



INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
MARCH 31, 2023 AND 2022**

(Unaudited - Expressed in Canadian dollars)

NOTICE TO READER
CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Southern Arc Minerals Inc. (the “Company”) for the three and nine months ended March 31, 2023, have been prepared by management and are the responsibility of the Company’s management and have not been reviewed by an auditor.

SOUTHERN ARC MINERALS INC.
STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

As at	March 31, 2023	June 30, 2022
Assets		
Current		
Cash	\$ 239,292	\$ 1,045,281
Receivables	16,900	9,970
Prepaid expenses and other deposits (Note 6)	11,570	18,106
Investments (Note 3)	990,726	76,662
	1,258,488	1,150,019
Furniture and equipment (Note 4)	2,829	3,435
Total assets	\$ 1,261,317	\$ 1,153,454
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 31,223	\$ 49,871
Total liabilities	31,223	49,871
Shareholders' equity		
Capital stock (Note 5)	78,577,429	78,577,429
Treasury stock (Note 5)	(1,170,000)	(1,170,000)
Equity reserve	12,204,724	12,204,724
Accumulated other comprehensive loss	(73,890)	(209,083)
Deficit	(88,308,169)	(88,299,487)
Total shareholders' equity	1,230,094	1,103,583
Total liabilities and shareholders' equity	\$ 1,261,317	\$ 1,153,454

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issuance on May 23, 2023:

On behalf of the Board of Directors

“John Proust” Director

“Morris Klid” Director

The accompanying notes are an integral part of these condensed interim financial statements.

SOUTHERN ARC MINERALS INC.
STATEMENTS OF NET INCOME (LOSS)
(Unaudited - Expressed in Canadian dollars)

	Three months ended March 31, 2023	Three months ended March 31, 2022	Nine months ended March 31, 2023	Nine months ended March 31, 2022
Expenses				
Depreciation (Note 4)	\$ 202	\$ 202	\$ 606	\$ 606
Office and miscellaneous (Note 6)	17,025	17,224	56,217	58,248
Management fees (Note 6)	60,000	60,000	180,000	180,000
Foreign exchange (gain) loss	(60,443)	34,176	(103,452)	26,937
Investor relations	951	611	2,173	1,833
Professional fees	15,085	25,000	46,469	86,581
Transfer agent and filing fees	5,552	5,995	18,285	16,930
Loss before other items	(38,372)	(143,208)	(200,298)	(371,135)
Other income (expense)				
Interest and other income	4,611	42	12,745	585
Unrealized (gain) loss on investments (Note 3)	179,873	(310,016)	178,871	(802,950)
	184,484	(309,974)	191,616	(802,365)
Net income (loss) for the period	\$ 146,112	\$ (453,182)	\$ (8,682)	\$ (1,173,500)
Basic and diluted income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.00)	\$ (0.05)
Weighted average shares outstanding (Note 5)	22,768,283	22,768,283	22,768,283	22,768,283

The accompanying notes are an integral part of these condensed interim financial statements.

SOUTHERN ARC MINERALS INC.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited - Expressed in Canadian dollars)

	Three months ended March 31, 2023	Three months ended March 31, 2022	Nine months ended March 31, 2023	Nine months ended March 31, 2022
Net income (loss) for the period	146,112	(453,182)	(8,682)	(1,173,500)
Other comprehensive income (loss)				
Items that may not be subsequently reclassified to profit/loss:				
Change in fair value of investments	115,958	6,425	135,193	23,059
	115,958	6,425	135,193	23,059
Total comprehensive income (loss) for the period	262,070	(446,757)	126,511	(1,150,441)

The accompanying notes are an integral part of these condensed interim financial statements.

SOUTHERN ARC MINERALS INC.
STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

For the nine months ended	March 31, 2023	March 31, 2022
Cash flows from operating activities		
Net loss for the period	\$ (8,682)	\$ (1,173,500)
Items not affecting cash:		
Depreciation	606	606
Unrealized (gain) loss on investments	(178,871)	802,950
Changes in non-cash working capital items:		
Receivables and prepaid expenses	(394)	9,160
Accounts payable and accrued liabilities	(18,648)	(14,820)
Net cash used in operating activities	(205,989)	(375,604)
Cash flows from investing activities		
Acquisition of investment	(600,000)	-
Proceeds from sale of available for sale investment	-	866,728
Net cash (used in) provided by investing activities	(600,000)	866,728
Change in cash during the period	(805,989)	491,124
Cash, beginning of the period	1,045,281	630,070
Cash, end of the period	\$ 239,292	\$ 1,121,194

The accompanying notes are an integral part of these condensed interim financial statements.

SOUTHERN ARC MINERALS INC.
STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian dollars)

	Capital Stock	Treasury Stock	Equity Reserve	Accumulated Other Comprehensive Income	Deficit	Total Equity	
	Number of shares	Capital Stock					
Balance, June 30, 2021	22,768,283	\$ 78,577,429	\$ (1,170,000)	\$ 12,204,724	\$ (1,585,431)	\$ (85,523,574)	\$ 2,503,148
Net loss for the period	-	-	-	-	-	(1,173,500)	(1,173,500)
Accumulated other comprehensive income transferred to deficit	-	-	-	-	1,423,381	(1,423,381)	-
Other comprehensive income	-	-	-	-	23,059	-	23,059
Balance, March 31, 2022	22,768,283	\$ 78,577,429	\$ (1,170,000)	\$ 12,204,724	\$ (138,991)	\$ (88,120,455)	\$ 1,352,707
Balance, June 30, 2022	22,768,283	\$ 78,577,429	\$ (1,170,000)	\$ 12,204,724	\$ (209,083)	\$ (88,299,487)	\$ 1,103,583
Net loss for the period	-	-	-	-	-	(8,682)	(8,682)
Other comprehensive income	-	-	-	-	135,193	-	135,193
Balance, March 31, 2023	22,768,283	\$ 78,577,429	\$ (1,170,000)	\$ 12,204,724	\$ (73,890)	\$ (88,308,169)	\$ 1,230,094

The accompanying notes are an integral part of these condensed interim financial statements.

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Southern Arc Minerals Inc. (“Southern Arc” or “the Company”) was incorporated in British Columbia, Canada on August 19, 2004. The Company is a Canadian company focused on creating value through project generation and strategic investments in mineral resource companies with a focus on gold and copper-gold. The Company’s head office is located at Suite 650 - 669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company does not currently generate any revenues or have operations that generate cash flows. Accordingly, the Company relies on funding received from the sale of investments and financing received from the issuance of common shares or loans and borrowings to finance its strategic investment activities and general and administrative costs.

The Company’s business plan is to make strategic investments in resource companies with a focus on gold and copper-gold. Based on current plans, the Company has sufficient cash to finance its general and administrative expenses and other current obligations for the next twelve-month period. However, the Company expects that it will require additional debt or equity funding in the future in order to maintain current operations and to fund future investments or exploration projects. The Company’s ability to continue as a going concern is dependent on its ability to successfully raise additional funds. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future.

On March 11, 2020, the novel coronavirus outbreak (“COVID-19”) outbreak was declared a pandemic by the World Health Organization. Although the Company has not been significantly impacted to date, the extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, related government responses and the impact on the global economy, which are uncertain and cannot be predicted. These impacts could include an impact on the Company’s ability to obtain debt and equity financing to fund ongoing investing activities as well as the Company’s ability to conduct business.

In late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. In response to the military action by Russia, various countries, including Canada, the United States, the United Kingdom and European Union issued broad-ranging economic sanctions against Russia. Such sanctions (and any future sanctions) and other actions against Russia may adversely impact, among other things, the Russian economy and various sectors of the economy, including but not limited to, financials, energy, metals and mining. Accordingly, the actions discussed above and the potential for a wider conflict could increase financial market volatility and cause severe negative effects on regional and global economic markets. As a result, the Company’s business, financial condition, and results of operations may be negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action.

These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed interim financial statements have been prepared in accordance with IFRS, as applicable to interim financial reports including IAS 34, “Interim Financial Reporting”, and should be read in conjunction with the Company’s annual financial statements for the year ended June 30, 2022, which have been prepared in accordance with IFRS.

These condensed interim financial statements were approved for issuance by the Company’s Board of Directors on May 23, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates

The preparation of these 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 interim financial statements include estimates which, by their nature, are uncertain. 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 conditions and other factors, including expectations of future events that are believed to be reasonable under the current 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, the valuation of investments in warrants which requires estimates of volatility and discount rates. These assumptions affect the fair value of these investments in warrants and the related unrealized gains (losses) on investments.

Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments. The Company's assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained as required. See Note 1.

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

3. INVESTMENTS

During the period ended March 31, 2023, the Company subscribed for 1,000,000 units in the private placement offering of Rise Gold Corp for a total investment of \$600,000 (US\$400,000). Each purchased unit is comprised of one common share of Rise Gold Corp and one half of one purchase warrant. Each whole purchase warrant entitles the Company to purchase an additional common share of Rise at US\$0.60 per share until January 31, 2025. The fair value of these warrants was determined to be \$197,693 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 4.37%; expected volatility – 100%; share price of \$0.75 and strike price - \$0.80; expected life of warrants – 2 year.

The following table summarizes the Company's investments as at March 31, 2023 and June 30, 2022:

	March 31, 2023		June 30, 2022	
	Number of Securities	Fair Value	Number of Securities	Fair Value
Investment in shares of Rise Gold Corp.	1,015,612	\$ 721,085	15,612	\$ 7,806
Investment in shares of Adriatic Metals Plc.	9,481	32,641	9,481	16,439
Investment in shares of Japan Gold	228,510	57,127	228,510	51,415
Investment in warrants of Rise Gold Corp.	500,000	179,873	-	-
Investment in warrants of Japan Gold Corp.	-	-	12,500,000	1,002
Total investments		\$ 990,726		\$ 76,662

4. FURNITURE AND EQUIPMENT

Cost	Office Furniture	Leasehold Improvements	Total
At June 30, 2022	\$ 35,071	\$ 29,660	\$ 64,731
Addition	-	-	-
At March 31, 2023	\$ 35,071	\$ 29,660	\$ 64,731
Accumulated depreciation			
At June 30, 2021	\$ 30,828	\$ 29,660	\$ 60,488
Depreciation expenses	808	-	808
At June 30, 2022	\$ 31,636	\$ 29,660	\$ 61,296
Depreciation expenses	606	-	606
At March 31, 2023	\$ 32,242	\$ 29,660	\$ 61,902
Total carrying value, June 30, 2022	\$ 3,435	\$ -	\$ 3,435
Total carrying value, March 31, 2023	\$ 2,829	\$ -	\$ 2,829

5. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of Class A common shares without par value. As at March 31, 2023, 22,898,283 (June 30, 2022 – 22,898,283) are issued of which 22,768,283 (June 30, 2022 – 22,768,283) are outstanding and 130,000 (June 30, 2022 – 130,000) are in treasury.

Earnings per share

Basic income per share is the net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted net earnings (loss) per share adjusts basic net income per share for the effects of potential dilutive common shares.

The calculations of diluted weighted average number of shares outstanding as at March 31, 2023 and March 31, 2022 are as follows:

	March 31, 2023	March 31, 2022
Basic weighted average number shares outstanding	22,768,283	22,768,283
Dilutive securities:		
Options	-	-
Warrants	-	-
Diluted weighted average number of shares outstanding	22,768,283	22,768,283

Share options

The Company grants share options in accordance with its share option plan and the policies of the TSX Venture Exchange. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The terms of the option, including the vesting terms and the option price, are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's shares on the date of grant. The share options granted are exercisable for a period of up to ten years, as determined by the board of directors at the time of grant.

As at March 31, 2023 and June 30, 2022, the Company has no options outstanding.

Share purchase warrants

As at March 31, 2023 and June 30, 2022, the Company has no share purchase warrants outstanding.

6. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and officers of the Company.

Key management compensation during the three- and nine-month period ended March 31, 2023 consisted of management fees of \$60,000 and \$180,000 (March 31, 2022 - \$60,000 and \$180,000) respectively which was paid to two private companies controlled by the Chief Executive Officer and Chairman of the Company. Management fees include administrative, finance, accounting, investor relations and consulting services.

The Company also reimbursed a private company controlled by the Chief Executive Officer and Chairman of the Company during the three- and nine-month period ended March 31, 2023 of \$7,500 and \$22,500 (March 31, 2022 - \$7,500 and \$22,500) respectively in occupancy costs. As at March 31, 2023, the Company had a deposit balance of \$4,706 (June 30, 2022 - \$4,706) for its occupancy costs.

The above transactions are recorded at the consideration established and agreed to by the related parties.

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

7. SEGMENTED INFORMATION

A reporting segment is defined as a component of the Company that:

- Engages in business activities from which it may earn revenues and incur expenses;
- Operating results are reviewed regularly by the entity's chief operating decision maker; and
- Discrete financial information is available.

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties and investments. As at March 31, 2023 and June 30, 2022, all of the Company's assets and liabilities and income are in Canada.

8. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market risk, 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 is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company currently does not have any significant credit 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.

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 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 subject to foreign currency fluctuations primarily on its cash denominated in a currency other than the Canadian dollar. As at March 31, 2023, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$1,915. The quoted market price of Japan Gold, Rise Gold and Adriatic shares are subject to fluctuations and this impacts other comprehensive income. A 1% change (plus or minus) in the price of these shares would change the fair value of the common shares and other comprehensive income by approximately \$8,109.

Fair value

IFRS requires disclosure about fair 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.

The Company's investment in common shares of Japan Gold, Rise Gold and Adriatic were recognized at fair value using the quoted market price of these instruments. Accordingly, these are classified as level 1. The Japan Gold warrants were recognized in the prior period at fair value using level 2 inputs. The fair value of the Japan Gold and Rise Gold warrants was determined using a Black-Scholes option pricing formula. The carrying value of cash, receivables, deposits and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.