

2007 BCSECCOM 740

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

Cangold Limited

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

Background

¶1 Cangold Limited (Cangold) 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 Cangold represents that:

1. it was incorporated in British Columbia on December 20, 1983, was continued to Yukon on March 17, 1997, and was continued to British Columbia on December 22, 2004;
2. its authorized share capital consists of an unlimited number of common shares, of which 63,168,483 common shares were issued and outstanding as at December 5, 2007;
3. it is a reporting issuer in British Columbia, Alberta and Ontario 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 is the registered and beneficial owner of 49,999 of the issued shares of Coboro Minerales de Mexico, S.A. de C.V (Coboro); the 1

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remaining issued share of Coboro is held by Kaare Glenne Foy, a director of Cangold, and as a result, Cangold is the beneficial owner of 100% of the issued and outstanding share capital of Coboro;

6. Coboro is a corporation incorporated under the laws of Mexico and is not a reporting issuer in any province or territory of Canada;
7. Coboro is party to an option agreement dated November 9, 2007 (the Option Agreement) with Minera Cadenza, S. de R.L. de C.V. (Cadenza), under which Coboro has the right to acquire an interest (the Option) in certain mining concessions located in Sonora, Mexico (the Property);
8. under the laws of Mexico, only Mexican citizens and Mexican corporations can hold mining concessions;
9. the Option Agreement requires Coboro to pay to Cadenza an aggregate of CDN\$100,000, cause Cangold to issue to Cadenza 700,000 common shares (the Cangold Shares) in the capital of Cangold over a 5 year period, and cause Cangold to issue to Cadenza 500,000 share purchase warrants (the Cangold Warrants). Each Cangold Warrant is exercisable into one common share in the capital of Cangold at an exercise price of CDN\$0.50 per share for a 2 year period;
10. upon the exercise of the Option under the Option Agreement, Coboro will have acquired all of Cadenza's right and interest in and to the Property, subject to a 2% net smelter return royalty, of which 1% may be purchased by Coboro for CDN\$500,000;
11. the Exchange has approved the issuance of the Cangold Shares and the Cangold Warrants under the Option Agreement;
12. if Cangold acquired the Property directly rather than through its wholly-owned subsidiary Coboro, Cangold 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 Cangold Shares and the Cangold Warrants as part of the consideration for the Property.

Order

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

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1. under sections 48 and 76 of the Act, Cangold is exempt from the registration and prospectus requirements for trades of the Cangold Shares and the Cangold Warrants to Cadenza under the Option Agreement, provided that Cangold 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 Cangold Shares and the Cangold Warrants 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 17, 2007

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