

2002 BCSECCOM 481

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from the requirement in NI 43-101 that the author of a technical report be independent of the issuer where report is used to support disclosure in an information circular and upon an issuer first becoming a reporting issuer

Applicable British Columbia Provisions

National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, ss. 4.1(1), 5.3(1) and 9.1

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA AND ALBERTA

AND

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

AND

IN THE MATTER OF INTERNATIONAL ANNAX VENTURES INC. AND HERALD RESOURCES LIMITED

MRRS DECISION DOCUMENT

- ¶ 1 WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia and Alberta (the “Jurisdictions”) has received an application from International Annax Ventures Inc. (“Annax”) and Herald Resources Limited (“Herald”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirement in National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”) for the author of a technical report to be independent not apply to Annax or Herald in respect of the Arrangement (defined below);
- ¶ 2 AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the British Columbia Securities Commission is the principal regulator for this application;

2002 BCSECCOM 481

¶ 3 AND WHEREAS Annax and Herald have represented to the Decision Makers that:

1. Annax was incorporated under the laws of British Columbia;
2. Annax's common shares are listed and posted for trading on the TSX Venture Exchange;
3. Annax is, and has been for more than twelve months, a reporting issuer in each of the Jurisdictions, and is not in default of any requirement of the Legislation;
4. Herald was incorporated under the laws of Australia and is a mineral exploration, development and mining company with its principal offices located in Perth, Western Australia;
5. Herald's ordinary shares are listed and posted for trading on the Australian Stock Exchange; Herald is not a reporting issuer in the Jurisdictions;
6. Herald currently owns 18,598,749, or 73.28%, of the 25,380,997 issued and outstanding common shares of Annax;
7. Annax and Herald have agreed to enter into an arrangement agreement under which Herald will acquire all of the outstanding shares of Annax not currently owned by it in exchange for shares of Herald, by way of plan of arrangement under section 252 of the *Company Act* (British Columbia) (the "Arrangement");
8. upon completion of the Arrangement, Annax will be a wholly-owned subsidiary of Herald, and Herald will become a reporting issuer in the Jurisdictions;
9. under NI 43-101, Herald is required to file a technical report prepared by a qualified person that is independent upon first becoming a reporting issuer in the Jurisdictions;
10. Herald's main assets are located in Australia and it has no assets in Canada; the only property which could be considered material to Herald, with the exception of property owned directly by Annax, is the Coolgardie project located in Australia, the operation of which was shut down due to poor gold prices in 1999, but had been previously operated by Herald as a mine producing approximately 80,000 to 100,000 ounces of gold per year, and which Herald expects to reopen in August 2002;

2002 BCSECCOM 481

11. Herald previously had an engineering report on the Coolgardie project (the “Coolgardie Report”) prepared by a qualified person conforming to the Australian JORC code for the purpose of conducting mining operations and filing with the regulatory authorities in Australia; the author of the Coolgardie Report is an officer of Herald and as a result is not independent from Herald or Annax within the meaning of NI 43-101;
 12. the Arrangement must be approved by at least three quarters of Annax’s shareholders, other than Herald, that vote in person or by proxy at a general meeting (“General Meeting”) held to approve the Arrangement;
 13. an information circular (the “Circular”) will be prepared and circulated to the Annax shareholders for the General Meeting that will contain prospectus level disclosure relating to Herald, including disclosure of Herald’s Coolgardie project based on the Coolgardie Report;
 14. under NI 43-101, Annax is required to file a technical report prepared by a qualified person that is independent in connection with the Circular;
 15. a fairness opinion has been prepared for the independent directors of Annax which will be included in the Circular; and
 16. the shareholders of Annax will be provided with dissent rights under the terms of the Arrangement and the Arrangement must be approved by an order of the British Columbia Supreme Court before it can be completed;
- ¶ 4 AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);
- ¶ 5 AND WHEREAS 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;
- ¶ 6 THE DECISION of the Decision Makers under the Legislation is that:
1. the requirement in NI 43-101 that the technical report to be filed by Annax in connection with the disclosure in the Circular on the Coolgardie project be prepared by a qualified person that is independent shall not apply to Annax; and
 2. the requirement in NI 43-101 that the technical report to be filed by Herald on the Coolgardie project upon first becoming a reporting issuer in the

2002 BCSECCOM 481

Jurisdictions be prepared by a qualified person that is independent shall not apply to Herald.

¶ 7 DATED June 5, 2002

Brenda Leong
Director