Southern Arc
MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

This Management's Discussion and Analysis ("MD&A"), prepared as of November 23, 2012, 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, 2012, and the unaudited condensed consolidated interim financial statements for the three month period ended September 30, 2012, 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

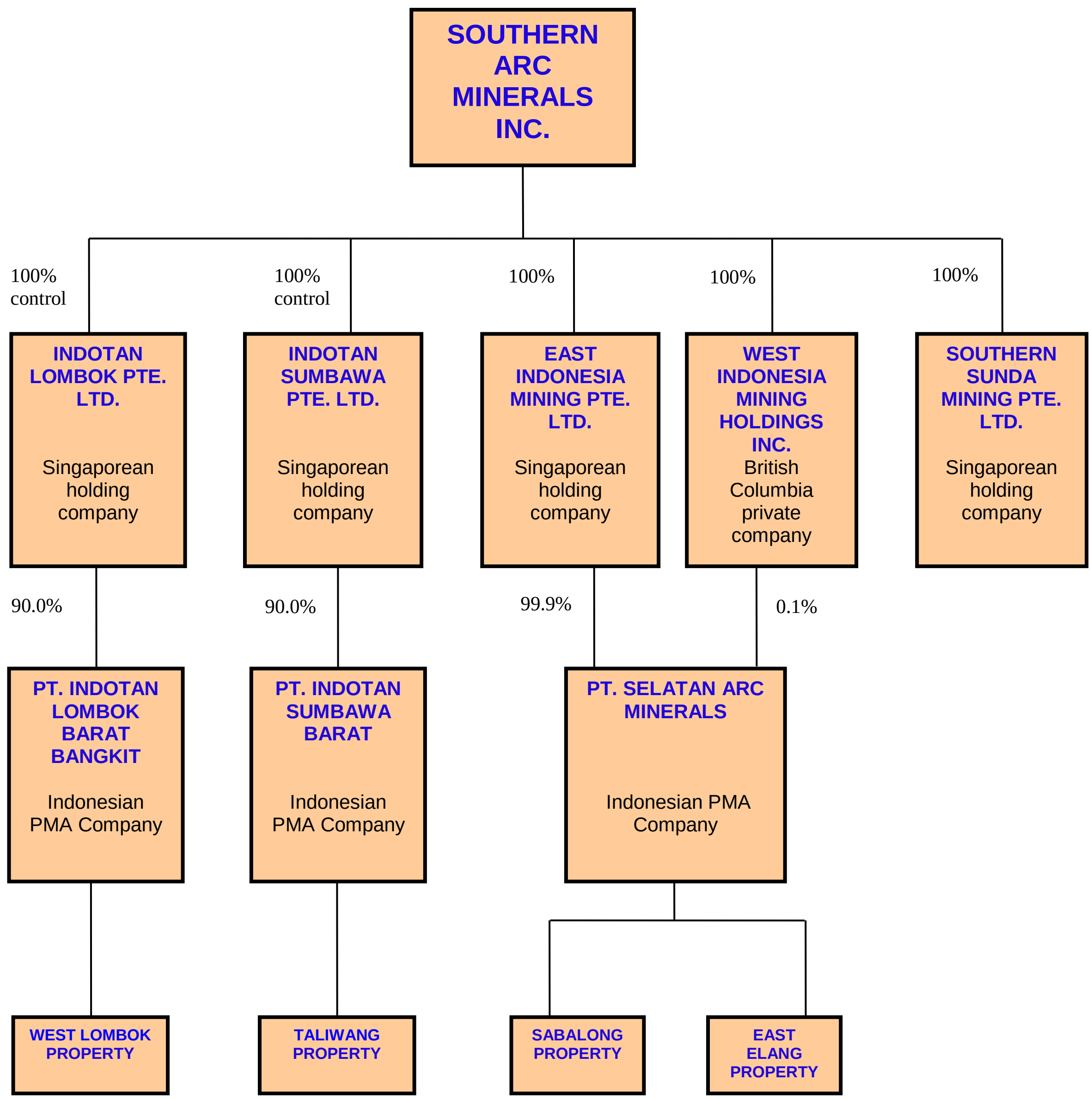
Southern Arc, through its subsidiaries (collectively "Southern Arc" or "the Company") is a mineral exploration company exploring for gold and copper-gold in Indonesia. The Company's current portfolio includes four exploration-stage projects with epithermal gold and copper-gold porphyry prospects on the Lombok and Sumbawa islands in Indonesia, one of which is being advanced in partnership with Vale S.A. ("Vale"). The Company's key exploration focus is its West Lombok project, which hosts several gold-rich copper porphyry and epithermal gold vein prospects.

The Company has been actively exploring in Indonesia since 2005 and has assembled a technical team with decades of Indonesian experience, from grassroots exploration through to feasibility studies and production. The technical team is supported by executives, directors and advisors with extensive experience in corporate governance, business development and government relations, much of it Indonesian focused.

Southern Arc is committed to building strong relationships and bringing long-term benefits to its community partners, communicating openly and supporting local infrastructure and community initiatives through the Company's fully-funded foundation. The Company has forged cooperation agreements with the local government for two of its projects, offering the local government a 10% free-carry interest in the project. Having the local government as an equity partner enhances the relationship with local government and generates long-term benefits for local communities as the projects advance.

The Company's technical team reviewed and completed preliminary exploration work on a number of properties across the Southern Arc of the Indonesian islands before focusing on its current portfolio of properties, all of which are highly prospective for both gold and copper-gold mineralization. Since porphyry mineralization tends to be deeper than near-surface epithermal mineralization, and therefore more expensive to drill, Southern Arc's strategy is to joint venture properties with a porphyry focus. Southern Arc remains the operator while the joint venture partner funds all exploration expenditures to earn its interest. In this way, Southern Arc reduces drilling risk and conserves its treasury while retaining upside potential as the properties advance. Currently, Southern Arc's East Elang property is held under an option and joint venture agreement with Vale.

Southern Arc was incorporated in British Columbia, Canada on August 19, 2004, and is trading on the TSX Venture Exchange under the symbol "SA" and on the OTCQX International 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, as outlined in the corporate chart below.


SOUTHERN ARC MINERALS INC.
100% control
100% control
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INDOTAN LOMBOK PTE. LTD.
Singaporean holding company
INDOTAN SUMBAWA PTE. LTD.
Singaporean holding company
EAST INDONESIA MINING PTE. LTD.
Singaporean holding company
WEST INDONESIA MINING HOLDINGS INC.
British Columbia private company
SOUTHERN SUNDA MINING PTE. LTD.
Singaporean holding company
90.0%
90.0%
99.9%
0.1%
PT. INDOTAN LOMBOK BARAT BANGKIT
Indonesian PMA Company
PT. INDOTAN SUMBAWA BARAT
Indonesian PMA Company
PT. SELATAN ARC MINERALS
Indonesian PMA Company
WEST LOMBOK PROPERTY
TALIWANG PROPERTY
SABALONG PROPERTY
EAST ELANG PROPERTY

FINANCIAL SNAPSHOT

	September 30, 2012	June 30, 2012
Total assets	$ 60,231,920	$ 60,884,512
Exploration properties	38,808,405	37,430,624
Working capital	19,027,865	21,035,112
Comprehensive loss	(757,053)	(4,312,411)
Basic and diluted loss per share	(0.01)	(0.04)

EXPLORATION UPDATE AND OUTLOOK

Strategic Review

The Company's Board of Directors is conducting a strategic review of all of the Company's properties in Indonesia and has delayed further exploration pending completion of this review, which is expected to be completed by December 14, 2012.

West Lombok Property (Lombok Island)

The West Lombok Project covers a 13 km by 7 km structural corridor of mineralization and alteration hosting porphyry copper-gold and epithermal gold deposits. The two main epithermal prospects on the property, Pelangan and Mencanggah, cover broad areas of 4 km by 5 km and 6.5 km by 4.5 km, respectively, that host numerous structurally-controlled silica ledges variably overprinted by high-grade quartz veins and breccias. Individual tabular ledge bodies range in thickness from 2 to 66 metres, with a strike length of up to 1,000 metres and a vertical extent of greater than 300 metres. Southern Arc has completed 22,243.3 metres of drilling to date on epithermal gold mineralization, confirming high-grade events typical of epithermal boiling zones and identifying several high-grade shoots. In addition, the Company has 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. Industry experts including Dr. Steve Garwin, Southern Arc's Senior Technical Advisor, modelled and interpreted the results of the survey in conjunction with the Company's geological and geochemistry database, and identified 17 porphyry targets on the property. A number of the targets have already had a limited amount of drill testing that demonstrated host zones of high-grade gold-rich porphyry copper mineralization, supporting the outcome of the prospectivity analysis.

On November 20, 2012, Southern Arc announced that the required forestry permit, known as a *Pinjam Pakai* (borrow to use) permit, has been received. While awaiting receipt of the permit Southern Arc has continued to work closely with SRK Consulting (Canada) Inc., an internationally renowned, independent consulting service to major, intermediate and junior mining and exploration companies, and has prepared a detailed drill program for epithermal gold targets within the Pelangan and Mencanggah prospects. The Company has postponed any further exploration at the West Lombok property, however, pending completion of the Board of Directors' strategic review.

During calendar 2012, prior to receipt of the *Pinjam Pakai* permit, Southern Arc drilled a total of 3,501.5 metres in areas with no forestry designation that did not require Ministry of Forestry approval, completing 14 drill holes in the northwest section of the property focused on epithermal gold mineralization and two holes in the southeast section of the property focused on porphyry copper-gold mineralization. Surface mapping and channel sampling continued on the West Lombok property throughout the year. Encouraging assay results from continuous rock chip channels collected across the strike of mineralized structural breccias have been received from a number of Pelangan and Mencanggah prospect localities.

Sabalong Property (Sumbawa Island)

Southern Arc is the operator of the Sabalong property, which has until recently been advanced with a wholly-owned subsidiary of Vale under an option and joint venture agreement. In July 2012, the Company and Vale announced that they had completed Phase 1 exploration work on the Sabalong property. Southern Arc and Vale completed three diamond drill holes at the Sabalong property (totaling 1,811 metres) to test potential porphyry intrusive targets that had been defined by geophysical surveys. Drilling intersected weakly altered intrusions and volcanics with no significant porphyry copper mineralization. With Phase 1 exploration complete, Vale elected not to proceed to Phase 2 and withdrew from the Sabalong project.

Southern Arc now holds a 100% economic interest in the Sabalong project and between July and September 2012 completed a six-hole drill program totaling 1,035.6 metres to test epithermal gold vein targets in the Toyang prospect as defined by historical Newmont (1986–92), Rio Tinto Zinc ("RTZ") (1993–98) and Company (2007–present) exploration work. While a number of the holes revealed mineralized intervals similar in scale and tenor to historical RTZ results, Southern Arc's drilling failed to demonstrate any increase in grade or width with depth, and did not establish lateral extension of the mineralization. The Company has not planned any follow-up drilling at this time, and is considering future options for the Sabalong property.

East Elang Property (Sumbawa Island)

Vale remains a committed partner at the East Elang project. Under the terms of the October 2010 Option and Joint Venture Agreement, Vale can earn a 75% interest in the East Elang property by advancing the property to bankable feasibility study, with a minimum Phase 1 expenditure of US$1.2 million within one year from the date on which Southern Arc receives a Ministry of Forestry *Pinjam Pakai* permit for the property.

The East Elang property is located adjacent to Newmont's Elang copper-gold deposit. Aerial photography and lithographical studies suggest that the Elang mineralized structure extends onto Southern Arc's East Elang property. 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. Application has been made to the Regency authorities for suspension (back-dated for two years) of the mining business license ("IUP") license until the reclassification process has been completed, ensuring that Southern Arc and Vale have adequate time to evaluate the property once exploration commences.

Taliwang Property (Sumbawa Island)

Located adjacent to Newmont's world-class Batu Hijau copper-gold mine, the Taliwang property covers 31,200 hectares prospective for gold, silver and copper mineralization. Exploration to date has identified a gold-silver bearing epithermal vein system in which 56 drill holes have confirmed both lateral and vertical persistence of the mineralized structures, near-surface porphyry copper-gold targets with associated surface high-sulphidation epithermal signatures, and sedimentary gold-hosted targets. Surface exploration activities during 2011 focused on detailed lithological and alteration mapping of epithermal and porphyry prospect areas, as well as clay spectral analysis studies.

The Company does not have any exploration activities planned for Taliwang at this time and is assessing its options for the property, including whether to sell or joint venture the property.

Other properties

Southern Arc is actively pursuing a number of acquisition and partnership opportunities with the objective of adding value for shareholders by expanding the Company's project portfolio.

EXPLORATION PROPERTIES

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 the deferred costs are written off.

Acquisition of properties

Southern Arc has acquired and relinquished a number of properties since its inception in 2004, choosing to focus its effort on areas determined, by management, to have the highest prospectivity for gold and copper-gold mineralization in areas amenable to both exploration and production. Southern Arc's exploration efforts are currently focused on four projects on the islands of Lombok and Sumbawa, Indonesia.

West Lombok and Taliwang properties

During 2005, the Company acquired its original interests in the West Lombok and Taliwang properties by paying $81,572 and issuing 11,500,000 common shares (valued at $862,500) to Sunda Mining Corporation ("Sunda") and by paying $180,000 and issuing 1,000,000 common shares (valued at $125,000) to Indotan Inc. ("Indotan"). The Company also granted a 0.5% net smelter return ("NSR") to individuals related to Sunda and a 2% NSR to Indotan on the Taliwang property and a 0.5% NSR to individuals related to Sunda and a 1% NSR to Indotan on approximately 8% of the current West Lombok property, which excludes Block 1 described below.

In August 2005, the Company entered into an agreement with PT Newmont Nusa Tenggara ("Newmont"), a subsidiary of Newmont Mining Corporation, regarding a property ("Block 1") which now forms the western portion of the Company's West Lombok property and is included in the IUP. The acquisition was completed through a relinquishment by Newmont of the Block 1 area. The terms of the agreement include granting Newmont a 2% NSR on any mineral production from the Block 1 area and 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. The Company has the right to repurchase this 2% NSR for US$1 million at any time.

Southern has given a free-carry interest for 10% of the West Lombok and Taliwang projects to the local Regency Governments. Southern Arc and the West Lombok Regency Government finalized a cooperation agreement in late December 2010, ensuring government support for the project and long-term benefits for local communities as the project advances. In May 2012, Southern Arc finalized a similar agreement with the West Sumbawa Regency Government for the Taliwang project. Southern Arc believes that having the local Regency Governments as equity partners creates a synergistic and mutually beneficial environment for the advancement of these projects. These relationships ensure that it is in the local government's interest to support the Company's activities and that the local community will receive benefits directly from Southern Arc's success at the projects. The Regency interests are loan-carried through to a production scenario, whereby debt and equity contribution are paid back through dividends or other financial means.

Sabalong and East Elang properties

The Company acquired the Sabalong and East Elang properties by way of mining licenses ("KPs") that were granted to the Company in 2006 and 2007. Both KPs were subsequently transitioned into seven-year IUP licenses in December 2009.

West Lombok Property (Lombok Island)

This area was previously held by Newmont. The area of interest comprises a 13-km long by 7-km wide northwest-trending structural corridor of hydrothermal mineralization and alteration that hosts the Pelangan epithermal gold prospect, the Mencanggah epithermal/porphyry copper-gold district and the Selodong porphyry copper-gold prospect.

The exploration stage of the West Lombok IUP (encompassing 10,088 hectares), issued in January 2011, is initially valid for five years and permits the Company to pursue exploration activities up to the conclusion of a feasibility study. This period may be extended with approval of the Indonesian Government. On approval of a feasibility study, the Company can automatically transition the IUP into the exploitation stage, with the right to conduct mining production on this property for 20 years, with the potential for two further 10-year extension periods. In addition to the IUP, the Ministry of Forestry *Pinjam Pakai* permit required for exploration activities within production designated areas was issued in November 2012. On the West Lombok property, 1.1% of the area is designated protected forest (no open-pit mining), 55.1% is designated production forest (open-pit mining allowed) and 43.8% has no forestry designation (no restriction on mining activities).

Since receiving its West Lombok IUP in January 2011, Southern Arc has proactively engaged with local communities to discuss its exploration and development plans and address questions and concerns. The Company offers extensive employment and training programs and has employed up to 400 people from local communities during periods with significant exploration activity.

Pelangan prospect

The Pelangan prospect covering an approximate 4 km by 5 km area in the northwest part of the property comprises four main epithermal gold targets including Tanjung-Jati, Kayu Putih, Raja and Lala. Drilling to date shows that these breccia bodies range in true width between 3 metres and 20 metres and has also identified three high-grade shoots. Southern Arc has completed 13,304 metres of drilling on the Pelangan prospect. All results are available on the Company's website at www.southernarcminerals.com and on SEDAR at www.sedar.com.

Mencanggah prospect

The Mencanggah prospect comprises a large cluster of west-northwest to north-trending, gold-bearing epithermal mineralized structural breccias concentrated in a 6.5 km by 4.5 km area. Channel sampling indicates that these breccia bodies range in true width between 3 metres and 66 metres. The Bising and Waterfall targets have been drill tested and show encouraging results, especially at the Bising target. Surface channel samples at the Tibu Serai target have returned the highest-grade mineralization on the property to date. Southern Arc has completed 8,919 metres of drilling on the Mencanggah prospect. All results are available on the Company's website and on SEDAR.

Selodong prospect

As a result of the porphyry prospectivity study, in calendar Q1-2012 the Company initiated drilling at the Belikat and Blongas East targets in the Selodong prospect and completed 974 metres in two holes. Drilling returned encouraging results and confirmed the methodology behind the prospectivity study for targeting shallow or blind porphyry mineralization throughout the property. The Company completed Phase 1 drilling at Selodong in September 2008 with 30 holes (SLD001 to SLD030) totaling 17,859 metres. These holes tested seven of the 14 porphyry copper-gold targets, with the majority intersecting broad zones (126.45 to 855.11 m) of significant copper-gold mineralization. All results are available on the Company's website and on SEDAR.

Sabalong and East Elang Properties (Sumbawa Island)

In October 2010, the Company entered into an option and joint venture agreement with Vale regarding its East Elang and Sabalong properties. To exercise its option to purchase a 75% interest in the properties, Vale needed to fully fund the advancement of either property, through to and including the completion of a bankable feasibility study, at no cost to the Company. If Vale completed a bankable feasibility study on either of the East Elang or Sabalong properties within the permitted timeframes, Vale would have been entitled to receive a 75% interest in the Company's subsidiary PT. Selatan Arc Minerals ("PT SAM"), which holds the IUP for both properties. PT SAM was granted an IUP license for the Sabalong property in December 2009 for a period of seven years, at which point the Company can apply to have the license extended. Southern Arc has received the MoF permit for the Sabalong property, although the Company's exploration area of focus falls within the 50% of the property with no forestry designation.

Vale exceeded its Phase 1 US$1,000,000 funding commitment at Sabalong, but elected not to proceed to Phase 2 exploration and withdrew from the project. Vale remains a committed partner at the East Elang project.

Sabalong

The Sabalong property covers 9,950 hectares and is located in the Miocene volcanic belt of the Sunda-Banda Arc, 30 km north-northeast of Newmont's Elang copper-gold porphyry deposit and 75 km northeast of Newmont's Batu Hijau copper-gold mine. Geological mapping at Sabalong has defined two main prospects. The Lito prospect consists of massive vuggy silica outcrops enclosed by a 1.5km-diameter overprint of intense advanced argillic alteration in rhyo-dacitic pyroclastics. This is interpreted to represent a "lithocap" possibly indicative of a buried porphyry copper-gold system. Adjacent to Lito, the Toyang prospect comprises a 2 km by 4 km northeast elongate area of hydrothermal alteration hosting epithermal veins.

During 2011 Southern Arc completed a detailed ground magnetic survey covering a 15.5 square km area over the Lito and Toyang prospects to identify potential buried porphyry targets. Magnetic anomalies identified on the western and southern margins of the Lito lithocap were recently covered by a deep-penetrating IP survey, which covered an 8.2 square km area. Inversion modeling and 3D visualization of the magnetic and IP data revealed a chargeable zone over a 1.3 km by 1.5 km area, possibly related to buried sulphides.

Southern Arc and Vale elected to drill this target with a series of deep holes to test for the presence of a mineralized porphyry system. Drilling operations commenced on October 21, 2011 and three holes were completed for a total of 1,811 metres. As no significant assay results were returned, Vale elected not to proceed to Phase 2 exploration at Sabalong and relinquished all rights to the property.

Subsequent to completion of Vale's Phase 1 work on the property, Southern Arc regained a 100% economic interest in the Sabalong Property and between July and September 2012 completed a six-hole drill program totaling 1,035.6 metres to test epithermal gold vein targets in the Toyang prospect as defined by historical Newmont (1986–92), Rio Tinto Zinc ("RTZ") (1993–98) and Company (2007–present) exploration work. While a number of the holes revealed mineralized intervals similar in scale and tenor to historical RTZ results, Southern Arc's drilling failed to demonstrate any increase in grade or width with depth, and did not establish lateral extension of the mineralization. The Company has not planned any follow-up drilling at this time, and is considering future options for the Sabalong property.

East Elang

The East Elang property covers 9,670 hectares immediately to the east of Newmont's Elang-Dodo property, which hosts a "consolidated 25Moz gold and 16Blb copper target" (Newmont press release, February 24, 2011). Vale can earn a 75% interest in the property 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 the Company receives an exploration permit from the Ministry of Forestry.

PT SAM was granted an IUP license for the East Elang property in December 2009 for a period of seven years, at which point the Company can apply to have the license extended. On the East Elang property, 60.3% of the area is designated protected forest, 34.2% is designated limited production forest and 5.5% has no forestry classification. 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. Application has been made to the Regency authorities for suspension (back-dated for two years) of the IUP license until the reclassification process has been completed, ensuring Southern Arc and Vale have adequate time to evaluate the property once exploration commences. Company field activities continue to focus on CSR engagement at the village and sub-district levels.

Taliwang Property (Sumbawa Island)

On May 17, 2012, Southern Arc announced the completion of a Cooperation Agreement with the West Sumbawa Regency, ensuring collaboration and support as the project advances. Under the terms of the agreement, Southern Arc has granted the West Sumbawa Regency a 10% free-carry equity interest in the project.

The Taliwang Exploration IUP license was issued by the Regent of West Sumbawa in July 2010. The exploration IUP covers the period from general survey through to feasibility study. The Company has the automatic right to conduct commercial production for 20 years and a further two 10-year extension periods, if warranted. Southern Arc has applied to have the previous *Pinjam Pakai* permit extended. On the Taliwang property, 3.7% of the area is designated conservation forest (no mining activities allowed), 10.9% is protected forest, 29.7% is production forest and 55.7% has no forestry designation. The areas of interest for proposed exploration activities are all within the area of the property with no forestry designation.

Low-key exploration activities by site personnel this period have focused on mandatory license boundary surveys, upgrades of camp and drill storage facilities, along with CSR commitments. The Company is assessing its options for the property, including selling the property, joint venturing the property, or continuing to explore the Taliwang property.

Nickel Oil & Gas Corp.

At December 31, 2011, the Company concluded that the decline in the value of its equity investment in the private company Nickel Oil & Gas Corp. ("Nickel"), due to continued low natural gas prices, is other than temporary. Therefore it wrote down the remaining value of the investment to $nil and recorded an impairment loss of $305,582 during the period. As at June 30, 2012 and 2011, the Company holds 15.3 million Nickel shares (37.6%) with a carrying value of $nil (June 30, 2011: $357,871).

In January 2012, Nickel agreed to sell all its interests in its wells to its joint venture partner in settlement of amounts owed of $452,731. The sale was completed with an effective date of July 1, 2012.

SUMMARY OF QUARTERLY RESULTS

	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Total assets	$ 60,321,920	$ 60,884,512	$ 62,872,227	$ 61,274,365
Exploration properties	38,808,405	37,430,624	35,680,748	29,634,073
Working capital	19,027,865	21,035,112	22,901,030	29,897,586
Net loss	(757,053)	(1,184,372)	(1,272,920)	(1,569,849)
Basic and diluted loss per share	(0.04)	(0.01)	(0.01)	(0.01)

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Total assets	$ 62,268,305	$ 62,706,114	$ 50,012,635	$ 25,002,393
Exploration properties	25,502,244	22,796,908	23,611,243	23,195,375
Working capital (deficit)	35,017,284	37,957,778	24,623,692	(530,251)
Net loss	(285,270)	(1,224,222)	(1,815,241)	(444,126)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.01)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

During the three-month period ended September 30, 2012, the Company had a loss of $757,053 compared to a loss of $285,270 for the three-month period ended September 30, 2011. Significant fluctuations occurred in the following categories:

a) Share-based compensation of $93,491 (2011: $98,270) decreased due to lower calculated cost for options granted during the period. Share-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 the risk-free interest rate.

b) Consulting fees of $nil (2011: $36,963) decreased due to a lower level of exploration activity; more consultants were engaged during the previous period.

c) Foreign exchange loss of $128,524 was realized during the three-month period ended September 30, 2012 (2011: $341,642 gain) primarily due to the effect the fluctuation of the US$/CDN$ exchange rate had on the Canadian equivalent of the Company's holdings and transactions in its US$ bank balance and US$ payables balance.

d) Management fees increased to $216,000 compared to $141,000 in 2011 and are discussed in detail in the Related Parties section.

e) Professional fees of $47,977 (2011: $66,778) decreased due to lower corporate activity in the period.

f) Travel expenses of $nil (2011: $48,700) decreased as a result of a reduction in executive travel during the period.

g) Interest income of $56,327 (2011: $91,339) decreased during the period as a result of lower cash balances.

h) During the three-month period ended September 30, 2012, the Company invested $1,563,999 (2011: $3,322,226) on exploration properties and $nil on property, plant and equipment (2011: $82,281).

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at September 30, 2012 was $20,563,608, a decrease of $1,877,959 from June 30, 2012. As at September 30, 2012, the Company's working capital was $19,027,865 compared to a working capital of $21,035,112 as at June 30, 2012. The decrease is primarily due to cash used for operation activities and exploration activities on the Indonesian properties. As at the date of this MD&A, the Company's working capital balance is approximately $18.0 million.

Net cash used in operating activities for the three-month period ended September 30, 2012 was $442,878 compared to net cash used of $527,953 during the three-month period ended September 30, 2011. The cash used in operating activities reflects the lower level of exploration and corporate activity and an increase in the accounts payable balance during the period.

Net cash used in investing activities for the three-month period ended September 30, 2012 was $1,563,999 compared to net cash used of $3,080,396 during the three-month period ended September 30, 2011. The cash used in investing activities for the period consists primarily of additions to exploration properties. In 2012, the Company received $432,861 of exploration advances from Vale that offset expenditures on exploration properties.

There were no financing activities during the three-month periods ended September 30, 2012 and 2011.

RELATED PARTY TRANSACTIONS

Key management and personnel compensation

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

	September 30, 2012	September 30, 2011
Management fees	$ 313,405	$ 219,307
Drilling services	$ 131,928	$ 605,261
Share-based compensation	$ 90,158	$ 98,270

During the period ended September 30, 2012, the Company paid $216,000 (2011: $141,000) for management fees to a private company controlled by the Chief Executive Officer and director of the Company. The above transactions occurred in the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

Other transactions with related parties

During the year end June 30, 2011, the Company entered into a contract with a company controlled by a director and officer of the Company for drilling 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 period ended September 30, 2012 the Company paid a total of $131,938 (US$132,632) (2011: $605,261 (US$628,369) for drilling services pursuant to the contract. A balance of $nil (September 30, 2011: $nil) is included in accounts payable for drilling services incurred during the period ended September 30, 2012. A balance of $751,097 (September 30, 2011: $nil) is included in accounts payable at September 30, 2012 to reimburse a related party for amounts paid, on the Company's behalf, to a third party to acquire the rights to an industrial forestry permit application to ensure the Company's priority mining rights to develop the West Lombok property. The related party received no consideration from the Company, other than reimbursement of amounts paid.

The related party balances have no fixed repayment terms and bear no interest.

CURRENT SHARE DATA

As at the date of this MD&A, the Company has 109,214,510 common shares issued and outstanding.

The Company has the following stock options outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	3,150,000	$ 0.40	September 16, 2014
	3,200,000	$ 0.80	July 19, 2015
	400,000	$ 2.00	January 18, 2016
	300,000	$ 1.85	February 11, 2016
	300,000	$ 1.70	June 22, 2016
	200,000	$ 1.71	July 11, 2016
	200,000	$ 1.11	August 17, 2016
	980,000	$ 0.90	November 18, 2016
	600,000	$ 0.25	July 18, 2017
	9,330,000		

As at the date of this MD&A, the Company has no share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

The nature of the Company's operations expose the Company to credit risk, liquidity risk, and market risk and foreign exchange risk and interest rates, 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 counter-party'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.

The Company's largest non-monetary assets are its resource interests in Indonesia. The Company could accordingly be at risk for foreign currency fluctuations, devaluations 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 September 30, 2012, the Company had US$6,173,006 (approximately CDN$6,072,386) and Indonesian Rupiah ("Rph") 261,034,696 (approximately CDN$26,887) in cash, and US$1,435,993 (approximately CDN$1,430,095) and Rph 1,679,879,378 (approximately CDN$173,028) in accounts payable and accrued liabilities. As at September 30, 2012, US$ amounts were converted at a rate of US$1.02 to CDN$1 and Rph amounts were converted at a rate of Rph 9,708 to CDN$1.

Geopolitical Risk

All of the Company's properties and operations are currently 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.

Fair value

The fair value of the Company's financial instruments is approximated by their carrying value as at September 30, 2012 due to their short-term nature.

IFRS requires 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 September 30, 2012 and June 30, 2012 is summarized in levels of fair value hierarchy as follows:

September 30, 2012	Level 1	Level 2	Level 3
Assets			
Cash	$ 20,563,608	$ -	$ -

June 30, 2012	Level 1	Level 2	Level 3
Assets			
Cash	$ 22,441,567	$ -	$ -

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

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 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.

TRENDS

Continued strength in gold and other commodity prices, increasing 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 October 21, 2010 (the "Plan") is designed to ensure the fair treatment of shareholders in connection with any take-over bid for outstanding common shares of the Company. The Plan seeks to provide shareholders with adequate time to properly assess a take-over bid without undue pressure. It also provides the Board of Directors with adequate time to fully assess an unsolicited take-over bid, to allow competing bids to emerge, and, if applicable, to explore other alternatives to the take-over bid to maximize shareholder value.

The Plan is not intended to prevent or deter take-over 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 take-over bid circular prepared in compliance with applicable securities laws and, among other conditions, must remain open for 60 days. In the event a take-over bid does not meet the Permitted Bid Requirements of the Plan, the rights will entitle shareholders, other than any shareholder or shareholders making the take-over 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 from time to time 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 consolidated financial statements as at June 30, 2012 and 2011. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The Corporation has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended June 30, 2012.

Significant accounting judgement and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These 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 estimated fair value of the Company's equity investments.

iv) The collectability of loans receivable which may impact bad debt expense.

v) The estimated rehabilitation provision.

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 defer 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 expenditure is capitalized, information becomes available suggesting that the recovery of 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.

The acquisition of Indotan Lombok Pte. Ltd. and Indotan Sumbawa Pte. Ltd.

In December 2009, the Company acquired control over two companies (Indotan Lombok Pte. Ltd. and Indotan Sumbawa Pte. Ltd.). As consideration, the Company issued 3,500,000 common shares with a value of $2,415,000 (allocated to exploration properties) subject to two assignable options. The first option, which entitled the Company to acquire 500,000 of these shares at a price of $0.50 per common share until August 15, 2010 at a price of $0.50 per common share, was assigned to a related party in relation to a loan agreement and was exercised during the period ended December 31, 2010. The second option entitled the Company to acquire 1,500,000 of these shares at a price of $0.90 per common share during the year ended

June 30, 2011. The Company assigned 200,000 of these $0.90 options to a director of the Company as stock-based compensation. The Company exercised the remaining 1,300,000 $0.90 options and currently holds those shares.

As announced May 17, 2012, the Company increased its ownership in PT. Indotan Lombok Barat Bangkit and PT. Indotan Sumbawa Barat to 90% each by acquiring the 5% interests owned by the Company's Indonesian joint venture partner PT PPM in exchange for US$1,500,000 and 2,250,000 Southern Arc shares valued at $742,500.

Property, plant and equipment

Telephone equipment is recorded at cost and amortized using the declining balance method at 20% per year. Vehicles, furniture, computers, field equipment and leasehold improvements are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Vehicles, furniture, computers and field equipment	4 years
Leasehold improvements	10 years

Depreciation of vehicles, computers (field) and field equipment are allocated to exploration properties.

Exploration properties

Exploration properties

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation are recognized and capitalized by geographical area, in addition to the acquisition costs by geographical area. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration activities, including general administrative overhead costs, are expensed in the period in which they occur.

If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated fair value. A resource property is reviewed for impairment annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete property development and future profitable production or proceeds from the disposition thereof.

Title and permits to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain resource property interests as well as the potential for problems arising from the frequently ambiguous conveying history characteristics of many resource properties. The Company has investigated titles to all of its resource property interests and, to the best of its knowledge, title to all of its resource property interests are in good standing. The Company is in various stages of applying for permits for ongoing exploration activities related to the exploration properties.

Joint interest

A portion of the Company's development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

The Company does not record any exploration expenditure made by the joint venture partner on its account. It also does not recognize any gain or loss on its option and joint venture agreement arrangement, but redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Exploration advances received from joint venture partner in accordance with the terms of the option and joint venture agreement are recorded as current liabilities until exploration expenditure is incurred.

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected explorations sites. The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Foreign currency transactions

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

Share-based payment transaction

The share option plan allows the Company to grant options to its employees and consultants. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Loss per share

The Company presents basic per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In reporting periods when a loss is incurred, potential issuance of shares would be anti-dilutive and, therefore, basic and diluted loss per share are the same.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Investments

Investments in companies over which the Company can exercise significant influence are accounted for using the equity method. When there is a loss in value of an investment that is other than a temporary decline, the investment would be written down to recognize the loss in the determination of comprehensive income or loss.

Financial instruments

On initial recognition, all financial assets and financial liabilities are recorded at fair value 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

Financial assets

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 the statement of operations and comprehensive 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. Accounts 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 the statement of operations and comprehensive 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 the statement of operations and comprehensive 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, 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 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 the statement of operations and comprehensive 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 accounting standards and recent pronouncement

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are effective only for accounting periods beginning on or after January 1, 2013. These include:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective January 1, 2015
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 32 – Financial Instrument Presentation

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- uncertainties relating to receiving mining, exploration and other permits in Indonesia;
- the impact of increasing competition;
- unpredictable changes to the market prices for gold, copper, natural gas and oil;
- exploration and developments costs for its properties in Indonesia;
- availability of additional financing and farm-in or joint-venture partners;
- anticipated results of exploration and development activities;
- 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.

QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE

The technical information in this document has been reviewed by Southern Arc's Executive Vice President, Andrew Rowe, B. App. Sc. Geology, MAusIMM. Mr. Rowe has over 18 years of international mineral exploration experience throughout Southeast and Central Asia and Australia. During this time he has held such positions as Principal Geologist – Feasibility Studies, Senior Geologist and Consulting Geologist. The technical information in this document has also been reviewed by Southern Arc's President & Chief Operating Officer, Dr. Mike Andrews, 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 drill program and sampling protocol is managed by Southern Arc under the supervision of Andrew Rowe. 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.