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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer exempted from interim financial reporting requirements for first and third quarter of each financial year - issuer also exempted from requirements to file annual information forms and management's discussion and analysis - exemption terminates upon the occurrence of a material change in the business affairs of the issuer unless the Decision Makers are satisfied that the exemption should continue

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 91

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO AND NOVA SCOTIA

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF EXPLORER FLOW-THROUGH LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia (the Jurisdictions) has received an application from Explorer Flow-Through Limited Partnership (the Partnership) for:

1. a decision under the securities legislation of each of the Jurisdictions (the Legislation) that the requirements contained in the Legislation to file and send to its securityholders (the Limited Partners) its interim financial statements for each of the first and third quarters of each of the Partnership's fiscal years (the First & Third Quarter Interim Financials), shall not apply to the Partnership; and
2. a decision in Ontario and Saskatchewan only, under the securities legislation of Ontario and Saskatchewan that the requirements to file and send to the Limited Partners, its:

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- (a) annual information form (the AIF);
- (b) annual management discussion and analysis of financial condition and results of operations (the Annual MD&A); and
- (c) interim management discussion and analysis of financial condition and results of operations (the Interim MD&A),

shall not apply to the Partnership.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Application (the System), the Ontario Securities Commission is the principal regulator for this application.

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101.

AND WHEREAS the Partnership has represented to the Decision Makers that:

1. The Partnership is a limited partnership formed under the *Limited Partnerships Act* (Ontario) on November 27, 2003.
2. The Partnership was formed to invest in certain common shares (Flow-Through Shares) of companies involved primarily in oil and gas, mining or renewable energy exploration and development (Resource Companies).
3. The Partnership will enter into agreements (Resource Agreements) with Resource Companies and under the terms of each Resource Agreement, the Partnership will subscribe for Flow-Through Shares of the Resource Company and the Resource Company will incur and renounce to the Partnership, in amounts equal to the subscription price of the Flow-Through Shares, expenditures in respect of resource exploration and development which qualify as Canadian exploration expense, as Canadian development expense which may be renounced as Canadian exploration expense to the Partnership or as Canadian development expense that cannot be renounced as Canadian exploration expense to the Partnership.
4. On December 17, 2003, the Decision Makers, together with the securities regulatory authority for Manitoba (in which jurisdiction no legislative requirement exists to file first and third quarter interim financial statements), issued a receipt under the System for the prospectus of the Partnership dated

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December 17, 2003 (the Prospectus) relating to an offering of up to 600,000 units of the Partnership (the Partnership Units).

5. The Prospectus contained disclosure that the Partnership intends to apply for an order from the Decision Makers exempting it from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership and from the requirements to prepare an annual information form and interim and annual management discussion and analysis.
6. The Partnership Units will not be listed or quoted for trading on any stock exchange or market.
7. At the time of purchase or transfer of Partnership Units, each purchaser or transferee consents to the application by the Partnership for an order from the Decision Makers exempting the Partnership from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership.
8. On or about January 31, 2006, the Partnership will be liquidated and the Limited Partners will receive their pro rata share of the net assets of the Partnership. It is the current intention of the general partner of the Partnership that the Partnership enter into an agreement with Middlefield Mutual Funds Limited (the Mutual Fund), an open end mutual fund, whereby assets of the Partnership would be exchanged for shares of the Resource Class of the Mutual Fund. Upon dissolution, Limited Partners would then receive their pro rata share of the shares of the Resource Class of the Mutual Fund.
9. Since its formation on November 27, 2003, the Partnership's activities primarily included (i) collecting the subscriptions from the Limited Partners, (ii) investing the available Partnership funds in Flow-Through Shares of Resource Companies, and (iii) incurring expenses to maintain the fund.
10. Unless a material change takes place in the business and affairs of the Partnership, the Limited Partners will obtain adequate financial information concerning the Partnership from the semi-annual financial statements and the annual report containing audited financial statements of the Partnership together with the auditors' report thereon distributed to the Limited Partners. The Prospectus and the semi-annual financial statements provide sufficient background materials and the explanations necessary for a Limited Partner to understand the Partnership's business, its financial position and its future plans, including dissolution on January 31, 2006.

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11. Given the limited range of business activities to be conducted by the Partnership and the nature of the investment of the Limited Partners in the Partnership, the provision by the Partnership of the First and Third Quarter Interim Financials, the AIF, the Annual MD&A and the Interim MD&A will not be of significant benefit to the Limited Partners and may impose a material financial burden on the Partnership.
12. It is disclosed in the Prospectus that the General Partner will apply on behalf of the Partnership for relief from the requirements to send to Limited Partners the First and Third Quarter Interim Financials and from the requirements to prepare the AIF, the Annual MD&A and the Interim MD&A.
13. Each of the Limited Partners has, by subscribing for the units offered by the Partnership in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in Article XIX of the Amended and Restated Limited Partnership Agreement scheduled to the Prospectus and has thereby consented to the making of the application for the exemption provided for herein.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the Decision);

AND WHEREAS each Decision Maker is of the opinion 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 pursuant to the Legislation is that the requirements contained in the Legislation to file and send to the Limited Partners its First & Third Quarter Interim Financials shall not apply to the Partnership provided that this exemption shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

DATED this 12th day of February, 2004.

Robert W. Korthals

Suresh Thakrar

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THE FURTHER DECISION of the securities regulatory authority or securities regulator in each of Ontario and Saskatchewan is that the requirements contained in the legislation of Ontario and Saskatchewan to file and send to its Limited Partners its AIF, Annual MD&A and Interim MD&A shall not apply to the Partnership provided that this exemption shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

DATED this 12th day of February, 2004.

Erez Blumberger