

2006 BCSECCOM 117

March 2, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications and Multilateral Instrument 11-101 *Principal Regulator System* - National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - BAR – An issuer requires relief from the requirement to include certain financial statements in a business acquisition report - The required financial statements for the business acquired would include assets and liabilities that the issuer did not ultimately acquire; the issuer based the value of the business on the technical merits of the assets, rather than the carrying value of the assets; the majority of the value on the business' balance sheet relates to a period before the period that would be audited in the business' financial statements; amounts that have been expended on the assets have been written off; there has not been any significant activity in the business in the 12 months before the issuer acquired it; the issuer will provide financial information that is relevant to investors in the BAR

Applicable British Columbia Provisions

National Instrument 51-102, *Continuous Disclosure Obligations*, s. 13.1

In the Matter of
the Securities Legislation
of British Columbia and Ontario (the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Quadra Mining Ltd. (the Filer)

MRRS Decision Document

Background

- ¶ 1 The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under

2006 BCSECCOM 117

the securities legislation of the Jurisdictions (the Legislation) that the Filer is exempt from the requirement in Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* to include

- (a) audited annual financial statements of Cambior USA Inc. (C-USA) or Carlota Copper Company (Carlota Copper),
- (b) interim financial statements of C-USA or Carlota Copper, or
- (c) a pro forma income statement of the Filer after giving effect to the acquisition of C-USA, a compilation report relating to the pro forma income statement, and pro forma earnings per share based on the pro forma financial statements

in a business acquisition report (the Requested Relief).

Application of the Principal Regulator System

¶ 2 Under Multilateral Instrument 11-101 *Principal Regulator System* (MI 11-101) and the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the British Columbia Securities Commission is the principal regulator for the Filer;
- (b) the Filer is relying on the exemption in Part 3 of MI 11-101 in Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon; and
- (c) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

¶ 3 Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are otherwise defined in this decision.

In this decision,

“*compilation report*” means a compilation report accompanying the pro forma balance sheet signed by the Filer’s auditor and prepared in accordance with the Handbook;

2006 BCSECCOM 117

“*pro forma balance sheet*” means a pro forma consolidated balance sheet as at September 30, 2005 for the Filer and as at December 20, 2005 for C-USA giving effect to the Filer’s acquisition of C-USA; and

“*technical report*” means a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* compliant technical report on the Carlota copper project.

Representations

- ¶ 4 This decision is based on the following facts represented by the Filer:
1. the Filer’s head office is in Vancouver, British Columbia;
 2. the Filer is a reporting issuer or the equivalent in the Jurisdictions and in Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon;
 3. the Filer is not in default of its obligations as a reporting issuer under the legislation of any jurisdiction in which it is a reporting issuer or the equivalent;
 4. C-USA was a wholly-owned subsidiary of Cambior Inc., and is the parent company of Carlota Copper, which owns the Carlota copper project;
 5. the Filer acquired C-USA from Cambior Inc. on December 21, 2005 for the purpose of acquiring select assets and liabilities of Carlota Copper, including the technical report;
 6. the Company acquired the shares of C-USA, rather than the select assets and liabilities, to minimise issues that could arise associated with the transfer of permits between entities;
 7. Cambior Inc. has advised the Filer that
 - (a) approximately US\$68M of expenditures were incurred on the Carlota copper project before the Filer acquired C-USA, largely in the early 1990s, with a large portion written down before 2003, and
 - (b) there are no material liabilities associated with C-USA or Carlota Copper;
 8. the only expenses incurred in the two years before the Filer acquired C-USA were expenses related to updating the technical report, the administration of

2006 BCSECCOM 117

litigation in respect of two permits obtained by Carlota Copper and other general administrative matters of minimal significance;

9. the only activity at the Carlota copper project during the 12 months before the Filer acquired C-USA was activity related to completing the technical report and finalizing all outstanding permitting issues;
10. the Filer has not discovered any material liabilities associated with C-USA or Carlota Copper in the due diligence it conducted;
11. the Filer determined the value of Carlota Copper based on the value of the underlying mineral property as described in the technical report, and based the acquisition of C-USA entirely on the merits of the technical report, rather than an assessment of the balance sheet of C-USA;
12. C-USA's auditors have never conducted an audit or a review of C-USA's financial statements;
13. before the Filer acquired C-USA,
 - (a) C-USA had five subsidiaries, four of which were transferred out of C-USA to other subsidiaries of Cambior Inc. so that the shares of Carlota Copper were the only asset of C-USA, and
 - (b) certain other limited assets in Carlota Copper were transferred out to other subsidiaries of Cambior Inc.;
14. the Filer plans to file its audited consolidated annual financial statements for the year ended December 31, 2005 on or about March 10, 2006 which will reflect the acquisition of C-USA; and
15. the Filer will include the pro forma balance sheet and compilation report in the business acquisition report it files in connection with its acquisition of C-USA.

Decision

¶ 5 The Decision Makers being satisfied that they have jurisdiction to make this decision and that the relevant test under the Legislation has been met, the Requested Relief is granted provided that

- (a) the Filer complies with paragraph 15, and
- (b) the business acquisition report discloses that the only activity at the Carlota copper project during the 12 months before the Filer acquired C-

2006 BCSECCOM 117

USA was activity related to completing the technical report and finalizing all outstanding permitting issues.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission