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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 on May 11, 1993;
 2. its authorized share capital consists of an unlimited number of common shares, of which 79,050,160 shares were issued and outstanding as at June 27, 2007;
 3. it is a reporting issuer under the Act and is not in default of any requirements of the Act or the *Securities Rules*, B.C. Reg. 194/97;
 4. its shares are listed for trading on the TSX Venture Exchange (Exchange);
 5. it is the recorded owner of 100% of the issued and outstanding share capital of Quaterra Alaska, Inc. (Quaterra Alaska);
 6. Quaterra Alaska is a corporation incorporated under the laws of the State of Alaska, United States, and is not a reporting issuer under the Act. Quaterra Alaska is the sole shareholder of Singatse Peak Services, LLC (Singatse);

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7. Singatse is a limited liability company and is organized under the laws of the State of Nevada, United States. Singatse is not a reporting issuer under the Act;
8. Singatse entered into an agreement (the Agreement) with Arimetco, Inc. (Arimetco) dated June 27, 2007, to acquire an interest in certain real property, including unpatented mining claims, located in Yerington Mining District, Lyon County, Nevada, United States (the Property);
9. Arimetco is the holder of title to the Property;
10. under the laws of the United States, only U.S. citizens or U.S. corporations can hold federal unpatented mining claims;
11. the Agreement requires Quaterra to pay, among other things, an aggregate of US\$500,000, to issue an aggregate of 250,000 common shares (the Quaterra Shares) in the capital of Quaterra, and to pay a net smelter return royalty equal to 2% of returns from ore harvested from the Property, or from ore harvested from any other property now owned or acquired by Quaterra within an area described in the Agreement, up to a maximum of US\$7,500,000;
12. the Exchange has approved the issuance of the 250,000 Quaterra Shares under the Agreement; and
13. if Quaterra acquired the Property, rather than through Quaterra Alaska and Singatse, Quaterra 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 Quaterra Shares as part of the consideration.

Order

¶ 3 Because it is not prejudicial to the public interest, the Commission orders,

1. under sections 48 and 76 of the Act, Quaterra is exempt from the registration and prospectus requirements for trades of the Quaterra Shares to Arimetco under the Agreement provided that Quaterra files a form 45-106F1 and pays the required fee within 10 days of each distribution, and

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2. under section 76 of the Act, any trade in the Quaterra 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 August 27, 2007

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