

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – arrangement transaction. Warrants of subsidiary exercisable for shares of parent. Relief from prospectus and registration requirements for exercises of warrants.

Ontario Statutes

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 74.

Applicable Multilateral Instrument

Multilateral Instrument 45-102 Resale of Securities.

**IN THE MATTER OF THE SECURITIES LEGISLATION OF SASKATCHEWAN,
MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEWFOUNDLAND AND
LABRADOR, NEW BRUNSWICK, PRINCE EDWARD ISLAND, YUKON TERRITORY,
THE NORTHWEST TERRITORIES AND NUNAVUT**

AND

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

AND

IN THE MATTER OF BEMA GOLD CORPORATION

AND

IN THE MATTER OF EAGC VENTURES CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador, New Brunswick, Prince Edward Island, Yukon Territory, the Northwest Territories and Nunavut (the “Jurisdictions”) has received an application from Bema Gold Corporation (“Bema”) and EAGC Ventures Corp. (“EAGC” and, together with Bema, the “Filers”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirements contained in the Legislation to be registered to trade in a security (the “Registration Requirement”) and to file and obtain a receipt for a preliminary prospectus and a prospectus (the “Prospectus Requirement”) shall not apply to certain trades in securities in connection with an arrangement among Bema, its wholly-owned subsidiary 1518798 Ontario Inc. (“Subco”) and EAGC (the “Arrangement”);

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission (the “OSC”) is the principal regulator for this application;

AND WHEREAS the Filers have represented to the Decision Makers that:

1. Bema was continued under the *Canada Business Corporations Act* (“CBCA”) in July 2002. Its head office is located in Vancouver, British Columbia.
2. The authorized capital of Bema consists of an unlimited number of common shares (the “Bema Shares”), of which 242,184,464 Bema Shares were issued and outstanding as at November 8, 2002.
3. Bema is a reporting issuer or the equivalent under the securities legislation of each province and territory of Canada and is not in default of the securities

legislation of such jurisdictions. The Bema Shares are listed on the Toronto Stock Exchange ("TSX") and the American Stock Exchange ("AMEX").

1518798 Ontario Inc.

4. Subco was incorporated under the *Ontario Business Corporations Act* (the "OBCA") in March 2002.
5. All of the issued and outstanding shares of Subco are held by Bema.
6. Subco is not a reporting issuer or the equivalent under the securities legislation of any province or territory of Canada. It was acquired by Bema for the sole purpose of effecting the Arrangement.

EAGC Ventures Corp.

7. EAGC was amalgamated under the OBCA in May 1996. Its head office is located in Vancouver, British Columbia.
8. The authorized capital of EAGC consists of an unlimited number of common shares (the "EAGC Shares"), of which 12,755,805 EAGC Shares were issued and outstanding as at November 18, 2002.
9. As at November 18, 2002, 1,840,000 EAGC Shares were reserved for issuance under outstanding EAGC Options, 3,785,000 EAGC Shares were reserved for issuance under outstanding warrants of EAGC, 47,723,500 EAGC Shares were reserved for issuance under outstanding special warrants of EAGC ("EAGC Special Warrants") and 23,861,750 EAGC Shares were reserved for issuance pursuant to the exercise of warrants obtainable on the exercise of the outstanding EAGC Special Warrants (such warrants, together with the warrants of EAGC currently outstanding, are collectively referred to herein as the "EAGC Warrants").
10. EAGC is a reporting issuer under the securities legislation of British Columbia, Alberta, Ontario and Québec and is not in default of the securities legislation of such jurisdictions. The EAGC Common Shares are listed on the TSX Venture Exchange ("TSX Venture").

Securityholder and Court Approvals

11. On November 14, 2002 an interim order ("Interim Order") of the Ontario Superior Court of Justice (the "Court") was obtained in connection with the Arrangement. The Interim Order provides for, among other things, the calling and holding of a special meeting (the "Meeting") of the shareholders of EAGC and the holders of EAGC Options, to be held on December 18, 2002. At the Meeting, EAGC will seek the requisite securityholder approval for the Arrangement.
12. In connection with the Meeting, EAGC delivered to the relevant EAGC securityholders a management information circular (the "Proxy Circular")

containing prospectus level disclosure of the Arrangement and the business and affairs of Bema.

13. The hearing for the final order of the Court in respect of the Arrangement is currently scheduled to take place on December 20, 2002. In its final order the Court will be called upon to approve, among other things, the fairness of the Arrangement.

The Arrangement

14. The Arrangement is being effected in order to merge Bema and EAGC. The Arrangement will be effected pursuant to the OBCA.
15. Prior to the effective date of the Arrangement (the "Effective Date"), all EAGC Special Warrants will be exercised in accordance with their terms and the EAGC Shares and EAGC Warrants issuable upon such exercise will be issued.
16. The following steps are expected to occur on the Effective Date:
 - (a) all EAGC Shares held by dissenting shareholders of EAGC will be transferred to Bema in exchange for a payment equal to the fair value thereof;
 - (b) EAGC and Subco will amalgamate to form Amalco;
 - (c) each EAGC Share held by shareholders of EAGC other than Bema and its affiliates will be cancelled and the holders thereof will receive, for each EAGC Share, that number of Bema Shares multiplied by the Exchange Ratio;
 - (d) each EAGC Share held by Bema and its affiliates will be cancelled and the holders thereof will receive, for each EAGC Share, that number of common shares of Amalco ("Amalco Shares") multiplied by the Exchange Ratio;
 - (e) each issued and outstanding share of Subco will be cancelled and the holder thereof will receive, for each such Subco share, one Amalco Share;
 - (f) each EAGC Option will be exchanged for a Bema Replacement Option to purchase that number of Bema Shares equal to the number of EAGC Shares issuable under such EAGC Option multiplied by the Exchange Ratio, at an exercise price per Bema Share equal to the exercise price per EAGC Share of such EAGC Option divided by the Exchange Ratio; and
 - (g) each EAGC Warrant held by Bema and its affiliates will be cancelled without payment.
17. In addition, each EAGC Warrant held by persons other than Bema and its affiliates will, in accordance with its terms, represent following the Effective Date

the right to acquire that number of Bema Shares equal to the number of EAGC Shares issuable thereunder multiplied by the Exchange Ratio, at an exercise price per Bema Share equal to the exercise price per EAGC Share under the EAGC Warrant divided by the Exchange Ratio.

18. The EAGC Warrants currently outstanding may be exercised until various dates in October 2004, when they expire. The balance of EAGC Warrants to be issued upon the deemed exercise of EAGC Special Warrants in connection with the Arrangement may be exercised for a period of five years following the date of their issuance, which issuance will be deemed to take place the day prior to the completion of the Arrangement.
19. Immediately after consummation of the Arrangement, Amalco will be a wholly-owned subsidiary of Bema.
20. The TSX has conditionally approved the listing of the Bema Shares issuable under the terms of the Arrangement, subject to Bema fulfilling customary TSX requirements. Bema also intends to apply to have the EAGC Warrants listed on the TSX or TSX Venture.
21. The completion of the Arrangement, including the assumption by Bema of the EAGC Warrants in accordance with their terms on the Effective Date and the trade by Bema of Bema Shares to holders of EAGC Warrants upon their exercise following the Effective Date, involves or may involve a number of trades of securities (all such aforementioned trades in connection with and subsequent to the Arrangement, the "Trades").
22. There are no exemptions from the Registration Requirement and the Prospectus Requirement in the Legislation of certain of the Jurisdictions in respect of certain of the Trades.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

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;

The Decision of the Decision Makers under the Legislation is that:

1. the Registration Requirement and the Prospectus Requirement shall not apply to the Trades, provided that the first trade in securities acquired pursuant to this Decision in a Jurisdiction will be a distribution or primary distribution to the public under the Legislation of such Jurisdiction; and
2. the Prospectus Requirement shall not apply to the first trade in securities acquired pursuant to this Decision if:

- (a) except in Québec, the conditions in subsections (3) or (4) of section 2.6 or subsections (2) or (3) of section 2.8 of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and
- (b) in Québec,
 - (i) the issuer or one of the parties to the Arrangement is and has been a reporting issuer in Québec for the 12 months immediately preceding the trade,
 - (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade,
 - (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade, and
 - (iv) if the selling shareholder is an insider or officer of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation.

DATED December 20, 2002.

"Theresa McLeod"

"Harold P. Hands"