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Headnote

Trades in securities of an issuer for the acquisition of an asset by the issuer's subsidiary - The asset is an interest in a resource property; in consideration for the issuer's securities, the owner of the asset will transfer the asset to the issuer's wholly-owned subsidiary

Exemption Order

Quaterra Resources Inc.

Sections 48 and 76 of the Securities Act, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Quaterra Resources Inc. (Quaterra) has applied for an exemption from the requirements to be registered to trade and to file and obtain receipts for a preliminary prospectus and prospectus in sections 34(1)(a) and 61 of the Act (the registration and prospectus requirements) for certain intended trades.

Representations

- ¶ 2 Quaterra represents that:
1. it was incorporated in British Columbia on May 11, 1993;
 2. its authorized share capital consists of an unlimited number of common shares without par value, and as of November 13, 2006, 72,321,981 common shares were issued and outstanding;
 3. it is a reporting issuer in British Columbia and Alberta and is not in default of any requirements of the securities legislation in these jurisdictions;
 4. its common shares are listed for trading on the TSX Venture Exchange (Exchange);
 5. it owns 4,999 of the issued shares of Minera Agua Tierra S.A. de C.V., (Minera); the 1 remaining share is held by Thomas Patton, President, CEO and Director of Quaterra, and as a result, Quaterra controls 100% of the issued and outstanding share capital of Minera;
 6. Minera is a corporation incorporated under the laws of Mexico and is not a reporting issuer in any province or territory of Canada;
 7. Quaterra and Minera are parties to an agreement effective as of October 31, 2006, with Tom Turner (Turner), (the agreement), under which Minera, and

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Quaterra through Minera, will acquire an interest in certain mining concessions, located in Durango State, Mexico (the property);

8. under the laws of Mexico, only Mexican citizens and Mexican corporations can hold mining concessions;
9. the agreement requires Quaterra to issue to Turner 200,000 common shares, to acquire the property in the name of Minera;
10. under the agreement, Minera will acquire all of Turner's right and interest in the property;
11. application has been made for the Exchange to conditionally approve the issuance of 200,000 shares under the agreement;
12. if Quaterra acquired the property directly rather than through its wholly-owned subsidiary Minera, it could rely on the registration and prospectus exemptions in sections 45(2)(21) and 74(2)(18) of the Act or section 2.13 of National Instrument 45-106 *Prospectus and Registration Exemptions* to distribute the shares as consideration for the property.

Order

¶ 3 Considering that it is not prejudicial to the public interest, the Commission orders that:

1. under sections 48 and 76 of the Act, Quaterra is exempt from the registration and prospectus requirements for trades of its shares to Turner under the agreement, provided that Quaterra files a Form 45-106F1 and pays the required fee within 10 days of each distribution; and
2. under section 76 of the Act, any trade in the Quaterra shares issued under this Order is deemed to be a distribution unless the conditions in subsection 2.5(2) of National Instrument 45-102 *Resale of Securities* are satisfied.

¶ 4 December 11, 2006

Noreen Bent
Manager, Legal Services
Corporate Finance
British Columbia Securities Commission