

## **SOUTHERN ARC AND VALE ENTER INTO OPTION/JOINT VENTURE AGREEMENT**

**Vancouver, B.C.:** Southern Arc Minerals Inc. (“Southern Arc” or the “Company”) (TSX Venture: SA) is very pleased to announce that, subject to TSX Venture Exchange acceptance, it has entered into an option and joint venture agreement (the “Agreement”) with Vale S.A. (“Vale”), through its wholly-owned subsidiary Vale International S.A., regarding its East Elang and Sabalong properties.

To exercise its option, Vale must fully fund the advancement of either property, through to and including the completion of a Bankable Feasibility study, at no cost to the Company.

Vale is the second largest metals and mining company in the world and the largest private sector company in Latin America by market capitalization. Vale is the world’s largest producer of iron ore, a key raw material for steelmaking, and the world’s second largest producer of nickel. Vale also produces manganese, ferroalloys, thermal and coking coal, bauxite, alumina, aluminum, copper, cobalt, gold, platinum group metals, and fertilizer nutrients, important raw materials for the global industrial and food production industries. Vale shares are traded on the New York Stock Exchange - NYSE (VALE and VALE.P), on the São Paulo Stock Exchange - BM&F BOVESPA (Vale3 and Vale5) and on the Euronext Paris (Vale3 and Vale5).

John Proust, CEO of Southern Arc says, “This agreement is a significant milestone for the Company in advancing these two key properties. It reflects and confirms the Company’s strategy to acquire, evaluate, and advance mineral properties in Indonesia. The Agreement provides Southern Arc with the opportunity to develop East Elang and Sabalong from early exploration through to and including bankable feasibility studies, while retaining a 25% interest in a joint venture with one of the largest mining companies in the world. We look forward to working with Vale on both of these projects as we seek to add value for both companies, for the local communities, and of course, for our shareholders.”

### East Elang

- Vale has agreed to fund US \$1,200,000 in Phase 1 exploration expenditures on the East Elang property within one year from the date on which the Company receives an exploration activities permit (forestry permit) from the Ministry of Forestry for that property. As reported on December 16, 2009, the Company holds an exploration permit (“IUP”) for this property.
- Upon completion of Phase 1, Vale may elect to solely fund a Phase 2 Minimum Program, involving at least US \$2,500,000 in exploration expenditures. Vale must complete the Phase 2 Minimum Program within two years from the date that Vale notifies Southern Arc that it will be proceeding with Phase 2 (the “East Elang Phase 2 Commencement Date”).
- Upon completion of the Phase 2 Minimum Program, Vale may elect to solely fund a Phase 2 Full Program, involving the completion of a Pre-Feasibility Study on East Elang or further exploration expenditures of at least US \$10 million, within four years from the East Elang Phase 2 Commencement Date.
- Upon completion of the Phase 2 Full Program, Vale may elect to solely fund the completion of the Bankable Feasibility Study for East Elang within seven years from the East Elang Phase 2 Commencement Date.
- If Vale completes a Bankable Feasibility Study on either or both the East Elang and Sabalong properties within the permitted timeframes, Vale will be entitled to receive a 75% interest in PT SAM. PT SAM, a wholly owned subsidiary of the Company, holds the IUP’s for Sabalong and East Elang.

The East Elang property, covering 9,670 hectares, adjoins immediately to the east of Newmont Mining Corporation's Elang-Dodo property, host to a porphyry copper-gold discovery of size greater than one billion tonnes (with yet undisclosed grades). Newmont acquired the East Elang property (currently held by Southern Arc) in 1986, explored it up to 1993, and then relinquished it to the government in 1999 under the requirements of its license.

Mineralization on the adjacent Newmont property comprises a complex of polyphased felsic to intermediate intrusives which generated multiple mineralized porphyry centres (Elang, Gergang, Kuning, and Sepekat) along a NNE trending structural corridor. Rock geochemistry of surface and drill hole samples demonstrate a NE-SW elongate copper zone more than 1.5 km long by 0.8 km wide (Maryono, 2005).

Remote sensing studies together with modeling of airborne magnetic data indicate that the controlling NNE trending mineralized structural corridor (present on the Newmont property) extends on to Southern Arc's property. Limited surface evaluation work and airborne studies by the Company support this finding.

Previous exploration by Newmont on the East Elang property identified a series of epithermal gold-silver-bearing quartz veins within a large argillic alteration system. Such alteration systems are often surface expressions ("lithocaps") of upper or distal portions of mineralized porphyry Cu-Au systems.

For more information about the East Elang property, please refer to the the Company website at: [http://www.southernarcminerals.com/projects/sumbawa/east\\_elang/](http://www.southernarcminerals.com/projects/sumbawa/east_elang/)

For a map of the East Elang property location, please refer to the page on the Company website at: [http://www.southernarcminerals.com/projects/sumbawa/east\\_elang/maps/index.php?mode=image&imageurl=/resources/maps/east\\_elang/070810-KP-C-OverallE-WLombo.jpg](http://www.southernarcminerals.com/projects/sumbawa/east_elang/maps/index.php?mode=image&imageurl=/resources/maps/east_elang/070810-KP-C-OverallE-WLombo.jpg)

### Sabalong

- Vale has agreed to fund US \$1,000,000 in Phase 1 exploration expenditures on the Sabalong property within one year from the date on which the Company receives an exploration activities permit (forestry permit) from the Ministry of Forestry for that property. As reported on December 17, 2009, the Company holds an IUP for this property.
- Upon completion of Phase 1, Vale may elect to solely fund a Phase 2 Minimum Program, involving at least US \$2,000,000 in exploration expenditures. Vale must complete the Phase 2 Minimum Program within two years from the date that Vale notifies Southern Arc that it will be proceeding with Phase 2 (the "Sabalong Phase 2 Commencement Date").
- Upon completion of the Phase 2 Minimum Program, Vale may elect to solely fund a Phase 2 Full Program, involving the completion of a Pre-Feasibility Study on Sabalong or further exploration expenditures of at least US \$10 million, within four years from the Sabalong Phase 2 Commencement Date.
- Upon completion of the Phase 2 Full Program, Vale may elect to solely fund the completion of a Bankable Feasibility Study for Sabalong within seven years from the Sabalong Phase 2 Commencement Date.
- If Vale completes a Bankable Feasibility Study on either or both the East Elang and Sabalong properties within the permitted timeframes, Vale will be entitled to receive a 75% interest in PT SAM. PT SAM, a wholly owned subsidiary of the Company, holds the IUP's for Sabalong and East Elang

The Sabalong property, covering 9,950 hectares, bears epithermal gold-silver-bearing quartz veins, with lesser high-level hydrothermal breccias and silica cappings, with the latter genetically associated with an early high temperature potassic event, in the form of structurally-controlled "silica ledges", or lithocaps located upper or distal to a porphyry system (Davies, 2008).

Surface geologic mapping has defined an area of 3 x 4 km of structurally-controlled argillic alteration with lesser advanced argillic assemblages, hosting low sulfidation epithermal veins in the east (Toyang Prospect). To the west, residual silica and enargite-bearing quartz veins typical of high-sulfidation epithermal systems are encountered (Lito Prospect). Low sulfidation veining comprises veins and vein breccias of up to 50 centimeters wide and form sporadic zones ranging from 1 to 20 meters wide, containing Au and Ag and anomalous As, Sb,

and Mo. There is a direct relationship between gold tenor, concentrations of quartz veins/breccias and illite crystallinity, as evidenced by higher surface intersections including 4.0 m @ 7.23 g/t Au, 4.0 m @ 6.79 g/t Au and 10.0 m @ 5.91 g/t Au.

Residual vuggy silica occurrences are localized by a broader overprint of silica ± alunite, within ubiquitously argillic to advanced argillic altered rhyo-dacitic pyroclastics. Multi-phase hydrothermal brecciation events, where associated with increased amounts of sulfide and cross-cutting banded quartz veining are the loci for higher gold ± silver grades.

For more information about the Sabalong property, please refer to the page on the Company website at: <http://www.southernarcminerals.com/projects/sumbawa/sabalong/>

### **Qualified Person and Quality Control and Assurance**

Hamish Campbell, Southern Arc's Vice President of Exploration and a qualified person as that term is defined in NI 43-101, has prepared and reviewed the technical information regarding the East Elang and Sabalong properties contained in this news release.

Southern Arc is a Canadian-based Indonesian mineral exploration company with active, advanced projects involving epithermal gold and high-potential gold-copper porphyry prospects on Lombok and Sumbawa islands.

For the Company's corporate presentation, see the link at: <http://www.southernarcminerals.com/investors/presentations/>

### **On behalf of the Board of Southern Arc Minerals Inc.**

*"John Proust"*

President and CEO

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Forward Looking Statements: This news release contains forward looking statements relating to expected or anticipated future events and operations, timing of projects and anticipated results that are forward looking in nature and, as a result, are subject to certain risks and uncertainties, such as general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events, and the company's capability to execute and implement future plans. Actual results achieved may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. There is no representation by the company that actual results achieved will be the same in whole or in part as described above.

*The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved of the contents of this press release. Neither the TSX Venture Exchange nor its Regulation Services Provider (as such term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*