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Headnote

An issuer requires an exemption from all issuer bid requirements to acquire its own shares in connection with a negotiated agreement - The issuer will acquire securities resulting from the exercise of an option negotiated as part of a commercial agreement; the acquisition is not an independent transaction in which the issuer is repurchasing its own securities from one securityholder in preference to other shareholders; the agreement was negotiated at arm's length between the issuer and the transferring securityholder; the value of the consideration being paid to the transferring securityholder will not exceed the market value of the securities being acquired by the issuer at the time of such acquisition

Exemption Order

Southern Arc Minerals Inc.
(the Filer)

Section 114(2) of the *Securities Act*, R.S.B.C. 1996, c. 418
Section 6.1 of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*

Background

- ¶ 1 The Filer has applied to the British Columbia Securities Commission (the Commission) for a decision under section 6.1 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (the Instrument) for an exemption from the issuer bid requirements of Part 2 and 3 of the Instrument (the Exemption Sought).

Representations

- ¶ 2 This decision is based on the following facts represented by the Filer:
1. the Filer is incorporated under the laws of British Columbia and has its head office in Vancouver, British Columbia;
 2. the Filer is a reporting issuer in British Columbia, Alberta, and Ontario and its common shares are listed for trading on the TSX Venture Exchange under the trading symbol "SA";
 3. the Filer is not in default of securities legislation in the jurisdictions in which it is reporting;
 4. Indotan Inc. (Indotan) is a company incorporated under the laws of the Bahamas and its last address as shown on the books of the Filer is in Vancouver, British Columbia;

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5. to the best of the Filer's knowledge, Indotan is not a reporting issuer in any jurisdiction;
6. as of May 5, 2011, the Filer's issued and outstanding capital consists of 96,143,740 common shares;
7. the Filer is an exploration stage mineral exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral properties with the potential to host gold and base metals;
8. the Filer's material mineral property interests are in Indonesia; the Filer has conducted exploration on certain of those properties under an option agreement with Indotan dated March 2005 and powers of attorney granted by Indotan;
9. a change to Indonesian mining law made it necessary for the Filer to obtain new powers of attorney and additional documentation from Indotan in order to continue its exploration activities;
10. as a result of the change in the law, the Filer and Indotan negotiated and entered into an agreement dated October 23, 2009 and amended November 25, 2009 (the Agreement);
11. under the Agreement, in consideration for the execution of new documentation by Indotan, the Filer:
 - (a) issued 3,500,000 common shares (the Shares) to Indotan; and
 - (b) among other things, obtained an option to buy back up to 1,500,000 Shares for \$0.90 per common share on or before June 15, 2011 (the Option);
12. the board of directors of the Filer, after considering the options available to the Filer as a result of the change to Indonesian mining laws, the exploration work and resources expended on the Indonesian properties, and discussions with Indotan, determined that the entering into and completion of the Agreement was in the best interests of the Filer and its shareholders;
13. the Filer's right to acquire the Shares under the Option is an integral part of the Agreement and is not proposed for the purpose of or with the intention to provide preferential treatment to one shareholder;

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14. the Agreement, including the issuance of the Shares subject to the Option, was negotiated at arm's length through legal counsel and finalized after extensive negotiations between the Filer and Indotan;
15. the Filer disclosed the Agreement, including the Option, in material change reports dated October 29, 2009 and December 29, 2009, management discussion and analysis for the financial years ended June 30, 2009 and 2010, and interim financial statements and management discussion and analysis for the periods ended September 30, 2009, December 31, 2009, March 31, 2010, September 30, 2010, and December 31, 2010;
16. the Filer will only exercise the option to acquire Shares under the Option if the market price of such Shares (determined in accordance with section 1.11 of the Instrument) exceeds \$0.90 on the day prior to the date on which the Filer sends notice of the exercise to Indotan; and
17. the acquisition of Shares under the Option is an issuer bid as defined in the Instrument and cannot be made in reliance upon exemptions from the issuer bid requirements contained in the Instrument.

Order

- ¶ 3 The Commission considers that to grant the Exemption Sought would not be prejudicial to the public interest.

The decision of the Commission is that the Exemption Sought is granted provided that the Filer only acquires Shares under the Option if the market price of such Shares (determined in accordance with section 1.11 of the Instrument) exceeds \$0.90 on the day prior to the date on which the Filer sends notice of the exercise to Indotan.

- ¶ 4 May 13, 2011

Sheryl A. Thomson
Acting Director, Corporate Finance
British Columbia Securities Commission