

2004 BCSECCOM 435

Headnote

Relief from the registration and prospectus requirements for a parent to issue shares as consideration for the acquisition, by the parent's wholly-owned subsidiary, of an interest in certain mineral properties – first trade subject to conditions

Exemption Order

Eaglecrest Explorations Ltd.

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

Background

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

Representations

- ¶ 2 Eaglecrest represents that:
1. it was incorporated under the laws of British Columbia on January 20, 1981 under the name Texas Sevens Resources Inc., and changed its name to Eaglecrest Explorations Ltd. on January 29, 1993;
 2. it is a reporting issuer under the Act and is not in default of any requirement of the Act or the *Securities Rules*, R.B.C. Reg. 194/97;
 3. its authorized capital is 200,000,000 common shares without par value, of which 112,198,061 common shares were outstanding as of June 30, 2004;
 4. the common shares of Eaglecrest are listed and posted for trading on the TSX Venture Exchange (the TSXVE);
 5. Eaglecrest Exploration (Bolivia) S.A. (Eaglecrest Bolivia), a wholly owned subsidiary of Eaglecrest, is a corporation incorporated under the laws of Bolivia and is not a reporting issuer under the Act;
 6. Eaglecrest Bolivia is party to an agreement (the Blanco agreement) dated June 9, 2003 with Mariano Donoso Blanco (Blanco) and an agreement (the Hereida agreement) dated October 22, 2003 with Echeverria Hereida (Hereida);

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7. pursuant to the Blanco agreement, Eaglecrest Bolivia has the option (the Blanco option) to earn an interest in the “California” mining concession covering approximately 309 hectares in the Department of Beni, Bolivia (the Blanco property);
8. pursuant to the terms of the Blanco agreement, Eaglecrest Bolivia must deliver 200,000 Eaglecrest shares to Blanco to exercise the Blanco option (the Blanco shares);
9. pursuant to the Hereida agreement, Eaglecrest Bolivia has the option to earn an interest (the Hereida option) in 10 mining concessions covering approximately 13,975 hectares in the Department of Beni, Bolivia (the Hereida property);
10. pursuant to the terms of the Hereida agreement, Eaglecrest Bolivia must deliver 375,000 Eaglecrest shares to Hereida to exercise the Hereida option (the Hereida shares);
11. the Blanco property and the Hereida property (the Bolivian properties) are primary assets of Eaglecrest Bolivia, and the exploration of the Bolivian properties, together with other Bolivian mineral properties in the same area, is the principal business of Eaglecrest Bolivia;
12. under Bolivian mining law, only Bolivian individuals, companies incorporated under Bolivian law, and agrarian communities may hold mining concessions in Bolivia (the ownership restrictions);
13. as a result of the ownership restrictions, Eaglecrest is limited under the laws of Bolivia to holding an interest in the Bolivian properties through Eaglecrest Bolivia.
14. the TSXVE has consented to the issuance of the 575,000 common shares issuable under the Blanco agreement and the Hereida agreement (the agreements);
15. both Blanco and Hereida deal at arm’s length to Eaglecrest;
16. the terms of the Bolivian agreements, including the numbers of shares to be issued by Eaglecrest to Blanco and Hereida, were determined through arm’s length negotiations;

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17. the distribution of the Blanco shares and the Hereida shares by Eaglecrest would be exempt from the registration and prospectus requirements under sections 45(2)(21) and 74(2)(18) of the Act if Eaglecrest, instead of Eaglecrest Bolivia, was acquiring the Bolivia properties;

Order

¶ 3 Because it is not prejudicial to the public interest, the Executive Director orders:

1. under sections 48 and 76 of the Act, Eaglecrest is exempt from the registration and prospectus requirements for trades of the Blanco shares and Hereida shares provided that Eaglecrest provides a Form 45-103F4 on or before the 10th day after the distribution of its common shares to each of Blanco and Hereida:
2. under section 76 of the Act, any trade in the Blanco shares or the Hereida shares issued under this order is deemed a distribution unless the conditions in section 2.5(2) of Multilateral Instrument 45-102 *Resale of Sections* are satisfied.

¶ 4 July 26, 2004

Brenda Leong
Director