

2010 BCSECCOM 356

June 9, 2010

Headnote

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* - National Instrument 43-101, s. 9.1 *Standards of Disclosure for Mineral Projects* - An issuer wants to disclose information in a circular about its mineral project without having to file a technical report - The filer's shareholders currently hold an indirect interest in the properties; following completion of the arrangement, the shareholders will continue to hold an indirect interest in the properties; a technical report will be filed on SEDAR before completion of the arrangement

Applicable British Columbia Provisions

National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, ss. 4.2(1)(c) and 9.1

In the Matter of
the Securities Legislation of
British Columbia and Ontario
(the Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Brazauro Resources Corporation
(the Filer)

Decision

Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) has received an application from Brazauro Resources Corporation (the Filer) for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer is exempt from the requirement in paragraph 4.2(1)(c) of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) to file a technical report in connection with an information circular concerning a direct or indirect acquisition of a mineral

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property where the issuer or resulting issuer issues securities as consideration (the Exemption Sought);

Under the Process for Exemptive Relief Applications in Multiple jurisdictions (for a dual application):

- (a) the British Columbia Securities Commission is the principal regulator for this application;
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in the Province of Alberta; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:

Brazauro Resources Corporation

1. the Filer was incorporated under the *Company Act* (British Columbia) on March 12, 1986 and its head office is in Houston, Texas;
2. the Filer is a reporting issuer in each of the Jurisdictions and in Alberta and is not in material default of any of the requirements of the securities laws of such jurisdictions;
3. the authorized share capital of the Filer consists of an unlimited number of common shares (Common Shares) of which, as at May 11, 2010, 93,197,320 Common Shares were issued and outstanding;
4. the Common Shares are listed and posted for trading on the TSX Venture Exchange;
5. the Filer and its subsidiaries hold interests in certain mineral properties located in Brazil (the Mineral Properties);
6. the Filer owns 100% of the shares of Brazauro Holdings (Brazil) Ltd. (Brazil Holdings);

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7. the Filer and Brazil Holdings own 100% of the shares of Brazauro Recursos Minerais Ltda. which holds the interests in the Mineral Properties;
8. the Filer has filed a technical report for one of the Mineral Properties;
9. the remaining Mineral Properties have not been material to the Filer and are at very early (grassroots) stages of development and technical reports have not been produced for these properties;

The Transaction

10. on May 11, 2010, the Filer and Eldorado Gold Corporation (Eldorado) reached an agreement under which the Filer would enter into a transaction (the Transaction) whereby:
 - (a) Eldorado will acquire all of the issued and outstanding Common Shares of the Filer by exchanging 0.0675 of a common share of Eldorado (an Eldorado Share) for each Common Share that Eldorado does not already own; and
 - (b) in addition to receiving the Eldorado Shares, holders of Common Shares other than Eldorado will also ultimately receive common shares of a new exploration company (Newco) which will be incorporated to hold certain existing assets of the Filer (the Spin-Out Assets);
11. the Spin-Out Assets will include certain of the Mineral Properties that are not material to the Filer, that are at very early grassroots stages of development, and for which technical reports have not been produced (the Newco Properties);
12. Eldorado will provide C\$10 million in funding to Newco for development of the Newco Properties as part of the Transaction;
13. Newco will apply to list the shares of Newco on the TSX-Venture Exchange following completion of the Transaction;
14. all unexercised options and warrants of the Filer will be exercisable for Eldorado Shares, adjusted in respect of exercise price and number, on the same exchange ratio being offered for the Common Shares;
15. after considering a number of relevant factors, including tax consequences, Eldorado and the Filer agreed that the best structure for effecting the

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Transaction was by way of a plan of arrangement (the Arrangement) under the *Business Corporations Act* (British Columbia);

Eldorado

16. Eldorado is a corporation governed by the Canada Business Corporations Act;
17. Eldorado is a reporting issuer in each of the provinces of Canada;

The Arrangement

18. as soon as practicable, application will be made to the Superior Court of British Columbia (the Court) for an interim order (the Interim Order) relating to a special meeting (the Meeting) of holders of Common Shares (Brazauro Shareholders), holders of Brazauro warrants (Brazauro Warrantholders) and holders of Brazauro Options (Brazauro Optionholders, and together with the Brazauro Shareholders and Brazauro Warrantholders, the Brazauro Securityholders) for the purpose of obtaining approval of the Arrangement;
19. the Filer expects that the Interim Order will require the approval of: 66 2/3% of the votes cast at the Meeting in person or by proxy by the Brazauro Securityholders voting together as one class on the basis of one vote per Common Share, one vote per Brazauro option (vested and unvested) and one vote per Brazauro warrant; 66 2/3% of the votes cast at the Meeting in person or by proxy by the Brazauro Shareholders voting as one class; and a simple majority of the votes cast at the Meeting in person or by proxy by the Shareholders excluding the votes cast in respect of Common Shares beneficially owned or over which control or direction is exercised by Eldorado and any of its related parties (as defined in Multilateral Instrument 61-101 *Protection of Minority Securityholders in Special Transactions* (MI 61-101)) or joint actors (as defined in MI 61-101), and such other Brazauro Shareholders excluded by MI 61-101;
20. in connection with the Meeting, the Filer is preparing a management information circular (the Brazauro Circular) to be mailed to Brazauro Securityholders as soon as possible after the Interim Order is obtained. The Brazauro Circular will contain the information required by Form 51-102F5 including sufficient information to enable an informed decision to be made in respect of the Arrangement;
21. the Brazauro Circular will include a fairness opinion of BMO Nesbitt Burns Inc., or a summary thereof, in relation to the consideration to be received by the Brazauro Shareholders for their Common Shares;

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22. paragraph 4.2(1)(c) of NI 43-101 requires an issuer to file a technical report to support scientific or technical information contained in “an information or proxy circular concerning a direct or indirect acquisition of a mineral property where the issuer or resulting issuer issues securities as consideration”;
23. the Brazauro Securityholders will receive shares of Newco which will own the Newco Properties following the Transaction;
24. the Brazauro Securityholders currently hold an indirect interest in the Newco Properties through their ownership in securities of Brazauro; following completion of the Transaction, the Brazauro Securityholders will still own an indirect interest in the Newco Properties through their ownership of the shares of Newco; and
25. the Filer will, and will cause Newco to, file on SEDAR, before the closing of the Transaction, technical reports as required by section 4.1 of NI 43-101 for the property(ies) included in the Newco Properties that Newco considers to be material.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decisions of the Decision Makers under the Legislation is that the Exemption Sought is granted.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission