



## NEWS RELEASE

### Southern Arc Second Quarter Financial Results and Projects Update

**February 28, 2013 – Vancouver, BC – Southern Arc Minerals (TSX-V: SA, OTCQX: SOACF)** (“Southern Arc” or “the Company”) today announced the results of its second quarter ended December 31, 2012, along with an update on its portfolio of projects. Details of the Company’s financial results are described in the unaudited condensed consolidated interim financial statements and Management’s Discussion and Analysis (“MD&A”), which will be 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.

#### FINANCIAL SNAPSHOT

	<b>December 31, 2012</b>	<b>June 30, 2012</b>
Total assets	\$ 54,333,738	\$ 60,884,512
Exploration properties	35,612,324	37,430,624
Working capital	17,208,413	21,035,112
Comprehensive loss	(5,929,570)	(4,312,411)
Basic and diluted loss per share	(0.05)	(0.04)

#### EXPLORATION UPDATE AND OUTLOOK

At the end of 2012 Southern Arc’s Board of Directors conducted a strategic review of the Company’s projects and exploration strategy. The Board ranked the Company’s projects and considered the best strategy to protect and promote shareholder value. On December 13, 2012, Southern Arc announced the Board’s decision to: proceed with drilling at the West Lombok project; retain the Company’s no-cost joint venture interest in the East Elang project; sell the Taliwang project, subject to certain conditions; relinquish the Sabalong project; and remain open to considering new gold-focused opportunities within Indonesia and advanced-stage projects in other countries. This narrowed focus enables Southern Arc to dedicate resources in the near-term to advancement of the West Lombok project while retaining the financial flexibility to consider new opportunities.

#### West Lombok Property (Lombok Island)

The West Lombok project covers a 13-km long by 7-km wide structural corridor of mineralization and alteration hosting porphyry copper-gold and epithermal gold deposits. The two main epithermal prospects on the property, Pelangan and Mencanggih, 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 24,743.1 metres of drilling to date on epithermal gold mineralization, confirming high-grade events typical of epithermal boiling zones and identifying several high-grade shoots. Southern Arc has completed more than 17,800 metres of drilling to date at the Selodong porphyry copper-gold intrusive complex in the southeastern end of the property, with the majority of drill holes intersecting broad zones of significant copper-gold mineralization. In 2011, the Company completed an airborne geophysical survey of the West Lombok project at 50-metre spacings to define both near-surface and buried copper-gold porphyry targets. 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 these

targets have already had a limited amount of drill testing and demonstrated zones hosting high-grade gold-rich porphyry copper mineralization, supporting the outcome of the prospectivity analysis.

On November 20, 2012, Southern Arc announced that the forestry permit required to conduct drilling on the property, known as a *Pinjam Pakai* (borrow to use) permit, had been received. While awaiting receipt of the permit Southern Arc worked closely with SRK Consulting (Canada) Inc., an internationally renowned, independent consulting service to major, intermediate and junior mining and exploration companies, and prepared a detailed drill program for epithermal gold targets within the Pelangan and Mencanggih prospects, with the objective of completing a National Instrument 43-101 compliant resource estimate for portions of the property by mid-2013.

On December 13, 2012, Southern Arc announced that it was commencing drilling at West Lombok, with a near-term focus on epithermal gold-bearing structural breccias in the Mencanggih prospect. Southern Arc mobilized three drill rigs to the Bising target and initiated a Phase 2 drill program to infill and expand the zones of mineralization adjacent to wide mineralized intercepts identified with Phase 1 drilling. Southern Arc has now completed 11 Phase 2 holes at Bising (1,375.6 metres, Table 1). The results continue to demonstrate the consistency and width of mineralization at the Bising target, with wide intervals averaging greater than 1 g/t gold mineralization intersected in a large proportion of the drill holes.

Highlight Phase 2 drilling intercepts include:

MCG041	66.8 m @ 0.66 g/t gold and 2.4 g/t silver from 20.0 m including 22.9 m @ 1.16 g/t gold and 2.7 g/t silver from 22.0 m
MCG042	53.2 m @ 1.04 g/t gold and 1.4 g/t silver from 16.0 m including 1.0 m @ 9.67 g/t gold and 0.8 g/t silver from 32.2 m and 0.30 m @ 10.2 g/t gold and 61.3 g/t silver from 46.3 m
MCG043	42.4 m @ 0.51 g/t gold and 1.1 g/t silver from 20.7 m including 10.1 m @ 1.0 g/t gold and 1.9 g/t silver from 39.0 m
MCG044	58.15 m @ 0.61 g/t gold from 87.85 m including 11.0 m @ 1.3 g/t gold from 104.6 m and 7.5 m @ 1.1 g/t gold from 123.0 m

The extensive width (up to 66 metres width in surface outcrop) of the main Bising epithermal body is inferred to result from the intersection of geological structures: a major west-northwest trending fault intersected by several north-northwest trending faults, the latter of which form the dominant gold mineralized trend in the West Lombok district. Drill holes in Phase 1 exploration were located at 100 m drill spacings to test the main Bising epithermal structural body, its extensions, and intersections with the several crossing faults.

With this initial program of Phase 2 exploration complete at Bising the rigs were mobilized to the Tibu Serai target in the Mencanggih prospect. Surface channel samples at the Tibu Serai target have returned the highest-grade mineralization on the property to date. Southern Arc has completed seven drill holes (1,124.2 metres) targeting down-dip extensions from elevated rock-chip gold geochemistry in multiple veins that exhibit low silver-to-gold ratios.

Once all assay results are received, Southern Arc's exploration team and Board of Directors will review results from Bising and Tibu Serai and determine the Company's next steps to advance the West Lombok project.

## **East Elang Property (Sumbawa Island)**

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 may extend onto Southern Arc's East Elang property. While the property is considered highly prospective due to its location and results from aerial surveys, exploration has been deferred pending reclassification of the property's forestry status and issuance of the appropriate permits. Application has been made to the Regency authorities for suspension (back-dated for two years) of the mining business license ("IUP") until the reclassification process has been completed, ensuring that 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.

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.

## **Other properties**

Southern Arc is actively pursuing a number of acquisition and partnership opportunities, both within Indonesia and in other countries, with the objective of adding value for shareholders by expanding the Company's project portfolio.

## **RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

During the six-month period ended December 31, 2012, the Company had a loss of \$5,929,570 compared to loss of \$1,855,119 for the comparable period ended December 31, 2011. Significant fluctuations incurred in the following categories:

- a) Share-based compensation of \$228,353 (2011: \$554,918) decreased as a result of fewer share 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 share-based compensation, the fair value of the Company's stock and risk-free interest rate.
- b) Consulting fees of \$nil (2011: \$41,493) decreased as no consultants were engaged during the period.
- c) Foreign exchange loss of \$63,947 was realized during the period ended December 31, 2012 (2011: \$392,113 gain) primarily due to the effect the fluctuation of the \$US/\$CAD 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 \$419,500 compared to \$282,000 in 2011 and are discussed in detail in the Related Parties section.
- e) Office and miscellaneous expenses decreased to \$431,890 (2011: \$573,231) as a result of lower levels of corporate activities.
- f) Professional fees of \$169,505 (2011: \$221,268) decreased as a result of lower corporate legal activity during the period.
- g) Travel expenses of \$23,502 (2011: \$104,674) decreased as a result of reduced executive travel during the period.
- h) Interest income of \$97,234 was realized during the six-month period ended December 31, 2012 (2011: \$147,017).

- i) During the six-month period ended December 31, 2012, the Company invested \$4,078,112 cash (2011: \$6,747,557) on exploration properties and \$nil on property, plant and equipment (2011: \$196,592).
- j) During the six-month period ended December 31, 2012, the Company wrote down the value of the Sabalong property to \$nil and recognized a \$1,192,789 impairment provision.
- k) During the six-month period ended December 31, 2012, the Company recognized a \$3,348,260 impairment provision against its book value of the Taliwang property.
- l) In 2012 the company recorded an impairment loss of \$7,086 on equipment. Under other items in 2011, 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.

## SUMMARY OF QUARTERLY RESULTS

	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Total assets	\$ 54,333,738	\$ 60,321,920	\$ 60,884,512	\$ 62,872,227
Exploration properties	35,612,324	38,808,405	37,430,624	35,680,748
Working capital	17,208,413	19,027,865	21,035,112	22,901,030
Net loss	(5,172,518)	(757,053)	(1,184,372)	(1,272,920)
Basic and diluted loss per share	(0.05)	(0.01)	(0.01)	(0.01)

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

*“John Proust”*

Chairman & CEO, Director

### About Southern Arc

Southern Arc Minerals Inc. is a Canadian mineral exploration company focused on gold and copper-gold exploration. 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.

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.

**Qualified Person**

The technical information in this document has been reviewed by Southern Arc’s Chief Geologist, Andrew Rowe, B. App. Sc. Geology, MAusIMM. Mr. Rowe has over 20 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 better than 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.

**Table 1 – Mencanggah Prospect, Bising Target, Phase 2 Drill Hole Statistics Summary**

Drill Hole	Target	Depth (m)	Coordinates		Az	Dip	From (m)	To (m)	Interval (m)	Gold (g/t)	Silver (g/t)
			E	N							
MCG038	Bising	101.8	388569.6	9023770.5	195	-50	27.67 89.75	58.4 91.5	30.73 1.75	0.30 1.02	1.4 0.6
MCG039	Bising	81.1	388619.8	9023743.3	195	-50	20.30	51.2	30.9	0.35	1.4
MCG040	Bising	165.2	388271	9023963.9	195	-70	100.80 125.65	147.9 147.9	47.10 22.25	0.37 0.48	1.2 1.8
MCG041	Bising	100.6	388198.51	9023870.2	195	-50	20.0 22.0	86.8 44.9	66.8 22.9	0.66 1.16	2.4 2.7
MCG042	Bising	112.1	388243.64	9023869.7	195	-50	16.0 32.2 46.3	69.2 33.2 46.6	53.2 1.0 0.3	1.04 9.67 10.2	1.4 0.8 61.3
MCG043	Bising	105.1	388280.57	9023858.3	195	-45	20.7 39.0	63.1 49.1	42.4 10.1	0.51 1.0	1.1 1.9
MCG044	Bising	172.6	388271	9023963.9	195	-50	87.85 104.6 123.0	146.0 115.6 130.5	58.15 11.0 7.5	0.61 1.3 1.1	
MCG045	Bising	91.8	388104.3	9023882	195	-50	20.45	64.35	43.9	0.36	
MCG046	Bising	145.3	388178.3	9023954.5	195	-45	91.3	120.1	28.8	0.40	2.1
MCG047	Bising	133.1	388128.27	9023962.3	195	-50	77.45	110.8	31.25	0.34	
MCG048	Bising	166.9	388178.3	9023954.5	195	-70	100.6	125.4	24.8	0.55	

\* Note: Silver assays are pending for drillholes MCG044, MCG045, MCG047 and MCG048.