SOUTHERN ARC MINERALS INC.

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
DECEMBER 31, 2007 AND 2006

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended December 31, 2007.

SOUTHERN ARC MINERALS INC.
BALANCE SHEETS
(Unaudited)
(Expressed in Canadian dollars)

	December 31, 2007	June 30, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 11,913,368	$ 878,988
Prepaid expense and deposit	10,023	32,006
Receivables	22,823	9,933
Investment (Note 5)	-	1,408,258
	11,946,214	2,329,185
Equipment (Note 3)	19,465	21,628
Resource properties (Note 4)	9,903,666	8,443,787
Long-term investment (Note 5)	1,200,222	-
	$ 23,069,567	$ 10,794,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 214,420	$ 375,830
Shareholders' equity		
Capital stock (Note 6)	25,972,300	12,277,578
Share subscriptions received	-	43,750
Contributed surplus (Note 6)	6,286,070	1,580,928
Deficit	(9,403,223)	(3,483,486)
	22,855,147	10,418,770
	$ 23,069,567	$ 10,794,600

Basis of presentation (Note 1)
Nature and continuance of operations (Note 2)
Commitment (Note 10)
Subsequent events (Note 12)

On behalf of the Board:

"John Proust" Director *"Doug Leishman"* Director

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

SOUTHERN ARC MINERALS INC.
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)
(Expressed in Canadian dollars)

	Three Month Period Ended December 31, 2007	Three Month Period Ended December 31, 2006	Six Month Period Ended December 31, 2007	Six Month Period Ended December 31, 2006
EXPENSES				
Amortization	$ 1,082	$ 859	$ 2,163	$ 1,718
Consulting fees	10,700	51,660	25,700	64,299
Investor relations	28,372	19,288	50,872	32,788
Management fees	46,500	-	84,000	75,000
Office and miscellaneous	52,836	16,428	76,984	27,471
Professional fees	33,246	51,691	52,001	70,733
Property investigation costs	2,881	7,964	4,661	21,629
Rent	15,332	10,320	21,532	17,520
Stock-based compensation (Note 6)	636,193	19,469	5,336,715	58,186
Transfer agent and filing fees	16,540	7,047	18,851	10,461
Travel	37,695	1,454	76,894	1,454
Loss before other items	(881,377)	(186,180)	(5,750,373)	(381,259)
OTHER ITEMS				
Interest income	32,046	12,081	42,440	43,823
Fair value adjustment to investment (Note 5)	-	-	(211,804)	-
	32,046	12,081	(169,364)	43,823
Loss for the period	(849,331)	(174,099)	(5,919,737)	(337,436)
Deficit, beginning of period	(8,553,892)	(2,629,037)	(3,483,486)	(2,465,700)
Deficit, end of period	$ (9,403,223)	$ (2,803,136)	$ (9,403,223)	$ (2,803,136)
Basic and diluted loss per share	$ (0.01)	$ (0.00)	$ (0.10)	$ (0.01)
Weighted average number of shares outstanding	62,158,940	46,442,884	59,868,063	46,442,884

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

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

	Three Month Period Ended December 31, 2007	Three Month Period Ended December 31, 2006	Six Month Period Ended December 31, 2007	Six Month Period Ended December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (849,331)	$ (174,099)	$ (5,919,737)	$ (337,436)
Items not affecting cash:				
Stock-based compensation	636,193	19,469	5,336,715	58,186
Amortization	1,082	859	2,163	1,718
Fair value adjustment of asset backed commercial paper	-	-	211,804	-
Changes in non-cash working capital items:				
(Increase)/decrease in receivables	(15,863)	8,171	(12,890)	3,263
Decrease in prepaid expense and deposit	15,462	19,488	21,983	6,495
(Decrease)/increase in accounts payable and accrued liabilities	(40,012)	(8,346)	(45,123)	25,483
Advance to related party	318	766	-	766
Net cash used in operating activities	(252,151)	(133,692)	(405,085)	(241,525)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to resource properties	(826,103)	(886,771)	(1,576,166)	(1,713,956)
Acquisition of equipment	-	-	-	(16,164)
Acquisition of investment	-	-	(1,412,026)	-
Proceeds from investment	-	-	1,408,258	-
Net cash used in investing activities	(826,103)	(886,771)	(1,579,934)	(1,730,120)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	12,167,704	-	13,834,584	-
Share issue costs	(816,085)	-	(815,185)	5,148
Net cash provided by financing activities	11,351,619	-	13,019,399	5,148
Change in cash during period	10,273,365	(1,020,463)	11,034,380	(1,966,497)
Cash and cash equivalents, beginning of period	1,640,003	1,777,839	878,988	2,723,873
Cash and cash equivalents, end of period	$ 11,913,368	$ 757,376	$ 11,913,368	$ 757,376
Cash and cash equivalents consist of:				
Cash on hand	$ 11,913,368	$ 48,379	$ 11,913,368	$ 48,379
Term deposits	-	708,997	-	708,997
	$ 11,913,368	$ 757,376	$ 11,913,368	$ 757,376

Supplemental disclosure with respect to cash flows (Note 7)

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

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements, except as noted below. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudted interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in British Columbia on August 19, 2004. The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Indonesia. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters can not be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

Change in accounting policy

Financial instruments

Effective July 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

(Expressed in Canadian dollars)

2. NATURE AND CONTINUANCE OF OPERATIONS (cont'd…)

Change in accounting policy (cont'd…)

Financial instruments (cont'd…)

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents as held-for-trading. Receivables and long-term investment are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost. The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has a policy not to use hedge accounting.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As a result of the application of Section 3855, there was no effect on the Company's deficit position as at July 1, 2007.

3. EQUIPMENT

	December 31, 2007			June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Telephone equipment	$ 26,278	$ 6,813	$ 19,465	$ 26,278	$ 4,650	$ 21,628

(Expressed in Canadian dollars)

4. RESOURCE PROPERTIES

For the six months ended December 31, 2007	Lombok Property, Indonesia	Sumbawa Property, Indonesia	Total
Acquisition costs			
Balance, beginning and end of period	$ 1,051,254	$ 450,537	$ 1,501,791
Deferred exploration costs			
Incurred during the period:			
Assaying, testing, surveying and analysis	49,278	15,890	65,168
Camp construction, supplies and other	394,596	110,517	505,113
Drilling	476,170	-	476,170
Geological and other consulting	268,502	128,268	396,770
Travel	13,534	3,124	16,658
Total deferred exploration costs	1,202,080	257,799	1,459,879
Balance, beginning of period	3,960,749	2,981,247	6,941,996
Balance, end of period	5,162,829	3,239,046	8,401,875
Total resource property costs	$ 6,214,083	$ 3,689,583	$ 9,903,666

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain resource property interests as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource property interests and, to the best of its knowledge, title to all of its resource property interests are in good standing.

Lombok and Sumbawa Properties, Indonesia

The Company entered into an agreement with Sunda Mining Corporation ("Sunda") pursuant to which Sunda assigned its option to acquire certain rights on the Lombok property ("Lombok") and the Sumbawa property ("Sumbawa")(collectively the "Properties") to the Company, which Sunda had obtained from Indotan Inc. ("Indotan"). In consideration for the assignment, the Company paid $81,572 and issued 11,500,000 common shares valued at $862,500 to Sunda. Effective February 25, 2005, the Company and Indotan entered into a settlement agreement with respect to certain outstanding matters related to the Properties. Pursuant to this settlement, the Company and Indotan entered into an amended and restated option agreement (the "Option Agreement") which sets out all of the rights and responsibilities of the Company and Indotan with respect to the Properties.

Pursuant to the Option Agreement, the Company has the option, directly with Indotan, to acquire all of its rights to the Properties in consideration for which the Company issued 1,000,000 common shares, valued at $125,000, and paid $180,000. The Company now has an option, until February, 2010 to acquire 50% of Indotan's 1% net smelter returns royalty ("NSR") on the Properties in consideration for the payment of $500,000. Concurrently with the signing of the Option Agreement, the Company received an option to acquire the remaining 50% of the 1% NSR, held by Indotan, on the Properties in consideration for $60,000 (paid) and $500,000, which can be paid prior to the expiry of the option in February, 2010. All of the holders of the NSR agreed that the NSR only applies to the Properties as at July 21, 2004 and not to any additional property interests which the Company acquires after that date.

4. RESOURCE PROPERTIES (cont'd…)

Lombok and Sumbawa Properties, Indonesia (cont'd…)

In accordance with a limited power of attorney granted by Indotan pursuant to the Option Agreement, the Company caused Indotan to enter into two joint venture agreements (the "JV Agreements") with Indotan's Indonesian partner, PT Puri Permata Mega ("PTPM"), on the Properties. The Company has an initial 90% interest in the Lombok joint venture (the "Lombok JV") and the Sumbawa joint venture (the "Sumbawa JV"). At any time after a joint venture company is formed with respect to the Lombok JV and that company enters into a Contract of Work ("COW"), the Company can acquire a further 5% interest in the Lombok JV by providing funds to the Lombok JV in the amount of US$700,000. At any time after a joint venture company is formed with respect to the Sumbawa JV and that company enters into a COW, the Company can acquire a further 5% interest in the Sumbawa JV by providing funds to the Sumbawa JV in the amount of US$300,000. The Company has funded the respective amounts to each of the Lombok JV and Sumbawa JV.

Lombok and Sumbawa are currently comprised of two separate applications to the Indonesian Government for a COW to conduct mining activities and earn mineral rights to certain mineral tenements. Upon the approval in principle of the COW, preliminary general survey licenses ("SIPPs") were granted for the properties. The SIPP permits the Company to conduct preliminary general survey work over the COW application areas. The Sumbawa SIPP was granted on January 2, 2004 for an initial 12 month period. On April 19, 2005, an extension and expansion of the Sumbawa Property SIPP was granted until April 19, 2006 and on April 22, 2006, an extension was granted until April 22, 2007. A third 12 month extension to the SIPP period was granted by the local regional authorities on June 20, 2007. The Lombok SIPP was granted on December 4, 2002. On July 15, 2005, an extension and expansion of the Lombok Property SIPP was granted until February 15, 2006. A 12 month extension on the Lombok SIPP has been filed. The granting of a SIPP is not a guarantee that a COW will be entered into.

The Company entered into an agreement with PT Newmont Nusa Tenggara ("NNT") regarding a property ("*Block 1*") which is contiguous with the western boundary of the Company's current Lombok Island SIPP license. The acquisition was completed through a relinquishment by NNT of *Block 1* area. The terms of the agreement include granting NNT a 2% net smelter return ("NSR") on any mineral production from the area covered by *Block 1* together with a right of first refusal should the Company wish to introduce a new partner into any development within the area originally covered by *Block 1*.

5. LONG-TERM INVESTMENT

As at December 31, 2007, the Company held an investment of $1,200,222 consisting of Canadian Asset-Backed Commercial Paper ("ABCP"), net of a $211,804 fair value adjustment. The ABCP investment matured on August 17, 2007, but was not repaid and remains outstanding.

The Montreal Group representing banks, asset-backed commercial paper providers and major investors has reached an agreement to restructure the ABCP market. This restructuring, which is expected to be completed by March 31, 2008, will replace the existing short-term investments with longer term notes with a maturity of 7 years, on average. These notes will be issued as Senior and Subordinated Notes and a margin facility will be in place to finance margin calls.

(Expressed in Canadian dollars)

5. LONG-TERM INVESTMENT (cont'd…)

There is no active market for this type of investment, therefore, to determine the fair value, the Company used a probability weighted valuation technique considering the associated credit risk and the time value of money. Based on the limited available information the Company used the following assumptions in its valuation: the trust is a going concern, the Senior Notes will be AAA rated, and the Notes will be interest bearing. The credit risk interest premium was estimated by management and these estimates are not based on observable market prices or rates. The fair market value of this investment may be effected by changes in the assumptions. In addition, there is no certainty regarding the eventual recovery of this investment and consequently the timing and amount of any future cash flows may vary materially from current estimates.

Since the investment is no longer capable of reasonably prompt liquidation, the Company has reclassified this investment to long-term in other assets. This investment continues to be classified as held-for trading.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance as at June 30, 2006	46,442,884	$ 8,813,046	$ 1,546,833
Issued for cash	7,000,000	2,100,000	-
Exercise of warrants	3,062,049	1,451,525	(56,841)
Exercise of options	50,000	57,511	(22,511)
Stock-based compensation	-	-	66,113
Share issuance costs	-	(97,170)	-
Agent warrants	-	(47,334)	47,334
Balance as at June 30, 2007	56,554,933	12,277,578	1,580,928
Private placement	9,260,336	11,112,403	-
Exercise of warrants	2,781,277	1,700,685	(43,255)
Exercise of options	2,225,000	2,065,218	(956,718)
Stock-based compensation	-	-	5,336,715
Share issuance costs	-	(815,184)	-
Agent warrants	-	(368,400)	368,400
Balance as at December 31, 2007	70,821,546	$ 25,972,300	$ 6,286,070

The Company had 4,177,781 shares in escrow at December 31, 2007.

During the six months ended December 31, 2007, the Company:

a) issued 2,781,277 common shares for proceeds of $1,657,430 pursuant to the exercise of warrants.

b) issued 2,225,000 common shares for proceeds of $1,108,500 pursuant to the exercise of options.

(Expressed in Canadian dollars)

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

c) completed a brokered private placement in the amount of 8,960,336 units at a price of $1.20 per unit, with each unit being comprised of one common share and one-half of a transferable share purchase warrant. Each warrant may be exercised to purchase an additional common share of the Company at a purchase price of $1.75 for a period of two years to December 18, 2009. The Company paid an aggregate of $698,906 in cash commissions, $116,278 in share issuance costs and issued an aggregate of 582,422 agent's warrants valued at $368,400. Each agent's warrant is exercisable into one common share at an exercise price of $1.20 per common share for a period of one year to December 18, 2008.

d) completed a non-brokered private placement in the amount of 300,000 units at a price of $1.20 per unit, with each unit being comprised of one common share and one-half of a transferable share purchase warrant. Each warrant may be exercised to purchase an additional common share of the Company at a purchase price of $1.75 for a period of two years to December 18, 2009.

Stock options

The Company grants stock options in accordance with the policies of the TSX Venture Exchange ("TSXV"). 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 stock on the date of grant. The stock options granted are exercisable for a period of five years. A summary of the Company's outstanding stock options granted is presented below.

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2006	4,225,000	$ 0.47
Cancelled	(250,000)	0.60
Exercised	(50,000)	0.70
Outstanding, June 30, 2007	3,925,000	0.46
Granted	3,615,000	1.56
Exercised	(2,225,000)	0.50
Outstanding, December 31, 2007	5,315,000	1.19
Number of options currently exercisable	5,315,000	$ 1.19

During the six months ended December 31, 2007, the Company reported stock-based compensation of $5,336,715, using the Black-Scholes option-pricing model, as a result of 3,615,000 options granted. These amounts were recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was $1.47 per option.

(Expressed in Canadian dollars)

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

During the six months ended December 31, 2006, the Company reported stock-based compensation of $58,186, using the Black-Scholes option-pricing model, as a result of vested options that were granted previously. These amounts were recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	Six Month Period Ended December 31, 2007	Six Month Period Ended December 31, 2006
Risk-free interest rate	4.28%	3.88%
Expected life of options	5 years	4.67 years
Annualized volatility	160.10%	75.64%
Dividend rate	0.00%	0.00%

Warrants

The Company has granted warrants to purchase common shares. A summary of warrants granted is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2006	5,691,442	$ 0.62
Granted	3,759,010	0.45
Exercised	(3,062,049)	0.46
Outstanding, June 30, 2007	6,388,403	0.60
Granted	5,212,590	1.69
Exercised	(2,781,277)	0.60
Expired	(125,000)	0.50
Outstanding, December 31, 2007	8,694,716	$ 1.25

During the six months ended December 31, 2007, the Company reported share issuance costs of $368,400, using the Black-Scholes option pricing model, as a result of 582,422 agent warrants granted.

(Expressed in Canadian dollars)

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of agent warrants granted during the period:

	Six Month Period Ended December 31, 2007	Six Month Period Ended December 31, 2006
Risk-free interest rate	3.82%	-
Expected life of warrants	1 years	-
Annualized volatility	134.46%	-
Dividend rate	0.00%	-

Share purchase options and warrants

At December 31, 2007, the Company had share purchase options and warrants outstanding enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	900,000	$ 0.25	June 30, 2010
	675,000	0.56	January 13, 2011
	125,000	0.70	April 13, 2011
	3,215,000	1.56	September 26, 2012
	400,000	1.56	October 3, 2012
Warrants	940,786	1.00	March 24, 2008
	39,360	0.70	March 24, 2008
	2,501,980	0.45	March 28, 2009
	4,630,168	1.75	December 18, 2009
	582,422	1.20	December 18, 2008

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company has the following significant non-cash transactions:

During the six months ended December 31, 2007, the Company:

a) included in accounts payable $193,425 (June 30, 2007 - $309,712) of resource property costs

(Expressed in Canadian dollars)

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

b) allocated $43,255 to capital stock from contributed surplus for agent warrants exercised during the period

c) allocated $956,718 to capital stock from contributed surplus for stock options exercised during the period.

8. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2007 the Company entered into transactions with related parties as follows:

a) Paid $84,000 (December 31, 2006 - $75,000) for management services and $9,000 (December 31, 2006 - $9,000) for administration, recorded in office expense, to a private company controlled by the Chief Executive Officer of the Company.

b) Paid $94,733 (December 31, 2006 - $69,363) for geological consulting services included in resource properties to an officer of the Company and a company controlled by an officer of the Company.

c) Paid $25,700 (December 31, 2006 - $18,410) for engineering consulting services to an officer of the Company.

d) Paid or accrued $36,500 (December 31, 2006 - $30,500) for professional accounting fees to a firm in which an ex-officer is a partner.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, deposit, receivables, accounts payable and accrued liabilities and long-term investment. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted.

Currency risk

The Company's largest non-monetary assets are its resource interests in Indonesia. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments. The Company does not maintain significant cash or monetary assets or liabilities in Indonesia. At December 31, 2007, the Company had US$196,971 (approximately CAD$193,425) in accounts payable.

10. COMMITMENT

The Company has committed to rent office space for the following annual amounts:

2008	$ 24,474
2009	24,474

(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION

The Company operates in one industry segment, being the exploration of resource properties. Geographic information is as follows:

	Six Month Period Ended December 31, 2007	Six Month Period Ended December 31, 2006
Loss for the period:		
Canada	$ (5,919,737)	$ (337,436)

	December 31, 2007	June 30, 2007
Resource properties - Indonesia	$ 9,903,666	$ 8,443,787
Equipment – Canada	19,465	21,628
	$ 9,923,131	$ 8,465,415

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2007, the Company:

a) completed a private placement for $207,000 by issuing 172,500 units at $1.20 per unit. Each unit consists of one common share and one-half of a transferable share purchase warrant exercisable at $1.75 per share until January 8, 2010

b) issued 210,000 common bonus shares at a deemed value of $1.27 per share to its consultants, geologists and field personnel working in Indonesia for their services and performance on behalf of the Company in connection with its Indonesian mineral properties. The bonus shares will be subject to hold periods whereby 1/3 of the bonus shares will become freely tradable every six months over a period of 18 months

c) issued 172,500 common shares for proceeds of $77,625 on exercise of $0.45 warrants.