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NEWS RELEASE

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## Southern Arc Year-end Financial Results and Projects Update

**October 30, 2012 – Vancouver, BC – Southern Arc Minerals (TSX-V: SA, OTCQX: SOACF)** (“Southern Arc” or “the Company”) today provided the results of its fiscal year ended June 30, 2012, along with an update on exploration activities at its portfolio of projects. Details of the Company’s financial results are described in the audited consolidated financial statements and Management’s Discussion and Analysis (“MD&A”), which are available on the Company’s website at [www.southernarcminerals.com](http://www.southernarcminerals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts are in Canadian dollars unless otherwise stated.

### RECENT EVENTS

- Assumed 100% ownership of the Sabalong project, following Vale’s withdrawal from the project
- Completed a shallow drill program at the Sabalong project targeting gold mineralization for a total of 1,036 metres in six holes
- Appointed Hamish Campbell to the position of Director and Andrew Rowe to the position of Executive Vice President
- Continued mapping and sampling for epithermal gold targets at the West Lombok project, with 3,645 surface rock samples collected year to date
- Advanced *Pinjam Pakai* forestry permit application for the West Lombok project to final stage of approval
- Granted six micro-credit loans to local village members as part of the Company’s corporate social responsibility efforts

### FINANCIAL SNAPSHOT

#### Summary of the Company’s financial operations

	June 30, 2012	June 30, 2011	June 30, 2010 <sup>(1)</sup>
Total assets	\$ 60,884,512	\$ 62,706,114	\$ 24,898,967
Exploration properties	37,430,624	22,796,908	22,410,416
Working capital	21,035,112	37,957,778	479,631
Comprehensive loss	(4,312,411)	(6,583,353)	(1,613,086)
Basic and diluted loss per share	(0.04)	(0.08)	(0.02)

<sup>(1)</sup> Prepared in accordance with CA GAAP

### EXPLORATION UPDATE AND OUTLOOK

#### 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. Two of the prospects on the property host a combined proven strike length of more than 26 kilometres of mineralized epithermal breccias, with individual bodies ranging 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, identifying 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.

Exploration activities on West Lombok in fiscal 2012 have focused on Phase 2 exploration at the Pelangan prospect and Phase 1 exploration at the Mencanggih prospect. During Phase 2 exploration Southern Arc has completed 6,643 metres of drilling in 35 holes at the Pelangan prospect. Drilling to date has confirmed the Company's geological model for the prospect and identified three high-grade shoots that will be explored further with the next phase of exploration. Initial activities on Mencanggih focused on the Waterfall target, where Southern Arc completed 27 holes for a total of 6,634 metres of drilling, with 17 of the 27 holes encountering gold mineralization. Southern Arc also completed eight holes on the Bising target, for a total of 2,286 metres. All eight holes encountered mineralization and Bising remains a high-priority drilling target. All drill results have been released and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

In late 2011 Southern Arc 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. Dr. Steve Garwin, Southern Arc's Senior Technical Advisor, modeled 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 December 29, 2011, Southern Arc announced the decision to focus its near-term drilling activities on targets within areas without forestry designation. As described in the press release issued on August 26, 2010, approximately 1.1% of the West Lombok property is designated Protected Forest (no open-pit mining allowed; underground mining allowed with the appropriate forestry permits), 55.1% is designated Production Forest (open-pit and underground mining allowed with the appropriate forestry permits) and 43.8% has no forestry designation (no restriction on mining activities). Southern Arc will resume full-scale exploration on the property upon receipt of its forestry permit, known as a *Pinjam Pakai* (borrow to use) permit. To conserve its treasury during this period of reduced exploration, Southern Arc reduced its in-country technical team. While some employees were laid off, a number of technical personnel were seconded to other exploration groups in the area to ensure Southern Arc has the technical capacity to resume exploration activities upon issuance of the *Pinjam Pakai* permit.

The permitting process is complex and involves in excess of 200 regulatory steps at both regional and federal levels. Management believes that the process is nearing completion and the permit application is at the final approval stage.

In 2012, Southern Arc has drilled a total of 3,501.5 metres in areas with no forestry designation, 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 has continued on the West Lombok property throughout the year and the team has to date identified 18.5 km of mineralized structural breccias ("MSBs") on the Mencanggih prospect with an additional 1.3 km of epithermal structural breccias ("ESBs") with geochemical testing ongoing to determine mineralization, and 8.0 km of MSBs on the Pelangan prospect with an additional 1.7 km of ESBs. Encouraging assay results (+5.0 g/t Au) from continuous rock chip channels collected across the strike of MSBs have been received from a number of Pelangan and Mencanggih prospect localities. Currently 279 rock chip samples are in storage and will be dispatched for assaying when the Company receives its *Pinjam Pakai* permit and resumes full-scale exploration.

Southern Arc continues to work closely with SRK Consulting (Canada) Inc. to plan its drill programs and has prepared a detailed drill program for epithermal gold targets to be executed upon issuance of the *Pinjam Pakai* permit. The next phase of exploration will focus on infill drilling at the Pelangan and Mencanggih prospects in areas where the Company has identified high-grade shoots and wide mineralized intercepts. Southern Arc

continues to work with SRK Consulting (Canada) Inc. with the objective of completing a National Instrument 43-101 technical report for the property. Completion of the technical report requires more exploration and drilling data, and the timing of the report is contingent on Southern Arc's ability to resume full-scale exploration.

During the year the Company incurred a payable of \$751,097 (US\$737,220) to a related party as reimbursement for payments made, 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.

On May 17, 2012, Southern Arc announced that it had increased its interest in the West Lombok project from 85% to 90%. Southern Arc simplified the ownership structure and increased its equity interest in the West Lombok project through the acquisition of additional shares in PT Indotan Lombok Barat Bangkit, the subsidiary that holds the mining business license ("IUP") to explore the West Lombok project, from Southern Arc's Indonesian partner, PT Puri Permata Mega ("PT PPM"). In consideration for transferring its 5% interest in both the West Lombok and Taliwang projects, PT PPM received US\$1,500,000 and 2,250,000 Southern Arc shares.

### **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 in July commenced a six-hole drill program totalling 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 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.

In March 2012, Newcrest Mining Limited ("Newcrest") terminated a Heads of Agreement with Southern Arc whereby Newcrest could have earned a 63.75% interest in the project by funding exploration expenditures through to bankable feasibility study or US\$50 million in expenditures. Despite best efforts by Southern Arc and Newcrest, certain conditions precedent under the non-binding Heads of Agreement could not be met in the required timeframe, and accordingly the Heads of Agreement lapsed.

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. Also on May 17, Southern Arc announced that it had increased its ownership in the Taliwang project from 85% to 90%. Southern Arc simplified the ownership structure and increased its equity interest in the project through the acquisition of additional shares in PT Indotan Sumbawa Barat (Taliwang Project), the subsidiary that holds the IUP to explore the Taliwang project, from Southern Arc's Indonesian partner, PT PPM. In consideration for transferring its 5% interest in both the West Lombok and Taliwang projects, PT PPM received US\$1,500,000 and 2,250,000 Southern Arc shares.

The Company is assessing its options for the property, including whether to sell the property, joint venture the property, or continue to explore the Taliwang property as 90% owner.

## **RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2012**

During the year ended June 30, 2012, the Company had a loss of \$4,312,411 compared to a loss of \$6,853,353 for the year ended June 30, 2011. Significant fluctuations occurred in the following categories:

- a) Share-based compensation of \$1,037,887 (2011: \$4,060,214) decreased as a result of fewer stock 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 risk-free interest rate.
- b) Consulting fees of \$73,259 (2011: \$227,067) decreased as less consultants were engaged during the period.
- c) Foreign exchange gain of \$354,697 was realized during the year ended June 30, 2012 (2011: loss of \$50,406) 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 \$614,000 compared to \$348,000 in 2011 and are discussed in detail in the Related Parties section.
- e) Office and miscellaneous expenses increased to \$1,613,100 (2011: \$551,506) as a result of staffing up to support the increased exploration activity, inclusive of increased administrative charges from a related party.

- f) Professional fees of \$553,324 (2011: \$507,547) increased slightly with similar levels of corporate legal activity during the period.
- g) Travel expenses of \$188,260 (2011: \$209,242) were the result of executive travel during the period.
- h) Interest income of \$278,209 increased significantly during the year ended June 30, 2012 (2011: \$90,294) due to higher cash balances from equity financings throughout 2011.
- i) Under other items in 2012, the Company recorded its share of the equity loss of Nickel Oil & Gas of \$52,289 and recorded an impairment charge related to Nickel of \$305,582. In 2011, other items included a \$54,852 gain on the sale of the Company's MAV II notes and loss on equity investment (Nickel) of \$534,197.
- j) During the year ended June 30, 2012, the Company invested \$13,882,619 (2011: \$3,639,608) on exploration properties and \$205,090 on property, plant and equipment (2011: \$241,455).
- k) During the year ended June 30, 2012, the Company received US\$1,339,000 (2011: US\$840,000) of exploration advances in relation to its joint venture on the Sabalong and East Elang properties and expended \$1,384,334 on exploration activities related to this joint venture (2011: \$627,690).

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

*"John Proust"*

Chairman & Chief Executive Officer

**About Southern Arc**

Southern Arc Minerals Inc. is a Canadian mineral exploration company focused on gold and copper-gold exploration. The Company's portfolio includes four exploration 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. The Company's key exploration property is its West Lombok project, with several gold-rich copper porphyry and epithermal gold vein prospects. Southern Arc is listed on the TSX Venture Exchange under the symbol SA and on the OTCQX International under the symbol SOACF. More information is available at [www.southernarcminerals.com](http://www.southernarcminerals.com) or by emailing [info@southernarcminerals.com](mailto:info@southernarcminerals.com).

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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 during the forecast period will be the same in whole or in part as that forecast.*

### ***Qualified Person Statement***

*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 98.5%. Half core is cut by rock saw and is generally sampled according to geological contacts ranging 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 analyzed by fire assay with AAS finish and a four-acid digestion with ICP-MS finish is used to analyze a full suite of elements including silver and base metals.*

*For surface rock samples, standard sampling procedures involved removal of any obvious surface weathering and/or organic matter, followed by the collection of a representative sample of the inferred mineralized rock material. Continuous 1–3 metre outcrop channel samples were oriented perpendicular to any obvious mineralized structure and a continuous channel of HQ/NQ core proportions using either a rock chisel and hammer or Stihl TS50 rock saw was collected. Emphasis was placed on collecting a uniform representative sample over the channel width to avoid sample bias. Sample intervals were selected using geological boundaries. Standard reference check samples along with blanks were submitted into the sample stream to approximate one check sample per 25 rock samples. The rock samples were securely transported from the project site to the ITS sample preparation laboratory in Sumbawa Besar via a Southern Arc vehicle. Sample pulps were sent to the ITS Jakarta laboratory by ITS. Gold was analyzed by fire assay with AAS finish and a four-acid digestion with AAS finish to analyze a full suite of elements including silver and base metal.*

*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.*