

SOUTHERN ARC MINERALS INC.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2008

Introduction

The following discussion, prepared as of May 27, 2008, 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 accompanying unaudited financial statements for the nine months ended March 31, 2008 and 2007 and related notes attached thereto. The preparation of financial data is in accordance with Canadian generally accepted accounting principles and all figures are reported in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the years ended June 30, 2007 and 2006 and the Management Discussion & Analysis for those periods.

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 [economically????] 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 the resources themselves. 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 the development of exploration projects. Junior companies, like the Company, are key participants 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 much 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 prices 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 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 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. Contract of Work negotiations with a joint-governmental team commenced in late April 2008 and the Company hopes to have the negotiation finalized in the near future. Once this has been completed the document will follow an established intergovernmental administrative process, culminating in the CoW document being signed by the Minister of Energy and Mineral Resources on behalf of the Indonesian government and by the Company's CEO. It is hoped the CoW process will be completed in the next 2-3 months.

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 both the central and regency Mines Department having issued endorsement letters, the Company has continued activities unabated since 2006 and into 2008 with a full exploration program. It is hoped that once the local land utilization regulation has been revised CoW negotiations will commence forthwith.

The Company also entered into an agreement with PT Newmont Nusa Tenggara ("NNT") regarding an 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 the *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 only 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 complete database covering 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 Intrusive Complex (SIC) during the 1990s, completing 7,956 m of diamond drilling over a 2 by 2.5 km area. Thirty-five of 52 drill holes intersected intervals of Cu-Au mineralized diorite-porphyry and volcanics. The Company has obtained the complete 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 reviewed all geological data in March 2007 and 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 drilling program. A second man-portable rig of similar capabilities was mobilized to site on November 5, 2007. A larger man-portable rig capable of coring 1000 m NQ was mobilized to site in late February 2008 to test depth extensions of porphyry Cu-Au mineralization in priority target areas.

Montong Botek and Blongas II are regarded as the best porphyry targets at this time and have been the focus of the initial drilling program. At Montong Botek 8 out of 13 Newmont 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.

The Company has completed 22 drill holes (SLD001 to SLD022) totaling 13,134.0 metres in the SIC area, with holes SLD023 to SLD025 in progress. These holes have tested seven of the 15 porphyry Cu-Au targets and nearly all have intersected broad zones (126.45 to 576.95 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 is 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	045°	-65°	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	225°	-60°	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	090°	-60°	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	220°	-65°	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	090°	-65°	565.6	406.6 m at 0.23% Cu / 0.29 g/t Au from 8.0 m (incl. 42.5 m at 0.39% Cu / 0.57 g/t from 200.4 m)
SLD006	391206	9022193	90.3	260°	-65°	607.0	500.2 m at 0.17% Cu / 0.30 g/t Au from 49.8 m (incl. 174 m at 0.22% Cu / 0.45 g/t Au from 200.2 m)
SLD007	391159	9022431	185.3	290°	-65°	586.6	245.1 m at 0.18% Cu / 0.22 g/t Au from 175.5 m (incl. 63.05 m at 0.26% Cu / 0.26 g/t Au from 348.75 m)
SLD008	391193	9022755	68.6	270°	-65°	521.10	No significant results.
SLD009	390122	9021667	64.0	195°	-65°	600.00	70.8 m at 0.18 g/t Au from 95.7 m
SLD010	389813	9021665	182.0	040°	-65°	600.50	32.0 m at 0.20 g/t Au from 160.5 m
SLD011	390914	9021416	112.3	095°	-60°	600.10	89.9 m at 0.16% Cu/ 0.22 g/t Au from 91.1 m (incl. 24.8 m at 0.24% Cu and 0.34 g/t Au from 111.3 m) 26.0 m at 0.13% Cu and 0.11 g/t Au from 251.0 m
SLD012	389508	9020980	56.7	275°	-65°	600.00	No significant results
SLD013	390729	9021296	46.3	025°	-65°	600.00	576.95 m at 0.12% Cu/0.25 g/t Au from 0.00 m (incl. 106.6 m at 0.18% Cu/ 0.30 g/t Au from 262.75 m 52.0 m at 0.15% Cu and 0.45 g/t Au from 441.35 m)
SLD014	389325	9020703	93.7	250°	-65°	600.00	No significant results
SLD015	390570	9021264	25.9	025°	-65°	600.40	53.0 m at 0.07% Cu/0.23 g/t Au from 260.0 m 232.0 m at 0.05% Cu/0.17 g/t Au from 361.0 m
SLD016	390244	9022187	84.6	270°	-70°	600.00	4.0 metres at 0.45 g/t Au from 42.85 m
SLD017	390720	9021142	65.6	090°	-73°	953.80	208.10 m at 0.12% Cu/ 0.22 g/t Au from 0.00 m (incl. 13.00 m at 0.38% Cu/ 0.54 g/t Au from 8.50 m)
SLD018	391096	9020846	97.8	270°	-65°	567.20	No significant results.
SLD019	389808	9023702	249.4	090°	-65°	600.00	126.45 m at 0.16% Cu/0.23 g/t Au from 193.60 m (incl. 44.00 m at 0.22% Cu/0.34 g/t Au from 195.60 m)
SLD020	391201	9021606	156.1	270°	-65°	600.50	No significant results.
SLD021	389858	9026277	301.4	090°	-70°	521.00	Assays pending.
SLD022	391059	9021748	115.4	270°	-65°	567.70	Assays pending

Compilation of surface geological mapping, geochemical and geophysical results has revealed 15 porphyry Cu/Au drill targets within the Selodong Intrusive Complex. These 15 distinct porphyry Cu-Au drill targets are located over an areal 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 are in the process of being 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 drill holes to date, the Company had geophysical consultants GRS of Brisbane, Australia undertake modeling of ground magnetic data from the Selodong 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 Selodong Intrusive Complex.

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.

Drilling Results:

For details of drill holes SLD001-011 the reader is referred to previous Management Discussion & Analysis, together with SEDAR releases at www.sedar.com.

SLD012 and **SLD014** located at the Belikat porphyry prospect targeted extensions of anomalous Cu-Au intersections from previous shallow Newmont drill holes. These holes targeted anomalous geophysical and geochemical signatures coincident with extensive zones of outcropping quartz stockworks. Phyllic and propylitic altered diorites and minor breccias were intersected in both drill holes hosting zones of quartz stockwork and low-grade Cu-Au mineralization (see Table 1).

These results indicate the presence of an extensive area of porphyry style alteration and mineralization which remains largely untested at Belikat. Hole SLD012 intersected a number of lower-grade zones of Cu-Au mineralization. Hole SLD014 returned 77.45 m grading 0.13% Cu and 0.22 g/t Au. Further work at Belikat will be considered while drilling continues on other Selodong targets.

SLD012 was drilled west at an inclination of -65 degrees to a depth of 600.0 m whilst SLD014, located 330.0 m southwest, was drilled south-southwest at an inclination of -65 degrees to a depth of 600.0 m.

Drill hole **SLD013**, drilling at the northwest extremity of the Montong Botek high-grade Cu-Au porphyry target on its Selodong Intrusive Complex (SIC) prospect on Lombok, Indonesia, has returned the longest mineralized intercept to date, intersecting a broad mineralized interval along nearly the complete length of the hole of:

576.95 m at 0.12% Cu and 0.25 g/t Au from 0.00 m to 576.95 m
including:

113.9 m at 0.06% Cu and 0.34 g/t Au from 21.50 m to 135.40 m

106.6 m at 0.18% Cu and 0.30 g/t Au from 262.75 m to 369.35 m

52.0 m at 0.15% Cu and 0.45 g/t Au from 441.35 m to 493.35 m

SLD013 was collared 150 metres northwest of the historic Newmont drill hole SGD001 to test potential northwestern extensions of high-grade Cu-Au mineralization (QD1) intersected in drill holes SLD001, SLD002, SLD003 and SGD001. The hole was drilled north-northeast at an inclination of -65 degrees to a depth of 600.0 m. Dacite and quartz diorite intrusives were logged from surface to 28.0 m. From 28.0 m to the end of the hole polymictic breccia, with variable amounts of mineralized quartz diorite (QD1) clasts, was intersected. Similar QD1-style stockwork veining has been mapped elsewhere in the vicinity of the SLD013 collar. Abundant altered and mineralized diorite clasts within the polymictic breccias are very encouraging and may indicate the potential of proximal QD1 hosted mineralization east and north of SLD013 as well as at depth.

SLD015 was located 160 m west of SLD013 to further test inferred NW extensions of Montong Botek Cu-Au mineralization. Detailed geologic mapping had shown continuity of anomalous quartz stock work outcrops into this area. Two zones of lower-grade Cu and Au mineralization were intersected including;

53.0 m at 0.07% Cu and 0.23 g/t Au from 260.0 to 313.0 m
232.0 m at 0.05% Cu and 0.17 g/t Au from 361.0 to 593.0m

SLD015 was drilled at the same orientation and inclination as that of SLD013 to a depth of 600.4 m. Late stage post-mineralization diorite was drilled from the surface to 129.0 m. From 129.0 m to the end of the hole mineralization is associated with variably phyllic altered QD1 clasts hosted in polymictic breccia.

SLD016 was collared 120 metres northwest of the historic Newmont drill hole PSG037 (North Kekalik target) to test moderate density porphyry quartz stockwork hosted in magnetite+chlorite±tourmaline altered diorite intrusives, coincident with a 200 x 350 metre ovoid magnetic high. Aside from narrow gold intercepts (maximum 4.0 metres at 0.45 g/t Au from 42.85 to 46.85 metres) relating to narrow quartz-sulfide veins, no other significant intersections were reported.

Drill hole **SLD017** was the first of two planned deep holes (approximately 1000 metres) at Montong Botek to test the conventional vertical “beer bottle shape” concept characterized by an increase in diameter and grade of porphyry Cu-Au mineralization with depth. Previous drilling (SLD003) along the same east-west section returned 363.50 metres at 0.30% Cu and 0.51 g/t Au from 33.30 metres to 396.80 metres. Analytical results of SLD017 reported a shallow intersection of:

208.10 m at 0.12% Cu and 0.22 g/t Au from 0.00 m to 208.10 m
(including: 13.00 m at 0.38% Cu and 0.54 g/t Au from 8.50 m to 21.50 m)

The lack of continuity of mineralization at depth suggests mineralization is plunging in another orientation besides vertical. An inferred northerly plunge of mineralization is supported by Cu-Au intercepts in holes SLD001, SLD002, SLD011, SLD013 and SGD001. This concept is now being tested as Drill Rig No. 3, with capability of drilling to 1,000 metres, is now advancing hole SLD023, 150 metres to the north of SLD017.

SLD017 was drilled eastward at an inclination of -73 degrees to a depth of 953.8 m. From surface to 247 metres, breccia comprising variably mineralized (QD1) and altered clasts of diorite were logged. From 247 metres to the end of the hole a sequence of altered volcanic and volcanic-derived sediments were encountered, which were cross-cut by post-mineralization diorite dykes at 625.0 and 663.0 metres.

SLD018 and **SLD020** were drilled to define the south and north shallow extensions of the Montong Botek porphyry. Drill Rig No. 1 drilled the holes to approximately 450 metres vertical depth and targeted shallow to medium extensions of anomalous Cu-Au intersections identified in previous Newmont and later SA drill holes. No significant intersections were reported from either hole.

Both SLD018 and SLD020 were drilled westward at an inclination of -65 degrees to a depth of 567.2 and 600.50 metres respectively. Phyllic and propylitic altered diorite and porphyry equivalents, along with polymictic breccias and volcanics were intersected in both drill holes.

SLD019 was drilled in the centre of the Kedaro target. The first hole into the Kedaro target has successfully intersected Cu and Au mineralized QD1, the diorite phase analogous to high-grade Cu-Au mineralization already drilled at the Montong Botek and Blongas II targets, 1.5 km to the southeast. More detailed surface mapping will be undertaken to establish potentially larger and better mineralized QD1 extensions at Kedaro.

SLD019 was drilled based upon coincident magnetic anomalism associated with secondary magnetite alteration, elevated surface Cu-Au-Mo geochemistry and associated intense fracturing and porphyry vein stockworks. Analytical results reported a moderate intersection of:

126.45 m at 0.16% Cu and 0.23 g/t Au from 193.60 m to 320.05 m
(including: 44.00 m at 0.22% Cu and 0.34 g/t Au from 195.60 m to 239.60 m)

SLD019 was drilled westward at an inclination of -65 degrees to a length of 600.0 metres. Several phases of variably altered and locally mineralized diorite were logged from surface to a depth of 578 metres. The mineralized interval from 193.6 to 320.1 metres corresponds with variable density quartz-stockwork ± chalcopyrite hosted within intrusive quartz diorite (QD1). Phyllic altered volcanics were logged from 578 metres to the end of the hole.

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	Roc k	C u	A u	Mo	
		Mod	High	Mod	High						
Montong Botek	Magnetite altered diorite + Quartz stockworks centred 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 centred 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 centred 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		✓	✓		✓		✓	✓	✓		Not yet drill tested

	altered diorite + quartz stockworks centered on NE & NW structure.										
KK3	Magnetite altered diorite + quartz stockworks centered on NE & NW structure.	✓			✓	✓		✓	✓	✓	Not yet drill tested
Kedaro	Magnetite altered diorite + quartz stockworks centered on N & NW structure intersection.		✓		✓	✓	✓	✓	✓	✓	SLD019 126.45 m @ 0.16% Cu /0.23 g/t Au from 193.60 m
KD2	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	✓			✓	✓		✓	✓		Not yet drill tested

	hosted in porphyry intrusives centered on N & NE structure intersection.										
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 & NE structure intersection on margin of regional circular feature.		✓			✓	✓	✓			SLD021 & SLD025 Drilling in progress

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

In the West Lombok Project, the Company's field crews have also 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 and 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 actually 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 was 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.

Structural consultant Steve Garwin is currently undertaking a two week study of the Mencanggih-Pelangan areas to try and establish the main structural elements that control Au-Ag mineralization within the high and low sulfidation epithermal vein systems.

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 & 129 g/t Ag)
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 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 is scheduled to commence in August 2008 and 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 five 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 one 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 were 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 are scheduled to start early in the third quarter of 2008 and 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 third 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 Intrusive 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 Lembangan 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 and 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 centred 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%.

Detailed surface mapping in the area during the first quarter of 2008, identified porphyry Cu-Au mineralization in the form of sheeted quartz-goethite/limonite (ex-sulfide) stockworks/fracture hosted by chlorite-magnetite altered diorite stock. The north-south oriented intrusive stock coincides with anomalous gold and copper values having peak assay values of 0.89 g/t Au and 0.17%Cu. North-south trending dykes of quartz dioritic composition cross-cut the main intrusive stock body. Rare chalcopyrite associated with magnetite-2° biotite-chlorite alteration was noted in dyke exposures. Significant surface intersections include 30 m @ 0.38 g/t Au, 60 m @ 0.31 g/t Au and 5m @ 0.66 g/t Au respectively. This area is currently being drill tested, with 3 to 4 holes planned over the next 2 to 3 months.

All five MSB 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, 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 (<200° C) quartz forms, which are subordinate to higher temperature (250-260° C) forms and higher Au:Ag ratios. At least 4 to 5 drill holes are warranted to test these vein targets.

Sumbawa Island Properties

Taliwang Prospect (West Sumbawa)

Contract of Work negotiations on the Company's Taliwang, West Sumbawa property commenced on April 28, 2008. Three formal meetings between the joint government team and the Company have taken place, with the CoW document almost finalized. Once finalized, the document will be initialed by both negotiating team leaders and then follow an established intergovernmental administrative process, culminating in the CoW document being signed by the Minister of Energy and Mineral Resources on behalf of the Indonesian government and by the Company's CEO. It is hoped the CoW process will be completed in the next 2 to 3 months.

The Taliwang Property is a 31,204-ha mineral concession granted to the Company under a Contract of Work application. It is located on west Sumbawa Island, immediately north of the CoW that hosts Newmont's world-class Batu Hijau porphyry copper-gold mine. The Taliwang property holds a number of prospects, including the Lemonga epithermal vein complex on which a two-phase, 56-hole diamond drilling program has been completed by the Company.

Lemonga Gold Prospect (West Sumbawa)

Exploration on the Lemonga Prospect has been 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 m.

The phase two drilling program was completed in July 2006, with a total of 5,655.5 m drilled in 40 diamond core holes (LDG-17 to LDG-56). All holes were drilled at right angles to the strike of the veins at -45° and -60° inclinations. Drill hole rationale and results have been detailed in the 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 developed and subsequently 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 prospects.

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 volcanoclastic 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 by 1.3 km zone of widespread anomalous Au soil geochemistry.

The most significant anomaly within this zone comprises a 700 by 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 named "Hitam Manis" (HM, Indonesian for "Sweet Black"). 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 including:

5.0m (3.6 m) @ 6.78 g/t Au & 123 g/t Ag	5.0m (3.6 m) @ 1.31 g/t Au & 13 g/t Ag
2.3m (1.6 m) @ 3.14 g/t Au & 44 g/t Ag	4.9m (3.4 m) @ 18.09 g/t Au & 39 g/t Ag
5.3m (3.8 m) @ 1.3 g/t Au & 6 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 assay results it had no way of determining the depths of these higher grades zones without subsequent subsurface (drill) samples.

Additional channel sampling of a NE to N curving jasperoid ledge (3m high by 120m long) situated approximately 350 m southeast from the zone of higher grades resulted in further 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 suggested 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 had been noted in areas of subcropping jasperoid and extensive talus scree fields.

Subsequently, seven holes totaling 413.6 m were drilled at inclinations of -45° to -75°, to a maximum depth of 79.40 m. The holes were targeted to test subsurface extensions of the known surface Au-Ag jasperoid mineralization described above. 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 there comprises auriferous base-metal veins hosted within hydrothermal breccia bodies and volcanoclastic 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 on April 28, 2007 is valid for twelve months and can be extended for a further 12 months as part of the General Survey conditions of the license. A 12 month extension to the KP license was granted by the Sumbawa Regent on April 24, 2008.

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 formed 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 Stevadi, 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, semi-detailed and detailed follow-up surface prospect evaluation programs.

East Elang KP (West 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-gold porphyry discovery. The license was renewed for a further 12 month period commencing on March 13, 2007. A subsequent 12 month extension period to the General Survey Period was granted on March 29, 2008.

The Company commissioned lithostructural consultant Peter Pieters to undertake a remote sensing/photo-geological 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 to 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 explorers' 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 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 to 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 square kilometre commenced in mid-May 2008.

Flores Property, Indonesia

Four exploration licenses over parts of West Flores Island were granted to the Company in 2005. Surface exploration programs during 2005-2007 have shown mineralization to be of limited extent and the Company has subsequently surrendered its licenses and the assets were written off.

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 greenfield 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.

Results of Operations

During the nine months ended March 31, 2008, the Company incurred a loss of \$6,061,887, compared to a loss of \$484,109 for the nine months ended March 31, 2007. Significant fluctuations incurred in the following categories:

- a) Stock-based compensation of \$5,336,715 (March 31, 2007 - \$64,708) increased as a result of stock options granted during the period. Stock-based compensation expense is accounted for at fair value as determined by the Black-Scholes Option Pricing Model using estimates that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and risk-free interest rate.

- b) Consulting fees of \$40,700 (March 31, 2007 - \$64,299) decreased is a result of a decrease in the use of consultants during the period.
- c) Travel of \$93,313 (March 31, 2007 - \$20,375) increased due to increase in travel to Indonesia by the Company's management, directors and consultants.
- d) Office and miscellaneous of \$130,690 (March 31, 2007 - \$48,504) increased mainly due to advertising expenses.
- e) The Company expended \$3,010,755 on resource properties.

Summary of Quarterly Results

	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Total assets	\$ 23,352,866	\$ 23,069,567	\$ 12,105,094	\$ 10,794,600
Resource properties and deferred costs	11,454,542	9,903,666	9,211,877	8,443,787
Working capital	10,607,080	11,731,794	1,284,020	1,953,355
Accumulated deficit	(9,545,373)	(9,403,223)	(8,553,892)	(3,483,486)
Net Loss	(142,150)	(849,331)	(5,070,406)	(533,677)
Basic and diluted loss per share	(0.00)	(0.01)	(0.09)	(0.01)

	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Total assets	\$ 9,870,209	\$ 7,776,487	\$ 7,915,080	\$ 8,156,158
Resource properties and deferred costs	7,930,215	6,965,583	6,054,429	5,382,679
Working capital	1,538,469	630,945	1,695,870	2,502,397
Accumulated deficit	(2,949,809)	(2,803,136)	(2,629,037)	(2,465,700)
Net Loss	(146,673)	(174,099)	(163,337)	(388,540)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

Significant fluctuations in net loss and accumulated deficit are primarily due to stock-based compensation expenses incurred as a result of options issued. The fluctuations in total assets, resource properties and working capital are primarily a result of cash received from private placements and cash spent on resource properties.

Liquidity

The Company's cash position at March 31, 2008 was \$10,664,903, an increase of \$9,785,915 from June 30, 2007. The increase is primarily due to the financing, exercise of outstanding warrants offset by operating expenditures.

As at the date of this MD&A, the Company's working capital is approximately \$10,000,000. The Company has financed its operations to date primarily through the issuance of common shares.

The unaudited 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.

Net cash used in operating activities for the nine month period ended March 31, 2008 was \$524,307 compared to net cash used of \$415,134 during the period ended March 31, 2007. The cash used in operating activities for the period 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 nine month period ended March 31, 2008 was \$3,009,708 compared to cash used of \$2,474,357 during the period ended March 31, 2007. The cash used in investing activities for the period consists primarily of the acquisition and exploration of resource properties.

Net cash provided by financing activities for the nine month period ended March 31, 2008 was \$13,319,930 compared to \$1,537,475 during the period ended March 31, 2007. The cash provided by financing activities consists of the issuance of common shares net of share issuance costs.

Asset-backed Commercial Paper

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

The Montreal Group representing banks, asset-backed commercial paper providers and major investors has reached an agreement to restructure the ABCP market. This restructuring, which is expected to be completed soon, will replace the existing short-term investments with longer term notes with a maturity of 7 years, on average. These notes will be issued as Senior and Subordinated Notes and a margin facility will be in place to finance margin calls.

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

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

As the Company has substantial cash balance, this investment has no material impact on current operations and liquidity of the Company.

Investor Relations

The Company engages an arms-length investor relations consultant in order to raise its profile with the investment community. During the nine month period ended March 31, 2008, the Company paid \$73,372 to this consultant.

Related Party Transactions

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

- a) Paid \$130,500 (March 31, 2007- \$112,500) for management services and \$13,500 (March 31, 2007- \$13,500) for administration fees, recorded in office expense, to a private company controlled by Chief Executive Officer of the Company.
- b) Paid \$161,027 (March 31, 2007- \$82,923) for geological consulting services, included in resource properties, to an officer of the Company and a company controlled by an officer of the Company.
- c) Paid \$40,700 (March 31, 2007- \$18,410) for engineering consulting services to an officer of the Company.
- d) Paid or accrued \$57,300 (March 31, 2007- \$66,300) for professional accounting fees to a firm in which an ex-officer is a partner.

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

Financial Instruments

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

Currency risk

The Company's largest 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.

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.

Commitment

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

Unit	Commencement Date	Term	\$/ month	Remaining Fiscal 2008	Remaining Fiscal 2009
1522	1-Oct-07	31-Dec-08	\$1,145	\$3,435	\$6,870
1521	1-Feb-08	31-Dec-08	\$1,246	\$3,738	\$7,476
1518	1-Oct-07	31-Dec-08	\$1,688	\$5,064	\$10,128
				<u>\$12,237</u>	<u>\$24,474</u>

Current Share Data

As at the date of this MD&A, the Company has 71,410,906 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	2,329,480	0.45	March 28, 2009
	4,630,168	1.75	December 18, 2009
	582,422	1.20	December 18, 2008
	86,250	1.75	January 8, 2010

Change in Management and Directors

During the six months ended December 31, 2007, the Company has appointed Eduard Epshtein as Chief Financial Officer. Concurrent with Mr. Epshtein's appointment, Cyrus Driver tendered his resignation of C.F.O. and contributes as an Advisor to the Company.

Outlook

The Company's focus of current exploration activities is the Selodong Intrusive Complex (SIC), a large, gold-rich copper porphyry prospect situated Lombok Island in Indonesia. The Company has identified 15 porphyry Cu-Au drill target areas within the SIC and will continue drill-testing the identified targets. The Company will also work to expand and advance its portfolio of exploration properties across Lombok Island, Sumbawa Island and Flores Island. 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.

Change in accounting policy

Financial instruments

Effective July 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) under CICA Handbook Section 1530 “Comprehensive Income” (“Section 1530”), Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement” (“Section 3855”), Section 3861 “Financial Instruments – Disclosure and Presentation” and Section 3865 “Hedges”. These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

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

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

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

Accounting changes

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

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

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

Recent accounting pronouncements

Assessing going concern

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

Capital disclosures

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

Goodwill and intangible assets

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

International financial reporting standards ("IFRS")

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

Financial instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 relates to disclosures and will not have an impact on the Company's financial results.

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