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Headnote

An issuer that is not a reporting issuer in Canada is seeking first trade relief for securities that it will issue or has issued to Canadian residents - The issuer meets all of the conditions of section 2.14 of National Instrument 45-102 *Resale of Securities* except that, at the date the securities were distributed, residents of Canada owned more than 10% of the securities of the class and represented more than 10% of the total number of holders of the securities of the class; the issuer is not seeking to create a market for its securities in Canada by offering its securities to new investors; the issuer will provide security holders who are resident in Canada with the same continuous disclosure materials that are provided to foreign shareholders

Exemption Order

Tsar Emerald Corporation

Section 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Tsar Emerald Corporation (Tsar) applied under section 76 of the Act for an exemption from the requirements to file and obtain receipts for a preliminary prospectus and prospectus in section 61 of the Act (the Prospectus Requirements) for first trades of its common shares by certain shareholders.

Representations

- ¶ 2 Tsar represents that:
1. it is continued under the laws of British Columbia;
 2. its principal offices are in British Columbia, but its principal assets and operations are in Russia;
 3. it is not an exchange issuer under the Act;
 4. none of its securities are listed for trading on any exchange or quotation system;
 5. its authorized capital consists of an unlimited number of common shares without par value, of which 87,076,849 are issued and outstanding as of December 8, 2006 (the Issued Shares);

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6. in addition to the Issued Shares, Tsar has granted an outstanding total of 2,680,000 options and 6,598,500 warrants (the Convertible Securities), underlying which are a total of 9,278,500 common shares (the Underlying Shares) that Tsar is obliged to issue if the Convertible Securities are exercised according to their terms and conditions;
7. it has 10 shareholders and 4 holders of Convertible Securities resident in Canada (each, a Canadian Shareholder);
8. all of the Canadian Shareholders are resident in British Columbia;
9. as of December 8, 2006, the Canadian Shareholders owned 2,865,835 Issued Shares, representing approximately 3.29 percent of Tsar's issued and outstanding common shares, and held 550,000 Convertible Securities, underlying which are 550,000 Underlying Shares, representing approximately 0.57 percent of Tsar's issued and outstanding common shares on a fully-diluted basis; assuming the exercise of all Convertible Securities, the Canadian Shareholders would hold a total of 3,415,835 common shares, representing approximately 3.54% of Tsar's issued and outstanding common shares on a fully-diluted basis;
10. it seeks to list (the Listing) its common shares on the AIM market of the London Stock Exchange (AIM);
11. in connection with the Listing, Tsar is undergoing a brokered private placement of common shares or units (the Financing Securities) to raise between US \$25 to US \$35 million (the Financing);
12. in connection with the Financing, Tsar applied for and obtained an exemption order, BCSECCOM 298 dated May 19, 2006, through which the Commission ordered, under sections 48 and 76 of the Act, that the registration requirements and Prospectus Requirements do not apply to Tsar in connection with the Financing;
13. in connection with the Listing, Tsar seeks to have the Financing Securities, the Issued Shares, and any Underlying Shares ultimately issued upon exercise of Convertible Securities admitted for trading on AIM;
14. it expects to complete the Listing on or about December 20, 2006;
15. upon completion of the Financing and the Listing, Canadian Shareholders will own less than 10 percent of the outstanding common shares of Tsar and

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will represent less than 10 percent of the total number of Tsar's common shareholders, including on a fully-diluted basis;

16. the Issued Shares and Convertible Securities were originally issued pursuant to exemptions from the registration requirements and the Prospectus Requirements;
17. the Issued Shares are and, upon exercise of the Convertible Securities the Underlying Shares will be, subject to resale restrictions, the expiry of which is not determinable until Tsar becomes a reporting issuer in a jurisdiction of Canada;
18. it is not, has never been, and does not plan on becoming a reporting issuer in any jurisdiction of Canada;
19. unless the requested relief is granted, the Issued Shares and Underlying Shares will be subject to resale restrictions that may never expire;
20. the holders of the Issued Shares are not able to rely on Section 2.14(1) of National Instrument 45-102 *Resale of Securities* (NI 45-102), because the criterion in section 2.14(1)(b) of NI 45-102 is not met; at the time of certain of the distributions of the Issued Shares, residents of Canada did own, directly or indirectly, more than 10 percent of such securities, and did represent in number more than 10 percent of the total number of owners directly or indirectly of the Issued Shares;
21. the holders of the Underlying Shares would not be able to rely on Section 2.14(2) of NI 45-102, because the criterion in section 2.14(2)(c) of NI 45-102 is not met; at the time of certain of the distributions of the Convertible Securities, residents of Canada did own, directly or indirectly, more than 10 percent of Tsar's then-issued common shares on a fully-diluted basis, and did represent in number more than 10 percent of the total number of owners directly or indirectly of Tsar's then-issued common shares on a fully-diluted basis;
22. it would not be prejudicial to the public interest to allow the holders of Issued Shares and, upon exercise of the Convertible Securities, the Underlying Shares, to rely on the exemptions in section 2.14(1) and 2.14(2) of NI 45-102, as applicable, given that the criteria for relying on such exemptions will be satisfied upon the completion of the Listing;
23. Tsar will provide to its Canadian Shareholders the same information that AIM requires Tsar to provide to its foreign shareholders;

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24. none of Tsar's securities are listed on any exchange or quotation system in Canada, and Tsar has no intention of so listing any of its securities; and
25. there is no market in Canada through which the Issued Shares or the Underlying Shares may be sold to Canadian investors.

Order

- ¶ 3 Because it would not be prejudicial to the public interest, the Commission orders under section 76 of the Act that the first trade of the Issued Shares and the Underlying Shares are exempt from the Prospectus Requirements, provided that:
1. Tsar is not a reporting issuer in any jurisdiction of Canada at the date of the trade;
 2. upon completion of the Financing and the Listing, residents of Canada do not:
 - (a) own directly or indirectly more than 10 percent of the outstanding securities of the class or series, on a fully-diluted basis; and
 - (b) represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series, on a fully-diluted basis; and
 3. the trade is made:
 - (a) through an exchange or market outside of Canada, or
 - (b) to a person or company outside of Canada.

¶ 4 December 12, 2006

Noreen Bent
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