



## NEWS RELEASE

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

**December 2, 2014 – Vancouver, BC – Southern Arc Minerals (TSX-V: SA, OTCQX: SOACF)** (“Southern Arc” or “the Company”) has released the results of its first quarter ended September 30, 2014, 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 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.

#### FINANCIAL SNAPSHOT

	<u>September 30, 2014</u>	<u>June 30, 2014</u>
Total assets	<b>\$ 8,361,344</b>	\$ 9,423,679
Exploration properties	<b>102,068</b>	102,068
Working capital	<b>1,685,532</b>	2,481,827
Comprehensive loss	<b>(879,482)</b>	(8,680,792)
Basic and diluted loss per share	<b>(0.01)</b>	(0.08)

At November 28, 2014, Southern Arc had approximately \$1.5 million in working capital.

#### PROPERTY REVIEW AND OUTLOOK

The Company’s accounting policy is to record its exploration properties at cost. Exploration and evaluation expenditures relating to exploration properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or the properties are sold or abandoned, at which time deferred costs are written off.

#### West Lombok Property (Lombok Island)

The West Lombok project covers a 13-km long by 7-km wide structural corridor of mineralization and alteration hosting porphyry copper-gold and epithermal gold deposits. Southern Arc has completed 26,477 metres of drilling to date on epithermal gold mineralization in the Pelangan and Mencanggih prospects, and 20,046 metres of drilling at the Selodong porphyry copper-gold intrusive complex. All drill results and details regarding the prospective study are available on the Company’s website and on SEDAR.

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

Since releasing the West Lombok resource estimate in July 2013, Southern Arc has maintained low-level activities at West Lombok while continuing to advance discussions with a number of companies for a potential farm-in, partnership or outright sale of the project. While Southern Arc believes the West Lombok project holds great potential, the Company has determined that it can more effectively build shareholder value by redirecting the Company’s treasury to high-quality projects in stable jurisdictions. While a number of discussions have reached

advanced negotiations, current market conditions and the Indonesian political climate have complicated the process. Southern Arc is focused on further reducing costs at West Lombok to protect the Company's treasury, and hopes to execute a transaction in the near term that will bring value to the Company.

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

The East Elang project covers 9,670 hectares immediately to the east of Newmont's Elang-Dodo property, which hosts a large copper-gold porphyry deposit. In October 2010, the Company entered into an option and joint venture agreement with Vale to advance the East Elang project pursuant to which Vale can earn a 75% interest in PT. Selatan Arc Minerals by funding exploration through to completion of a bankable feasibility study within an agreed-upon time frame. Phase 1 exploration would require a minimum of US\$1,200,000 of exploration expenditures within one year from the date that Southern Arc receives a *Pinjam Pakai* permit from the Ministry of Forestry. On the East Elang project, 60.3% of the area is designated primary forest, 34.2% is designated production forest and 5.5% has no forestry classification. The Indonesian government has imposed a moratorium on exploration and mining activities in areas designated as primary forest, and has extended the moratorium to May 2015. While the property is considered highly prospective due to its location and results from aerial surveys, exploration of this property has been deferred pending reclassification of the property's forestry status and receipt of the appropriate permits. Unless such reclassification is granted or the moratorium lifted, the Company cannot commence any significant exploration activities on the property. Southern Arc has requested reclassification of the property and has applied to the Regency authorities for temporary suspension of the term of the IUP license until the reclassification process has been completed, at which point the appropriate exploration term related to the IUP would recommence. Southern Arc is hopeful that its request will be granted, which should give Southern Arc and Vale adequate time to evaluate the property.

### **Taliwang Property (Sumbawa Island)**

In December 2012, following a strategic review of the Company's projects and exploration strategy, the Company agreed to sell its 90% interest in the Taliwang project in exchange for US\$500,000 and 15 million shares of the acquiring company, Coke Resources Limited ("Coke"). The transaction was contingent on Coke completing its initial public offering on the Australian Securities Exchange and certain other conditions. Coke was unable to complete its initial public offering, but an individual (the "Purchaser") related to Coke proposed to continue with the transaction. In August 2013, Southern Arc agreed to a purchase and sale agreement (the "Taliwang Sale Agreement") whereby the Purchaser would purchase the Company's 90% interest of the Indonesian company that owns the Taliwang project for US\$3,500,000, of which US\$100,000 was received as a non-refundable deposit. As a result, during the year ended June 30, 2013, the Company recognized a \$3,291,080 impairment provision against its book value of the Taliwang project and the Taliwang project was classified as an asset held for sale pending completion of this transaction. In February 2014, Southern Arc and the Purchaser renegotiated the terms of the Taliwang Sale Agreement, whereby the purchase price was changed to US\$1,600,000 and the granting of a 5% net smelter royalty to Southern Arc ("Taliwang NSR"). The Purchaser retained the option to buy back 3% of the Taliwang NSR by paying Southern Arc US\$3,000,000. As a result of the renegotiation, Southern Arc recognized an additional \$1,889,096 of impairment provision against its book value of the Taliwang project.

In July 2014, the Company announced that it had amended the Taliwang Sale Agreement for a second time and closed the sale of its interest in the Taliwang project. Pursuant to the terms of the amended Taliwang Sale Agreement, the Company sold its 90% share of the Indonesian company that owns the Taliwang project to the Purchaser for US\$1,000,000 and the Taliwang NSR. The Purchaser has the option to buy back 3% of the Taliwang NSR by paying the Company US\$3,000,000. The Purchaser is also required to pay the Company 40% of gross revenue generated from the Taliwang project, after payment of the Taliwang NSR, until the aggregate amount of such payments equals US\$750,000. Alternatively, the Purchaser has the option of making a one-time payment of US\$600,000 if the payment is made before January 12, 2015.

The Purchaser has successfully completed and received Government approval for an Environmental Impact Statement and Feasibility Study for the development of small-scale gold mining and processing within the Taliwang IUP area. The West Sumbawa Regency has issued an exploitation IUP to Indotan Sumbawa Barat, granting tenure for a further 20 years. The Purchaser has organized the local artisanal miners and intends to

commission a series of small-scale mills on the property. Commissioning of the first 20-tonne-per-day (scalable to 40 tpd) CIP processing plant will commence shortly.

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

In August 2013, following an extensive search worldwide for high-quality properties, the Company partnered with Dundee Corporation (“Dundee”) to invest a total of \$12 million in Eagle Hill. Eagle Hill owns the high-grade Windfall Lake Gold Deposit (“Windfall Lake”) in Quebec, Canada. Windfall Lake is located between Val-d’Or and Chibougamau in the Abitibi Gold Belt, a highly favourable jurisdiction for exploration and mining. The greenstone belts of the Abitibi region constitute one of the most prolific gold-producing regions in the world, having produced over 170 million ounces of gold to date. The project is easily accessible by paved highways and all-weather gravel roads and has substantial infrastructure on site, including a 58-person camp and a 1,450-metre access ramp (vertical depth of 100 metres).

#### *Exploration*

From September 12 to December 20, 2013, Eagle Hill drilled a total of 28,232 metres in 68 drillholes (including one extension and six wedges), with the objective of expanding the known mineral resource. The drill program achieved its primary objectives, confirming continuity of mineralization below the Red Dog intrusion (“Red Dog”), confirming the extension of mineralization southwest of the Main Zone, and expanding Zone 27. In addition, a downhole IP survey showed additional potential below Red Dog.

The Winter 2014 drill program was focused on testing for gold mineralization below shallow lakes in the Main Zone. A total of 3,333 metres was drilled in 16 drill holes. Several drill intercepts demonstrated the presence of pyritic stockwork similar to other lenses of the Main Zone. The results confirmed continuity of the Zone 27 gold mineralization and demonstrated lateral extension of the Zone.

In March 2014, Eagle Hill released an updated mineral resource estimate for the Windfall Lake project, increasing the indicated mineral resource tonnage and contained gold by 43% and 38%, respectively. SRK Consulting (Canada) Inc. estimated an indicated mineral resource of 2,375,000 tonnes grading 9.75 g/t gold for contained gold of 744,000 ounces, with an additional inferred mineral resource estimated at 3,084,000 tonnes grading 7.37 g/t gold for contained gold of 731,000 ounces (see technical report for the Windfall Lake Gold Projects, Quebec dated March 3, 2014). These grades make Windfall Lake one of the highest grade resource-stage gold projects in the world.

In November 2014 Eagle Hill announced the results of its Summer 2014 drill program. As part of the Fall 2013 drill program, Eagle Hill drilled 11 deep holes below Red Dog, confirming the continuity of gold mineralization below Red Dog in three sparsely drilled lenses to a depth of approximately 870 metres, and delineating an inferred mineral resource of 455,000 tonnes at a grade of 8.21 g/t gold (for 120,000 contained ounces of gold at depth). A structural re-interpretation of the deposit indicated that the gold mineralization hosted by Zone 27 and the Caribou Zone (the major resource zones in the Windfall Lake deposit) may have been displaced to the north below Red Dog. A hole-to-hole IP anomaly identified below Red Dog further supported this interpretation. With its Summer 2014 drill program, Eagle Hill deepened five existing drill holes (2,039 metres) to test for gold mineralization in the displaced zones below Red Dog at a vertical depth of approximately 650 metres. The new drill holes intersected pyrite intervals up to 26 metres thick similar to gold-bearing mineralization in Zone 27 above Red Dog, which could be interpreted as the displaced down-dip extension of Zone 27. Another lens was intersected at a shallower depth (500 metres below surface) and is interpreted as the depth extension of the Caribou Lens.

This new drilling underscores the potential to increase the size of the Windfall Lake deposit directly below the known mineral resource. The 4,759 metres from the Fall 2013 program added 120,000 inferred ounces below the Red Dog intrusion to the Windfall Lake mineral resource. Additional drilling in these newly identified lenses could likewise add additional ounces to the mineral resource.

All drill results are available on Eagle Hill’s website at [www.eaglehillexploration.com](http://www.eaglehillexploration.com) and on SEDAR.

To further advance the Windfall Lake project, a Preliminary Economic Assessment (“PEA”) is underway. Different components of the project have been awarded to five internationally recognized engineering firms: Tetra Tech (mine design, infrastructure and financial analysis), Soutex (metallurgy and mill trade-off study), Golder (environmental), WSP (tailings evaluation) and SRK Consulting (Canada) (resource estimate). Completion of the PEA is targeted for Q1-2015.

### *Financing*

On April 8, 2014, Eagle Hill closed the flow-through portion of a non-brokered private placement announced on March 28, 2014, raising \$1 million to be used for exploration at Windfall Lake. Southern Arc participated in the flow-through portion of the private placement by purchasing 7,518,797 units at a price of \$0.07 per unit for an investment of \$526,316. Each unit consists of one common share (“a Share”) and one share purchase warrant (a “Warrant”) of Eagle Hill. Each Warrant entitles Southern Arc to acquire one Share at a price of \$0.10 until April 8, 2016. On June 20, 2014, Eagle Hill announced that it had closed the final tranche of the working capital portion of the private placement announced on March 28, 2014. Eagle Hill raised a total of \$2.74 million in three different tranches to be used for general working capital. Southern Arc purchased 20 million units of Eagle Hill at a price of \$0.05 per unit for an investment of \$1,000,000. Each unit consists of one Share of Eagle Hill and one Warrant of Eagle Hill. Each Warrant entitles Southern Arc to acquire one Share of Eagle Hill at a price of \$0.08 until May 8, 2016.

As at September 30, 2014, Southern Arc owned 26.25% of Eagle Hill on an undiluted basis, and 30.92% on a fully diluted basis.

### **SUMMARY OF QUARTERLY RESULTS**

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Total assets	\$ 8,361,344	\$ 9,423,679	\$ 12,574,176	\$ 13,412,252
Exploration properties	102,068	102,068	102,068	102,068
Working capital	1,685,532	2,481,827	4,579,738	5,207,824
Net loss	(879,482)	(3,162,716)	(765,358)	(3,234,969)
Basic and diluted loss per share	(0.01)	(0.03)	(0.01)	(0.03)

  

	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Total assets	\$ 16,675,188	\$ 18,192,286	\$ 53,939,440	\$ 54,333,738
Exploration properties	102,068	102,068	37,212,907	35,612,324
Working capital	8,146,387	16,060,362	15,164,760	17,208,413
Net loss	(1,517,749)	(35,487,971)	(527,628)	(5,172,518)
Basic and diluted loss per share	(0.01)	(0.32)	(0.00)	(0.05)

### **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 is advancing two properties in Indonesia: West Lombok, a resource-stage property with several gold-rich copper porphyry and epithermal gold vein prospects, and East Elang, a grassroots exploration

property that will be advanced in partnership with Vale International SA. Southern Arc also owns 26.25% of Eagle Hill Exploration, which owns the high-grade Windfall Lake Gold Project in Quebec, Canada. More information is available at [www.southernarcminerals.com](http://www.southernarcminerals.com).

## **Southern Arc Contact**

Rhylin Bailie  
Vice President, Communications & Investor Relations  
Phone: 604-676-5241  
Email: [info@southernarcminerals.com](mailto:info@southernarcminerals.com)

*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.*

### **Forward-looking Statements**

*This news release contains forward-looking statements relating to expected or anticipated future events 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, 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.*

### **Qualified Person**

*The technical information in this document related to Southern Arc's Indonesian properties has been reviewed by Southern Arc's Executive Vice President, 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 West Lombok 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.*

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

*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.*