



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED
DECEMBER 31, 2021 AND 2020**

(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 six months ended December 31, 2021, 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	December 31, 2021	June 30, 2021
Assets		
Current		
Cash	\$ 1,235,324	\$ 630,070
Receivables	23,844	12,381
Prepaid expenses and other deposits	17,613	19,778
Investments (Note 3)	554,890	851,988
	1,831,671	1,514,217
Investments (Note 3)	-	1,045,930
Furniture and equipment (Note 4)	3,839	4,243
Total assets	\$ 1,835,510	\$ 2,564,390
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 36,047	\$ 61,242
Total liabilities	36,047	61,242
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	(145,416)	(1,585,431)
Deficit	(87,667,274)	(85,523,574)
Total shareholders' equity	1,799,463	2,503,148
Total liabilities and shareholders' equity	\$ 1,835,510	\$ 2,564,390

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issuance on February 17, 2022:

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 December 31, 2021	Three months ended December 31, 2020	Six months ended December 31, 2021	Six months ended December 31, 2020
Expenses				
Depreciation	\$ 202	\$ 2,090	\$ 404	\$ 23,066
Office and miscellaneous (Note 6)	21,008	23,858	41,025	68,547
Management fees (Note 6)	60,000	70,000	120,000	160,000
Foreign exchange loss (gain)	(2,025)	6,635	(7,239)	8,946
Investor relations	611	2,561	1,222	3,572
Professional fees	44,550	105,938	61,581	221,642
Transfer agent and filing fees	8,969	43,494	10,935	55,031
Loss before other items	(133,315)	(254,576)	(227,928)	(540,804)
Other income (expense)				
Interest and other income	188	(751)	543	27,055
Realized and unrealized gain (loss) on investments (Note 3)	(101,586)	(414,592)	(492,934)	162,343
Equity loss from investment in associate	-	(35,992)	-	(239,690)
Gain on return of capital transaction	-	6,698,969	-	6,698,969
	(101,398)	6,247,634	(492,391)	6,648,677
Net income (loss) for the period	\$ (234,713)	\$ 5,993,058	\$ (720,319)	\$ 6,107,873
Basic income per share	\$ (0.01)	\$ 0.27	\$ (0.03)	\$ 0.32
Diluted income per share	\$ (0.01)	\$ 0.27	\$ (0.03)	\$ 0.32
Weighted average shares outstanding (Note 5)	22,768,283	22,383,877	22,768,283	18,928,779
Diluted weighted average shares outstanding (Note 5)	22,768,283	22,383,877	22,768,283	18,928,779

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 December 31, 2021	Three months ended December 31, 2020	Six months ended December 31, 2021	Six months ended December 31, 2020
Net income (loss) for the period	(234,713)	5,993,058	(720,319)	6,107,873
Other comprehensive income (loss)				
Items that may not be subsequently reclassified to profit/loss:				
Change in fair value of investments	(1,300)	15,397	16,634	1,603,772
	(1,300)	15,397	16,634	1,603,772
Total comprehensive income (loss) for the period	(236,013)	6,008,455	(703,685)	7,711,645
Comprehensive income (loss) attributable to:				
Shareholders of Southern Arc				
Minerals Inc.	(236,013)	6,008,455	(703,685)	7,711,645
	(236,013)	6,008,455	(703,685)	7,711,645

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

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

For the six months ended	December 31, 2021	December 31, 2020
Cash flows from operating activities		
Net income (loss) for the period	\$ (720,319)	\$ 6,107,873
Items not affecting cash:		
Depreciation	404	23,066
Gain on return of capital transaction	-	(6,698,969)
Equity loss from investment in associate (Note 3)	-	239,690
Realized and unrealized loss (gain) on investments (Note 3)	492,934	(162,343)
Changes in non-cash working capital items:		
Receivables and prepaid expenses	(9,298)	1,922
Accounts payable, accrued liabilities and other long-term liabilities	(25,195)	(86,599)
Net cash used in operating activities	(261,474)	(575,360)
Cash flows from (used in) investing activities		
Proceeds from sale of available for sale investment	866,728	-
Property and equipment	-	(4,849)
Net cash provided by (used in) investing activities	866,728	(4,849)
Cash flows from financing activities		
Cash received from exercise of options and warrants	-	1,163,084
Lease payments	-	(25,633)
Net cash provided by financing activities	-	1,137,451
Change in cash during the period	605,254	557,242
Cash, beginning of the period	630,070	349,773
Cash, end of the period	\$ 1,235,324	\$ 907,015

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 (loss)	Deficit	Total Equity	
	Number of shares	Capital Stock					
Balance, June 30, 2020	19,174,616	\$ 77,171,731	\$ (1,170,000)	\$ 12,447,338	\$ (1,715,892)	\$ (71,574,522)	\$ 15,158,655
Return of capital	-	-	-	-	(20,201,409)	(20,201,409)	
Net income for the period	-	-	-	-	6,107,873	6,107,873	
Shares issued for exercise of options and warrants	3,593,667	1,163,084	-	-	-	1,163,084	
Other comprehensive gain	-	-	-	1,603,772	-	1,603,772	
Balance, December 31, 2020	22,768,283	\$ 78,334,815	\$ (1,170,000)	\$ 12,447,338	\$ (112,120)	\$ (85,668,058)	\$ 3,831,975
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	-	-	-	-	(720,319)	(720,319)	
Accumulated other comprehensive income transferred to deficit	-	-	-	1,423,381	(1,423,381)	-	
Other comprehensive gain	-	-	-	16,634	-	16,634	
Balance, December 31, 2021	22,768,283	\$ 78,577,429	\$ (1,170,000)	\$ 12,204,724	\$ (145,416)	\$ (87,667,274)	\$ 1,799,463

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

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

(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.

On October 16, 2020 (the “Distribution Date”), the Company distributed certain of its investment securities with a carrying value of \$13,345,231 to the shareholders of the Company. Subsequent to the distribution, the Company’s business plan is to continue making 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 twelve-month period. However, the Company will be required to obtaining additional financing in order to fund additional investments or exploration projects. 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. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company’s business are not known at this time. 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.

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, 2021, 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 February 17, 2022.

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
December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. INVESTMENTS

The following table summarizes the Company's investments as at December 31, 2021 and June 30, 2021:

	December 31, 2021		June 30, 2021	
	Number of securities	Fair Value	Number of securities	Fair Value
Investment in shares of Rise Gold Corp. (Note 4a)	15,612	\$ 5,933	15,612	\$ 11,709
Investment in shares of PT Ancora Indonesia Resources Tbk. (Note 4b)	-	\$ -	77,560,000	\$ 553,778
Investment in shares of Adriatic Metals Plc. (Note 4c)	9,481	\$ 21,382	134,803	\$ 298,210
Investment in shares of Japan Gold	228,511	\$ 65,125	228,511	\$ 78,836
Investment in warrants of Japan Gold Corp.	16,760,000	\$ 462,450	17,584,100	\$ 955,385
Total investments		\$ 554,890		\$ 1,897,918
Classified as current		(554,890)		(851,988)
Total non-current investments		\$ -		\$ 1,045,930

a) Rise Gold Corp.

On the Distribution Date, the Company completed the return of capital transaction and distributed 2,750,000 Rise Gold common shares to the Company's shareholders (note 5). As the Company held 130,000 of its own shares in treasury, it received 15,612 common shares of Rise Gold. As at December 31, 2021, the fair value of these shares was \$5,933 (June 30, 2021 – \$11,709).

b) PT Ancora Indonesia Resources, Tbk.

During the period ended December 31, 2021, the Company sold 77,560,000 shares in PT Ancora for proceeds of \$563,945.

c) Adriatic Metals plc (formerly "Tethyan Resource Corp.")

On October 7, 2020, Tethyan Resources Corp. ("Tethyan") completed a business combination with Adriatic Metals plc ("Adriatic") where Adriatic acquired all of the common shares of Tethyan by way of a court approved plan of arrangement. The Company received 0.166 of one ordinary share of Adriatic for each common share of Tethyan held or 1,664,668 shares. The Company also received 0.166 of one share purchase warrant of Adriatic for each share purchase warrant of Tethyan or 125,322 warrants.

On the Distribution Date, the Company completed the return of capital transaction and distributed 1,664,668 Adriatic common shares to the Company's shareholders (note 5). As the Company held 130,000 of its own shares in treasury, it received distribution of 9,481 ordinary shares of Adriatic Metals plc.

On June 28, 2021, the Company exercised 125,322 warrants of Adriatic to purchase 125,322 shares of Adriatic for a total of \$266,062.

On July 27, 2021, the Company sold 125,322 shares of Adriatic for net proceeds of \$302,783 and recognized a gain of \$36,721 directly in retained earnings.

As at December 31, 2021, the Company has 9,481 shares of Adriatic with a fair value of \$21,382.

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

3. INVESTMENTS (continued)**d) Japan Gold Corp.**

On the Distribution Date, the Company completed the return of capital transaction and distributed 40,250,000 Japan Gold common shares to the Company's shareholders (note 5). As the Company held 130,000 of its own shares in treasury, it received 228,511 common shares of Japan Gold. As at December 31, 2021, the fair value of these shares was \$65,125 (June 30, 2021 – \$78,836).

As at December 31, 2021, the Company owns 16,760,000 warrants of Japan Gold which have a fair value of \$462,450 (June 30, 2021 – 17,584,100 warrants valued at \$955,385) and recorded an unrealized loss on these warrants of \$492,934 in net loss for the period ended December 31, 2021. The following assumptions were used to fair value these warrants:

	December 31, 2021	June 30, 2021
Risk-free interest rate	0.75%	0.43%
Expected life of options (in years)	0.35-0.61	0.14-1.11
Annualized volatility	69%-80%	32%-55%
Share price	\$ 0.29	\$ 0.36
Exercise price	\$ 0.40	\$ 0.40 - 0.42
Forfeiture rate and dividend rate	0.00%	0.00%

4. FURNITURE AND EQUIPMENT

Cost	Leasehold		Total
	Office furniture	Improvements	
At June 30, 2021	\$ 35,071	\$ 29,660	\$ 64,731
Addition	-	-	-
At December 31, 2021	\$ 35,071	\$ 29,660	\$ 64,731
Accumulated depreciation			
At June 30, 2019	\$ 15,952	\$ 29,660	\$ 45,612
Depreciation expenses	7,557	-	7,557
At June 30, 2020	\$ 23,509	\$ 29,660	\$ 53,169
Depreciation expenses	7,319	-	7,319
At June 30, 2021	\$ 30,828	\$ 29,660	\$ 60,488
Depreciation expenses	\$ 404		\$ 404
At December 31, 2021	\$ 31,232	\$ 29,660	\$ 60,892
Total carrying value, June 30, 2021	\$ 4,243	\$ -	\$ 4,243
Total carrying value, December 31, 2021	\$ 3,839	\$ -	\$ 3,839

5. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of Class A common shares without par value. As at December 31, 2021, 22,898,283 (June 30, 2021 – 22,898,283) are issued of which 22,768,283 (June 30, 2021 – 22,768,283) are outstanding and 130,000 (June 30, 2021 – 130,000) are in treasury.

On the Distribution date, the Company completed a return of capital transaction (the "Transaction") by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia). Pursuant to the plan of arrangement, the Company exchanged each of its outstanding common shares for one new Class A common share and one redeemable share of the Company. The Class A common shares have similar rights as the old common shares and continue to be listed on the TSX Venture Exchange. The redeemable shares were immediately redeemed in exchange for the distribution of the following securities to the shareholders of the Company on a pro-rata basis:

	# of securities	Carrying value – October 16, 2020
Common shares of Japan Gold Corp.	40,021,489	\$ 7,264,003
Common shares of Rise Gold Corp.	2,734,388	2,654,385
Common shares of Adriatic Metals Plc	1,655,187	3,426,843
		\$13,345,231

The distribution was recognized at the fair value of the assets distributed of \$20,088,749 resulting in a gain on distribution of \$6,743,518 which was recognized in net income during the year ended June 30, 2021. The fair value of the shares distributed was based on the quoted market value of those shares, a level one input.

5. SHAREHOLDERS' EQUITY (continued)

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 December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
Basic weighted average number shares outstanding	22,768,283	18,928,779
Dilutive securities:		
Options	-	0
Warrants	-	0
Diluted weighted average number of shares outstanding	22,768,283	18,928,779

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. A summary of the Company's outstanding share options granted is presented in the following table.

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2019	1,436,000	\$ 0.33
Exercised	(300,000)	0.33
Outstanding at June 30, 2020	1,136,000	\$ 0.33
Exercised	(1,012,000)	0.33
Cancelled	(24,000)	0.33
Expired	(100,000)	0.33
Outstanding at June 30, 2021, December 31, 2021	-	-

During the year ended June 30, 2021, 1,012,000 were exercised for total proceeds of \$336,950 to the Company. Out of the options exercised, 755,000 options were exercised by related parties. As at December 31, 2021, no share options remain outstanding.

Share purchase warrants

During the year ended June 30, 2021, 2,581,667 warrants with an exercise price of \$0.32 were exercised for proceeds of \$826,134. As at December 31, 2021, no warrants remain outstanding.

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

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 six-month period ended December 31, 2021, consisted of management fees of \$60,000 (2020 - \$70,000) and \$120,000 (2020- \$160,000) 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 six-month period ended December 31, 2021 of \$7,500 (2020 - \$Nil) and \$15,000 (2020 - \$Nil) respectively in occupancy costs.

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

7. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties and investments. As at December 31, 2021 and June 30, 2021, 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 not currently exposed to material foreign currency risk. 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 \$924. A 1% change (plus or minus) in the market price used in the valuation of the Company's investment in warrants would change the fair value of the warrants and net income by \$16,716.

SOUTHERN ARC MINERALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

8. FINANCIAL INSTRUMENTS (continued)

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 at fair value using level 2 inputs. The fair value of the Japan 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.