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February 16, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 114(2) Takeover Bids - Exemption from the formal take over bid requirements in Part 13 of the Act - Collateral benefits - Issuer requires relief from prohibition against certain collateral agreements in s. 107(2) of the Act - The offeror issuer has entered into a collateral agreement with a shareholder of the offeree issuer; the agreement is entered into for valid business reasons, and not for the purpose of providing the shareholder with a benefit beyond what other shareholders of the offeree issuer will receive under the offer

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 107(2), 114(2)

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba,
Ontario, New Brunswick and Nova Scotia

and

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

and

In the Matter of
CAT-Gold Corporation (Applicant) and Imperial Metals Corporation (Imperial)

and

bcMetals Corporation (Offeree)

MRRS Decision Document

Background

- ¶ 1 The local securities regulatory authority or regulator (Decision Maker) in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,

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New Brunswick, and Nova Scotia (Jurisdictions) has received an application from Imperial and the Applicant for a decision under the securities legislation of the Jurisdictions (Legislation) that, in connection with their take-over bid (Offer) to acquire all of the issued and outstanding common shares (Common Shares) and out-of-the-money options and warrants (Out-of-the-Money Securities) of the Offeree, the proposed employment termination and release arrangements to be signed on or before February 16, 2007 (Termination Agreements) to be made between the Offeree and each of Ian Smith, the Executive Officer and President of the Offeree and Douglas R. Brett, the Chief Financial Officer of the Offeree (collectively, the Terminated Employees) are made for reasons other than to increase the value of the consideration paid to the Terminated Employees and may be entered into despite the prohibition in the Legislation against an offeror entering into a collateral agreement with any holder of an offeree that has the effect of providing to the holder a consideration of greater value than that offered to the other holders of the same class of securities (Requested Relief);

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the British Columbia Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

- ¶ 3 This decision is based on the following facts represented by the Applicant and Imperial:
- 1. the Offeree is a corporation existing under the laws of Alberta, having its head office in Vancouver and its Common Shares listed and posted for trading on the TSX Venture Exchange;
 - 2. the Offeree is a reporting issuer in British Columbia, Alberta and Ontario;
 - 3. Imperial is a corporation existing under the laws of British Columbia, having its head office in Vancouver and its common shares listed and posted for trading on the Toronto Stock Exchange;
 - 4. Imperial is a reporting issuer in British Columbia, Saskatchewan, Quebec and Ontario;

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5. the Applicant is a wholly-owned subsidiary of Imperial incorporated in British Columbia for the purpose of making the Offer;
6. the Applicant is not a reporting issuer in any of the Jurisdictions;
7. as at January 25, 2007, the Offeree had outstanding, 38,381,790 Common Shares, options to purchase 3,360,000 Common Shares and warrants to purchase 3,050,000 Common Shares;
8. the Applicant, Imperial and the Offeree have entered into a support agreement dated December 21, 2006, as amended by an amending agreement dated January 26, 2007 (collectively, the Support Agreement) under which the Applicant made the Offer to acquire all of the Common Shares and all of the Out-of-the-Money Securities, and the Offeree recommended to holders of its Common Shares and Out-of-the-Money Securities to accept the Offer; each Out-of-the-Money Security, being by its terms non-transferable, will be tendered by the Applicant to the Offeree for cancellation rather than being transferred to the name of the Applicant;
9. the Offer has been made by way of an offer and takeover bid circular (Circular) prepared in accordance with applicable securities laws;
10. the Offer will be conditional upon, among other things, there being validly deposited to the Offer that number of Common Shares equal to 50% plus one of the Common Shares outstanding at the expiry time (the Expiry Time) of the Offer (on a fully-diluted basis), including the Common Shares held by the Applicant and its affiliates; in determining whether this condition has been satisfied, all Out-of-the-Money Securities validly tendered to the Offer and not withdrawn will be excluded from the calculation of the number of fully-diluted Common Shares;
11. as of the date of the application, the holdings of the Offeree's securities of each of the Terminated Employees, and their associates or corporations over which they exercise direction or control, are as follows:

	<u>Common Shares</u>	<u>%</u>	<u>Options</u>
Smith:	400,825	1.04	1,200,000
Brett:	267,167	0.70	500,000

12. the Termination Agreements were negotiated at arm's length and are on terms and conditions that are commercially reasonable and consistent with severance

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entitlements under British Columbia common law; in addition, the lump sum payments offered under the Termination Agreements will be calculated in accordance with current agreements in place between the Terminated Employees and the Offeree;

13. the Offeree has informed the Applicant that the Terminated Employees do not have any written employment agreements with the Offeree;
14. the Offeree has informed the Applicant that the Offeree entered into retention agreements with each of the Terminated Employees on or about September 12, 2006, which provides that in the event their employment with the Offeree is terminated without cause, Ian Smith and Doug Brett are entitled to 18 months' and 12 months' notice, respectively. Ian Smith's current salary is Cdn.\$252,000 and Doug Brett's current salary is Cdn.\$220,000. As a result, under the Termination Agreements the following amounts will be payable to the Terminated Employees:

<u>Item</u>	<u>Ian Smith</u>	<u>Doug Brett</u>
Severance payment relating to salary	Cdn.\$378,000	Cdn.\$220,000
Extended Health Benefits (Single- \$134.74 per month; Family-\$290.62 per month)	\$2,426	\$3,487
Medical Services Plan (Single- \$54 per month; Family -\$108 per month)	\$972	\$1,296
Accrued unpaid vacation pay to January 31, 2007 (Smith- 41.7 days; Brett- 44 days)	\$30,240	\$17,600
25% Retention Bonus	<u>\$63,000</u>	<u>\$55,000</u>
TOTAL	Cdn.\$<u>516,640</u>	Cdn.\$<u>336,103</u>

15. the Termination Agreements are in full and final settlement of all entitlements which each Terminated Employee may have relating to their employment by the Offeree and/or its subsidiaries and are made for valid business reasons unrelated to the holdings of the Terminated Employees of any Common Shares or Out-of-the-Money Securities, and not for the purpose of conferring an economic or collateral benefit that the holders of Common Shares and Out-of-the-Money Securities did not enjoy, nor to increase the value of the consideration to be paid to the Terminated Employees for their Common Shares and Out-of-the-Money Securities tendered to the Offer;

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16. the intention to enter into the Termination Agreements has been disclosed in the Circular;
17. under the terms of the Support Agreement, the Offeree is entitled to terminate the Support Agreement if the exempt relief requested in respect of the Termination Agreements have not been obtained prior to the Expiry Time; and
18. in the event the Offeree elects to terminate the Support Agreement, Imperial and the Applicant will no longer be contractually obligated to continue the Offer and will terminate the Offer.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted, provided that the terms of the Termination Agreements are substantially the same as stated in the representations of this MRRS Decision Document.

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