communication among those people who manage and govern the affairs of the Company, this being the Board of Directors and senior management. The Company believes this communication exists.

While the Company believes it has adequate disclosure controls and procedures in place, lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof.

Internal Controls and Procedures over Financial Reporting

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended June 30, 2007. This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer with the assistance of other Company employees to the extent necessary or appropriate. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design of these internal controls and procedures over financial reporting was effective.

Outlook

The Company's focus of current exploration activities is the Selodong Intrusive Complex (SIC), a large, gold-rich copper porphyry prospect situated on Lombok Island in Indonesia. The Company has identified 15 porphyry Cu-Au drill target areas within the SIC and will continue drill-testing of the identified targets. The Company will also work to expand and advance its portfolio of exploration properties across Lombok and Sumbawa Islands. These acquisitions form part of the Company's strategy, which is to be an active junior resource exploration company through the entire Sunda Banda Magmatic Arc of south-central Indonesia.