Southern Arc
MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2015 AND 2014

This Management's Discussion and Analysis ("MD&A"), prepared as of May 29, 2015, should be read in conjunction with the audited consolidated annual financial statements of Southern Arc Minerals Inc. ("Southern Arc" or the "Company") for the year ended June 30, 2014, and the unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2015 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.southernarcminerals.com.

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

COMPANY OVERVIEW

Southern Arc, through its subsidiaries (collectively "Southern Arc" or "the Company"), is a mineral exploration company exploring for gold and copper-gold. The Company's current portfolio includes two exploration-stage projects with epithermal gold and copper-gold porphyry prospects on the Lombok and Sumbawa islands in Indonesia, and a substantial investment in a resource-stage gold project located in Quebec, Canada.

Southern Arc was incorporated in British Columbia, Canada on August 19, 2004. The Company's efforts have been focused primarily in Indonesia. At the Company's West Lombok project, which hosts several gold-rich copper porphyry and epithermal gold vein prospects, Southern Arc has completed approximately 47,720 metres of drilling and in July 2013 completed a resource estimate for the project. The Company's East Elang project is a grassroots exploration property that will be advanced in partnership with Vale International S.A. ("Vale").

In December 2012, following a strategic review of the Company's projects and exploration strategy, Southern Arc announced plans to diversify its portfolio by potentially selling or partnering its Indonesian properties while also looking for opportunities to invest in resource properties outside of Indonesia. Southern Arc conducted an extensive search worldwide for high-quality properties, and on August 14, 2013 invested $7.3 million to acquire a 26.14% interest in Eagle Hill Exploration Corporation ("Eagle Hill") (TSX-V: EAG). Eagle Hill owns the high-grade Windfall Lake Gold Deposit ("Windfall Lake") in Quebec, Canada. Southern Arc has since made two additional investments in Eagle Hill (for a total of $8.85 million invested in Eagle Hill) and as at March 31, 2015 held 26.25% of Eagle Hill based on shares outstanding, or 30.31% on a fully diluted basis. Further to its diversification strategy, in July 2014 Southern Arc finalized the sale of its Taliwang project (Sumbawa Island, Indonesia) and on December 8, 2014 announced a binding Memorandum of Agreement with PT Genesis Sumber Energi to advance the Company's West Lombok project (Lombok Island, Indonesia). Southern Arc has also applied for 38 exploration licenses in Northern Japan, targeting high-grade epithermal gold deposits.

Southern Arc trades on the TSX Venture Exchange under the symbol "SA" and, until December 31, 2014, also traded on the OTCQX International Exchange under the symbol "SOACF". To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company conducts its activities through wholly-owned subsidiaries, limited liability companies, partnerships and joint ventures.

FINANCIAL SNAPSHOT

	March 31, 2015	June 30, 2014
Total assets	**$ 4,005,145**	$ 9,423,679
Exploration properties	**102,068**	102,068
Working capital	**873,818**	2,677,476
Comprehensive loss	**(5,356,814)**	(8,680,792)
Basic and diluted loss per share	**(0.05)**	(0.08)

At the date of this MD&A, Southern Arc had approximately $830,000 in working capital.

RECENT EVENTS

On May 20, 2015, Southern Arc announced that based on a desktop review of historical gold production and Japan's extensive geoscientific database, Southern Arc has applied for exploration licenses through its wholly-owned subsidiary, Southern Arc Minerals Japan Inc. ("SAMJ"). SAMJ has lodged 38 contiguous exploration applications in northern Hokkaido, Japan, targeting high-grade epithermal gold deposits.

In May 2015, the Indonesian Government announced another two-year extension to the Indonesian forestry moratorium, which is now expected to expire in May 2017. Southern Arc's East Elang property, which is being advanced in partnership with Vale International S.A. ("Vale") is subject to forestry moratorium and, as a result, the partners are not able to initiate exploration at the property until the forestry moratorium is lifted. In 2014 Southern Arc received a one-year suspension of the exploration IUP "clock" at the East Elang project, effectively extending its exploration tenure to December 2018. As a result of the moratorium extension, Southern Arc will likely request another extension to its IUP to ensure Southern Arc and Vale have adequate time to explore the property once the forestry moratorium is lifted.

On April 13, 2015, Southern Arc appointed two new directors: John Carlile and Morris Klid. David Stone has stepped down as a director but will continue with Southern Arc as a strategic advisor. John Carlile is a geologist with more than 35 years of experience in the resource industry. Mr. Carlile has held senior executive and director positions with both major and junior resource companies, and has served on the boards of several resource companies. Mr. Carlile currently holds the position of director for Equator Gold and ARC Exploration Limited. Morris Klid has worked as an entrepreneur for over 30 years, providing innovative services primarily in the corporate due diligence, legal, financial, and search and registration markets. Mr. Klid established the Cyberbahn Group of Companies, which was acquired by Thomson Reuters in 2008. Mr. Klid is currently involved in angel financing for several companies, and actively participates as an advisor and board member for all.

On April 28, 2015, Eagle Hill announced the results of a Preliminary Economic Assessment ("PEA") for Windfall Lake, outlining the design of a 1,200 tonne per day ("tpd") underground mine producing 106,200 ounces of payable gold annually for 7.8 years at an average total cash cost of $558/oz of gold (US$480/oz). At the base case gold price of US$1,200/oz the project has a pre-tax internal rate of return ("IRR") of 23.6% and a pre-tax net present value discounted at 5% ("NPV_5") of $241.4 million. Initial project capital costs are estimated at $240.6 million.

PROPERTY REVIEW AND OUTLOOK

The Company's accounting policy is to record its exploration properties at cost. Exploration and evaluation expenditures relating to exploration 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 deferred costs are written off.

West Lombok Property (Lombok Island)

The West Lombok project covers a 13-km long by 7-km wide structural corridor of mineralization and alteration hosting porphyry copper-gold and epithermal gold deposits. Southern Arc has completed 26,477 metres of drilling to date on epithermal gold mineralization in the Pelangan and Mencanggah prospects, confirming broad zones of low-grade mineralization throughout the property, high-grade events typical of epithermal boiling zones and several high-grade shoots. At the Selodong porphyry copper-gold intrusive complex in the southeastern end of the property, Southern Arc has completed 20,046 metres of drilling to date with the majority of drill holes intersecting broad zones of significant copper-gold mineralization. In 2011, the Company completed an airborne geophysical survey of the West Lombok project at 50-metre spacings to define both near-surface and buried copper-gold porphyry targets. All drill results and details regarding the prospective study are available on the Company's website and on SEDAR.

On July 11, 2013, Southern Arc released the first resource estimate for the West Lombok project (see July 11, 2013 press release). SRK Consulting (Canada) Inc. estimated an inferred resource totaling 1.49 million ounces of gold, 1.82 million ounces of silver and 397.3 million pounds of copper from three open-pittable epithermal gold deposits and one porphyry copper deposit. The Raja, Bising and Tibu Serai epithermal gold deposits are estimated to contain 11,783,000 tonnes averaging 1.5 g/t gold for contained metal of 567,820 ounces of gold, with an additional 1.82 million ounces of silver in the Raja deposit. The Selodong porphyry copper mineralization is estimated to contain 66,750,000 tonnes averaging 0.43 g/t gold and 0.27% copper for contained metal of 922,800 ounces of gold and 397,324,000 pounds of copper within two zones: Montong Botek and Blongas.

On December 8, 2014 the Company announced that it has entered into a binding Memorandum of Agreement ("Agreement") with PT Genesis Sumber Energi ("PT GSE") to form a joint venture to advance the West Lombok project. Under the terms of the Agreement, PT GSE can earn a 25% interest in the West Lombok project by funding and obtaining Government approval of an environmental impact study and feasibility study for small-scale underground gold mines and processing plants on the property. PT GSE must also obtain Government approval to convert the West Lombok exploration permit into an exploitation permit, thereby securing tenure on the property for a further 20 years with the option to extend. Upon receipt of the exploitation permit, Southern Arc will enter into an Integrated Service and Support Agreement with PT GSE (the "ISS Agreement") to conduct small-scale mining on the West Lombok Project using traditional methods to a maximum depth of 100 metres. Profits from the sale of gold and other minerals produced from such artisanal mining activities will be split 25% Southern Arc, 65% PT GSE and 10% Local Government. Southern Arc and PT GSE can continue to explore for deeper gold and porphyry targets on the property, when market sentiment warrants the expenditure. Should the partners choose to mine deeper targets on the property (deeper than 100 metres), profits will be split 65% Southern Arc, 25% PT GSE and 10% Local Government.

Under the Agreement, PT GSE will assume all field costs associated with the West Lombok project as well as costs associated with administration of the project, including financial, environmental and technical reporting to the respected Government agencies to maintain all permits in good standing. As a result, Indonesian costs has been reduced to approximately US$20,000 per month, allowing the Company to protect its treasury while still participating in upside at West Lombok. The ISS Agreement shall be for a term of two years, unless terminated earlier in accordance with the terms of the agreement. Southern Arc also retains the right to terminate the ISS Agreement should it wish to proceed with the construction of an open-pit or underground mine on the West Lombok project.

East Elang Property (Sumbawa Island)

The East Elang project covers 9,670 hectares immediately to the east of Newmont's Elang-Dodo property, which hosts a large copper-gold porphyry deposit. In October 2010, the Company entered into an option and joint venture agreement with Vale to advance the East Elang project pursuant to which Vale can earn a 75% interest in PT. Selatan Arc Minerals by funding exploration through to completion of a bankable feasibility study within an agreed-upon time frame. Phase 1 exploration would require a minimum of US$1,200,000 of exploration expenditures within one year from the date that Southern Arc receives a *Pinjam Pakai* permit from the Ministry of Forestry.

On the East Elang project, 60.3% of the area is designated primary forest, 34.2% is designated production forest and 5.5% has no forestry classification. The Indonesian government has imposed a moratorium on exploration and mining activities in areas designated as primary forest. While the property is considered highly prospective due to its location and results from aerial surveys, exploration of this property has been deferred pending reclassification of the property's forestry status and receipt of the appropriate permits. Unless such reclassification is granted or the moratorium lifted, the Company cannot commence any significant exploration activities on the property.

In 2014 Southern Arc received a one-year suspension of the exploration IUP "clock" at the East Elang project, effectively extending its exploration tenure to December 2018. The exploration IUP was granted on December 17, 2009 for a period of eight years. As a result of the forestry moratorium, however, Southern Arc and its joint venture partner, Vale International S.A. ("Vale"), have not been able to initiate exploration at the property. In May 2015 the forestry moratorium was extended for another two years, and is now expected to expire in May 2017. As a result of the moratorium extension, Southern Arc will likely request another extension to its IUP to ensure Southern Arc and Vale have adequate time to explore the property once the forestry moratorium is lifted.

Taliwang Property (Sumbawa Island)

In December 2012, following a strategic review of the Company's projects and exploration strategy, the Company decided to sell its 90% interest in the Taliwang project. On July 15, 2014, the Company amended the sale agreement and closed the sale of its interest in the Taliwang project. Pursuant to the terms of the final agreement, the Company sold its 90% share of the Indonesian company that owns the Taliwang project to the Purchaser. The Purchaser paid US$1,000,000 and granted a 5% net smelter royalty ("NSR") to Southern Arc. The Purchaser has the option to buy back 3% of the NSR by paying the Company US$3,000,000. The Purchaser is required to make additional payments to the Company to fulfill the agreed purchase price of US$1.6 million. The Purchaser will pay the Company 40% of gross revenue generated from the Taliwang project, after payment of the Southern Arc NSR, until the aggregate amount of such payments equals US$750,000.

Since July 2014, the Purchaser has significantly advanced the project, completing and receiving Government approval for an environmental impact study and feasibility study for the development of small-scale gold mining and processing, and converting the exploration IUP into an exploitation IUP, thereby securing property tenure for a further 20 years with the option to extend. In early December 2014 the Purchaser poured first gold at Taliwang. Local miners have been organized into a cooperative to mine and supply ore to the first of potentially several 50 tonne-per-day CIL processing plants. Testing and commissioning continues at the processing plant, and the project is receiving strong Government and local support. Southern Arc may receive royalties and further payment toward the purchase price in 2015.

Windfall Lake Gold Project (Quebec, Canada) – Eagle Hill Investment

In August 2013, following an extensive search worldwide for high-quality properties, the Company partnered with Dundee Corporation to take control of Eagle Hill. John Proust and Dr. Mike Andrews, also directors of Southern Arc, were appointed to Eagle Hill's board, with John Proust currently serving as Executive Chairman and Dr. Mike Andrews as a director. As at March 31, 2015, Southern Arc owned 26.25% of Eagle Hill on an undiluted basis, and 30.31% on a fully diluted basis.

Eagle Hill owns the high-grade Windfall Lake Gold Deposit ("Windfall Lake") in Quebec, Canada. Windfall Lake is located between Val-d'Or and Chibougamau in the Abitibi Gold Belt, a highly favourable jurisdiction for exploration and mining. The greenstone belts of the Abitibi region constitute one of the most prolific gold-producing regions in the world, having produced over 170 million ounces of gold to date. The project is easily accessible by paved highways and all-weather gravel roads and has substantial infrastructure on site, including a 58-person camp and a 1,450-metre access ramp (vertical depth of 100 metres).

A total of 732 holes (including six wedges and nine extensions) have been drilled at the property to date for a total of 194,512 metres. Drill holes in the gold zones demonstrate good grade distribution along the entire mineralized interval. High-grade mineralization has been identified in multiple zones, yet only a small portion of the 12,400 hectare property has been tested to date. The deposit is well defined from surface to a depth of 500 metres, and remains open along strike and at depth. Mineralization has been identified only 30 metres from surface in some areas and as deep as 870 metres in others, with significant potential to extend mineralization up and down-plunge and at depth.

All drill results have been press released and are available on SEDAR at www.sedar.com and on Eagle Hill's website at www.eaglehillexploration.com.

The results of a PEA for the project were released on April 28, 2015. The PEA outlines the design of a 1,200 tpd underground mine producing 106,200 ounces of payable gold annually for 7.8 years at an average total cash cost (operating cash cost plus royalties plus refining plus transport) of $558/oz of gold (US$480/oz). Total life of mine production is estimated at 828,000 ounces of payable gold at an average grade of 8.26 g/t gold and average recovery of 95.7%. At the base case gold price of US$1,200/oz the project has a pre-tax IRR of 23.6% and a pre-tax NPV_5 of $241.4 million. At a gold price of US$1,320/oz the pre-tax IRR and NPV_5 increase to 29.1% and $325.9 million, respectively (post-tax 21.1% and $183.5 million) and at a gold price of US$1,440/oz the pre-tax IRR and NPV_5 increase to 34.4% and $410.5 million, respectively (post-tax 24.8% and $230.1 million). Initial project capital costs are estimated at $240.6 million, with sustaining capital estimated at $53.5 million. Project economics are most sensitive to the exchange rate and gold price and least sensitive to operating costs.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty the results of the PEA will be realized. The PEA was led by TetraTech Inc.'s Canadian Mining Division (mine design, infrastructure and financial analysis), with contributions from Soutex Inc. (metallurgy and mill trade-off study), Golder & Associates Ltd. (environmental), WSP Global Inc. (tailings evaluation) and SRK Consulting (Canada), Inc. (mineral resource estimate).

The basis for the PEA was an updated mineral resource estimate prepared by SRK Consulting (Canada), Inc. with an effective date of November 13, 2014. Using a gold price of US$1,200 per ounce and a cut-off grade of 3 g/t gold, mineral resources for the Windfall Lake Gold Project are estimated at:

Mineral Resource Statement, Windfall Lake Gold Project, Quebec [1]
SRK Consulting (Canada) Inc., November 13, 2014

Classification / Zone	Tonnes	Grade (g/t)	Gold (ounces)
Indicated	2,762,000	8.42	748,000
Inferred	3,512,000	7.62	860,000

[1] Resource estimate was calculated by SRK Consulting (Canada) Inc. using a 3 g/t cut-off grade, assuming an underground extraction scenario with an assumed gold price of US$1,200 per ounce. The resource estimate assumed metallurgical recovery of 96%, with an effective date of November 23, 2014. All figures have been rounded to reflect the relative accuracy of the estimates. Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

In its April 28, 2015 press release, Eagle Hill announced its intention to complete a pre-feasibility study for Windfall Lake by 2017. Eagle Hill and the PEA consultants have identified a number of opportunities to optimize the project, including the possibility of reducing operating costs by bringing hydro power to site, improving project economics by incorporating silver credits, and the potential to both expand and upgrade the resource with additional drilling. To achieve these objectives, Eagle Hill has planned an extensive exploration and technical program for the remainder of 2015, as outlined in its corporate presentation.

Japan

Further to its diversification strategy announced in December 2012, Southern Arc has been searching for resource exploration and investment opportunities in stable jurisdictions. Based on a desktop review of historical gold production and Japan's extensive geoscientific database, Southern Arc has applied for exploration licenses through its wholly-owned subsidiary, Southern Arc Minerals Japan Inc. ("SAMJ"). SAMJ has lodged 38 contiguous exploration applications in targeting high-grade epithermal gold deposits.

SUMMARY OF QUARTERLY RESULTS

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Total assets	$ 4,005,145	$ 7,783,759	$ 8,361,344	$ 9,423,679
Exploration properties	102,068	102,068	102,068	102,068
Working capital	876,818	1,154,798	1,685,532	2,677,476
Net loss	(3,832,018)	(645,314)	(879,482)	(3,162,716)
Basic and diluted loss per share	(0.04)	(0.01)	(0.00)	(0.03)

	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Total assets	$ 12,574,176	$ 13,412,252	$ 16,675,188	$ 18,192,286
Exploration properties	102,068	102,068	102,068	102,068
Working capital	4,579,738	5,207,824	8,146,387	16,060,362
Net loss	(765,358)	(3,234,969)	(1,517,749)	(35,487,971)
Basic and diluted loss per share	(0.01)	(0.03)	(0.01)	(0.32)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2015

During the three-month period ended March 31, 2015, the Company had a loss of $3,832,018 compared to a loss of $765,358 for the three-month period ended March 31, 2014. Significant fluctuations occurred in the following categories:

a) Management fees of $111,000 (March 31, 2014: $249,135) decreased compared to the previous period. The decrease was partially due to the resignation of a former officer as well as a reduction in management fees charged by a private company controlled by the Chief Executive Officer and Chairman of the Company.

b) Consulting fees of $50,438 (March 31, 2014: $18,728) were higher compared to the previous period, as the Company incurred consulting costs during the period in connection with the review of other resource opportunities.

c) Professional fees of $22,330 (March 31, 2014: $32,089) decreased compared to the previous quarter due to lower levels of corporate activity in the period. The Company did not incur any significant legal and other professional costs during the three-month period ended March 31, 2015.

d) Interest income of $959 (March 31, 2014: $9,765) decreased during the period as a result of lower cash balances.

e) The Company spent $105,425 (March 31, 2014: $252,228) on exploration properties. These exploration costs (such as geological, camp and labour) were not capitalized and were written-off to the consolidated statement of comprehensive loss as incurred during the period.

f) The Company recognized a write-down on its equity investment in Eagle Hill of $3,354,935 (March 31, 2014: $nil). The Company also recognized its share of the investments' loss of $53,371 (March 31, 2014: $132,247) in connection with its investment in Eagle Hill during the three-month period ended March 31, 2015.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED MARCH 31, 2015

During the nine-month period ended March 31, 2015, the Company had a loss of $5,356,814 compared to a loss of $5,518,076 for the nine-month period ended March 31, 2014. Significant fluctuations occurred in the following categories:

a) Management fees of $566,400 (March 31, 2014: $765,135) decreased compared to the previous period. The decrease was partially due to the resignation of a former officer as well as a reduction in management fees charged by a private company controlled by the Chief Executive Officer and Chairman of the Company.

b) Consulting fees of $199,300 (March 31, 2014: $82,261) were higher compared to the previous period, as the Company incurred consulting costs during the period in connection with the review of other resource opportunities.

c) Professional fees of $115,171 (March 31, 2014: $224,607) decreased compared to the previous quarter due to lower levels of corporate activity in the period. The Company incurred professional cost related to the sale of the Taliwang property during the nine-month period but did not incur any other significant legal and professional costs during the nine-month period ended March 31, 2015.

d) Interest income of $6,535 (March 31, 2014: 53,561) decreased during the period as a result of lower cash balances.

e) The Company spent $528,749 (March 31, 2014: $1,261,876) on exploration properties. These exploration costs (such as geological, camp and labour) were not capitalized and were written-off to the consolidated statement of comprehensive loss as incurred during the period.

f) The Company recognized a write-down on its equity investment in Eagle Hill of $3,354,935 (March 31, 2014: $nil). The Company also recognized its share of the investment loss of $275,076 (March 31, 2014: $731,195) in connection with the investment in Eagle Hill during the nine-month period ended March 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at March 31, 2015 was $219,785, a decrease of $1,424,181 from June 30, 2014. As at March 31, 2015, the Company's working capital was $873,818 compared to working capital of $2,677,476 at June 30, 2014. The decrease is primarily due to cash used for operating activities on the Indonesian properties.

As at the date of this MD&A, the Company's working capital balance is approximately $830,000, inclusive of the US$750,000 receivable for the remaining payments related to the sale of the Taliwang project.

Net cash used in operating activities for the period ended March 31, 2015 was $1,213,990 compared to net cash used of $1,799,646 during the period ended March 31, 2015. The cash used in operating activities reflects the level of exploration and corporate activity and a decrease in the accounts payable balance during the period.

Net cash used in investing activities during the period ended March 31, 2015 was $190,428 compared to net cash used of $7,181,790 during the period ended March 31, 2014. The Company received $319,860 on proceeds from the sale of the Taliwang property and incurred $528,749 of general exploration costs. The cash used in investing activities for the prior period consists primarily of the Company's investment in Eagle Hill and expenditures on exploration properties, in particular the West Lombok project.

There were no financing activities during the periods ended March 31, 2015 and March 31, 2014.

RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and other officers of the Company. Key management compensation consists of the following:

	Three months ended March 31, 2015	Three months ended March 31, 2014	Nine months ended March 31, 2015	Nine months ended March 31, 2014
Management fees	$ 111,000	$ 236,100	$ 566,400	$ 752,100
Consulting services (exploration)	$ -	$ 50,242	$ 129,664	$ 187,801
Geological services	$ -	$ 6,018	$ -	$ 113,719
Share-based compensation	$ 2,343	$ 19,214	$ 9,869	$ 10,721

During the three and nine month ended March 31, 2015, the Company paid $111,000 and $566,400, respectively (three and nine months ended March 31, 2014: $236,100 and $752,100, respectively) in management fees to a private company controlled by the Chief Executive Officer and Chairman of the Company. This fee is inclusive of administrative, finance, accounting, investor relations and management consulting fees, as well as certain office expenses.

During the year ended June 30, 2011, the Company entered into a contract with a company controlled by a director and officer of the Company for drilling and geological services at the Company's West Lombok property. This contract was awarded under a competitive bidding process and all charges under the contract are considered to be at market rates. During the three and nine months ended March 31, 2015, the Company paid a total of $nil and $nil, respectively (three and nine months ended March 31, 2014: $6,018 and $113,719, respectively) for services pursuant to the contract.

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

CURRENT SHARE DATA

As at the date of this MD&A, the Company had 109,214,510 common shares issued, of which 107,914,510 are outstanding and 1,300,000 are treasury shares.

At May 29, 2015, the Company had share options outstanding as follows:

	Number of Options	Exercise Price	Expiry Date
Options	1,650,000	$ 0.80	July 19, 2015
	700,000	$ 0.10	July 19, 2015
	160,000	$ 0.10	January 18, 2016
	300,000	$ 1.85	February 11, 2016
	300,000	$ 0.10	June 22, 2016
	200,000	$ 1.71	July 11, 2016
	200,000	$ 0.90	November 14, 2016
	325,000	$ 0.10	November 14, 2016
	500,000	$ 0.10	November 7, 2018
	60,000	$ 0.10	March 3, 2019
	4,395,000		

At the date of this MD&A, the Company had no share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

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

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets. The Company reduces its credit risk by maintaining its bank accounts at large financial institutions. Receivables are amounts receivable from the Canadian federal government for the refundable HST/GST amounts. The credit risk on these amounts is minimal.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1 in the accompanying Financial Statements.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed to the interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Company's cash is minimal. The Company is exposed to market risk as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

Foreign exchange risk

The Company's largest non-monetary assets are its exploration interests in Indonesia. The Company could accordingly be at risk for foreign currency fluctuations and risks associated with legal and political issues in a developing-country environment. The Company minimizes cash and monetary assets or liabilities in Indonesia.

At March 31, 2015, the Company had US$35,942 (approximately CDN$45,524), Japanese Yen ("Yen") 85,064 (approximately CDN$902) and Indonesian Rupiah ("Rph") 3,248,404 (approximately CDN$305) in cash, and US$185,205 (approximately CDN$234,581), Yen 1,210,415 (approximately CDN$12,830) and Rph 185,566,736 (approximately CDN$17,433) in accounts payable and accrued liabilities. As at December 31, 2014, US$ amounts were converted at a rate of US$0.7895 to CDN$1, Yen 94.34 to CDN$1, and Rph amounts were converted at a rate of Rph 10,639 to CDN$1.

At June 30, 2014, the Company had US$308,766 (approximately CDN$329,638), Yen 1,997,499 (approximately CDN$20,974) and Rph 245,177,040 (approximately CDN$21,330) in cash, and US$320,383 (approximately CDN$342,041), Yen 1,256,432 (approximately CDN$13,193) and Rph 221,676,601 (approximately CDN$19,286) in accounts payable and accrued liabilities. As at June 30, 2014, US$ amounts were converted at a rate of US$0.9367 to CDN$1, Yen 95.24 to CDN$1, and Rph amounts were converted at a rate of Rph 11,494 to CDN$1.

Geopolitical risk

The majority of the Company's properties and operations to date have been located in Indonesia. As such, the Company is subject to political, economic and other uncertainties, including, but not limited to, changes in policies and regulations or the personnel administering them, changes with regard to foreign ownership of property rights, exchange controls and royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are to be conducted, as well as risks of loss due to civil strife, acts of war and insurrections. If a dispute arises regarding the Company's property interests, the Company cannot rely on western legal standards in defending or advancing its interests.

In August 2013, the Company undertook a significant investment to diversify its geopolitical risk and has invested a total of $8.85 million to purchase an equity interest in Eagle Hill, which is advancing a high-quality gold project located in Quebec, Canada. As at March 31, 2015, the Company held a 26.25% interest in Eagle Hill.

Fair value

The fair value of the Company's financial instruments is approximated by their carrying value as at March 31, 2015 due to their short-term nature.

International Financial Reporting Standards ("IFRS") require disclosure about fair market value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Financial instruments measured at fair value on March 31, 2015 and June 30, 2014 are summarized in levels of fair value hierarchy as follows:

March 31, 2015	Level 1	Level 2	Level 3
Assets			
Cash	$ 219,785	$ -	$ -

June 30, 2014	Level 1	Level 2	Level 3
Assets			
Cash	$ 1,643,966	$ -	$ -

The Company's financial instruments consist of cash, receivables, loans receivable, and accounts payable and accrued liabilities.

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 economically mineable deposits. The focus of the Company is on areas in which the geological setting is well understood by management.

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 US$ 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.

TRENDS

Continued strength in the US dollar, decreasing oil prices and the stable gold price increases demand, especially from Asia, and perception of increased risk in major financial markets has supported a discernible need for the development of commodity exploration projects. Junior companies, like Southern Arc, are key participants in identifying properties of merit to explore and develop.

SHAREHOLDER RIGHTS PLAN AND BONUS AND COMPENSATION PLAN

The Company's Shareholder Rights Plan dated effective December 5, 2014 (the "Plan") is designed to ensure the fair treatment of shareholders in connection with any takeover bid for outstanding common shares of the Company. The Plan seeks to provide shareholders with adequate time to properly assess a takeover bid without undue pressure. It also provides the Board of Directors with adequate time to fully assess an unsolicited takeover bid, to allow competing bids to emerge, and, if applicable, to explore other alternatives to the takeover bid to maximize shareholder value.

The Plan is not intended to prevent or deter takeover bids that treat shareholders fairly. Under the Plan, those bids that meet certain requirements intended to protect the interests of all shareholders are deemed to be "Permitted Bids". Permitted Bids must be made by way of a takeover bid circular prepared in compliance with applicable securities laws and, among other conditions, must remain open for 60 days. In the event a takeover bid does not meet the Permitted Bid Requirements of the Plan, the rights will entitle shareholders, other than any shareholder or shareholders making the takeover bid, to purchase additional common shares of the Company at a substantial discount to the market price of the common share at that time. The Plan has an initial term of three years. The Plan is similar to plans adopted by other Canadian companies and ratified by their shareholders.

The Company's Bonus and Compensation Plan permits the Company to distribute or option up to 1.3 million common shares of the Company to eligible persons, including directors, officers, employees or consultants of Southern Arc.

CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements as at June 30, 2014 and 2013. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Significant accounting judgement and estimates

The preparation of the financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

i) The estimated fair value of the Company's financial assets and liabilities are by their nature, subject to measurement uncertainty.
ii) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share-based payment reserve.
iii) The collectability of loans receivable which may impact bad debt expense.
iv) The estimated rehabilitation provision.
v) The estimated fair value of the Company's assets held for sale.

Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

i) A deferred income tax asset is recognized to the extent that it is probable that future income tax profits will be available against which the asset can be used. To the extent that management does not consider it probable that a deferred income tax asset will be recovered, a deferred income tax asset is not recognized.
ii) The application of the Company's accounting policy for exploration expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.
iii) The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.
iv) To classify the Company's asset as held for sale requires judgement in determining whether the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for a sale of such assets and whether the sale of the asset is highly probable.

Financial instruments

On initial recognition, all financial assets and financial liabilities are recorded at fair value plus directly attributable transaction costs, other than financial assets and liabilities classified as at fair value through profit or loss. The directly attributable transaction costs of financial assets and liabilities classified as at fair value through profit or loss are expensed in the period they are incurred.

Subsequent measurement

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. Cash is classified as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables and loans receivable are classified as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company has not classified any financial assets as available-for-sale.

All financial assets except for those recognized at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities, and loans payable, all of which are recognized at amortized cost at the settlement date using the effective interest method of amortization.

New standards, amendments and interpretations implemented

The accounting policies followed by the Company are consistent with those of the previous financial year except for certain new standards, interpretations and amendments to existing standards issued by the IASB or IFRIC that took effect as of January 1, 2014 and were adopted by the Company effective July 1, 2014, following the Company's June 30, 2014 fiscal year-end.

- IAS 32 - Financial Instruments: Presentation. The amendments to IAS 32 pertain to the application guidance on the offsetting of financial assets and financial liabilities. The changes focus on four main areas: the meaning of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts, and the unit of account for applying the offsetting requirements. The Company concluded that the adoption of this standard did not have a material impact on its consolidated financial statements.

- IAS 36 - Impairment of Assets. The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets. The Company concluded that the application of this IAS did not have any material impact on the disclosures for the current or prior years, but may affect the disclosures of future transactions or arrangements.

- International Financial Reporting Interpretations Committee Interpretation (IFRIC) 21 - Levies. This interpretation clarifies the accounting treatment for a liability to pay a levy, where a levy is an outflow of economic benefits imposed by governments on entities in accordance with legislation. The Company concluded that the application of this IFRIC did not have any material impact on its consolidated financial statements.

New accounting standards and pronouncements issued

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

Effective January 1, 2018:

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities.

QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE

The technical information in this document related to Southern Arc's Indonesian properties has been reviewed by Dr. Michael Andrews, Southern Arc's President & Chief Operating Officer, PhD, FAusIMM, who has sufficient experience relevant to the style of mineralization under consideration and qualifies as a Qualified Person as defined by National Instrument 43-101. The West Lombok drill program and sampling protocol was managed by Southern Arc under the supervision of Andrew Rowe, B. App. Sc. Geology, MAusIMM. The diamond drill holes are drilled at PQ, HQ and NQ sizes depending on hole depth and core recovery to date has averaged 98.0%. Half core is cut by rock saw and is generally sampled using nominal 1-metre intervals; however, sample intervals are varied according to geological contacts and have ranged between 0.2 to 2.5 metres in length. Three quality control samples (one blank and two standards) are inserted into each batch of 40 samples. The half core samples are securely transported from the project site to the Intertek Testing Services ("ITS") sample preparation laboratory in Sumbawa Besar via private truck hired by Southern Arc. Sample pulps are then sent to the ITS Jakarta laboratory by ITS. Gold is analysed by fire assay with AAS finish and a four-acid digestion with ICP-MS finish is used to analyse a full suite of elements including silver and base metals. ITS is one of the world's largest product and commodity testing, inspection and certification organizations. The Jakarta laboratory is ISO 17025 accredited and employs a Laboratory Information Management System for sample tracking, quality control and reporting.

The technical information in this document related to the Windfall Lake property has been reviewed by Eagle Hill's Vice President Exploration, Jean-Philippe Desrochers, PhD, PGeo, who has sufficient experience relevant to the style of mineralization under consideration and qualifies as a Qualified Person as defined by National Instrument 43-101. The drill program and sampling protocol is managed by Eagle Hill under the supervision of Jean-Philippe Desrochers. The diamond drill holes are drilled at NQ sizes and core recovery to date has averaged better than 95.0%. Half core is cut by rock saw and is generally sampled using nominal 1-metre intervals; however, sample intervals vary according to geological contacts and have ranged between 0.3 to 1.5 metres in length. Two quality control samples (one blank and one certified reference material) are inserted into each batch of 20 samples. All assays were performed by ALS Chemex Laboratory Group, in Val d'Or, Quebec. The half core samples are securely transported from the project site to the ALS Chemex laboratory by Eagle Hill personnel. Gold analyses reported in this release were performed by standard fire assay using a 50-gram charge with atomic absorption finish and a gravimetric finish for assays greater than 10 grams per tonne and by metallic sieve method for samples containing significant amounts of pyrite or visible gold. In addition, an Aqua regia digestion with ICP-AES finish is used to analyse a full suite of elements including silver and base metals.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things, uncertainties relating to receiving mining, exploration and other permits in Indonesia; exploration and developments costs for its properties in Indonesia; availability of additional financing and farm-in or joint-venture partners; and the Company's ability to obtain additional financing on satisfactory terms. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.