

THE SECURITIES ACT ) Order No. 5504  
)  
Section 20(1) ) October 22, 2007

**FALCON CREST RESOURCES INC.**

**WHEREAS:**

(A) Falcon Crest Resources Inc. (the "**Applicant**") has applied to The Manitoba Securities Commission (the "**Commission**") under Section 20(1) of *The Securities Act* (Manitoba) RSM 1988 c.S50 (the "**Act**") for the order of the Commission (the "**Order**") set forth below.

(B) The Applicant has represented to the Commission that:

1. The Applicant is a corporation existing under *The Corporations Act* (Manitoba) (the "**MCA**") and is authorized to issue unlimited numbers of shares of the following classes:

- Class A Common Voting Shares**
- Class B Common Voting Shares**
- Class C Common Voting Shares**
- Class A Voting Preferred Shares**
- Class B Non-Voting Preferred Share**
- Class C Non-Voting Preferred Shares**

of which 4,279,630 Class A Common Voting Shares (the "**Shares**") have been issued and are outstanding and held by 320 shareholders of the Applicant (the "**Shareholders**");

**2. The Applicant is not a reporting issuer;**

**3. The Shares were distributed to the Shareholders by the Applicant in 1997 by way of private placement (the "1997 Offering"), in purported reliance on exemptions from the prospectus requirements of the Act provided by Section**

**91 of the Securities Regulation (the "MSR") under the Act, for the benefit of related purchasers (as defined under the MSR), including "close friends" or "close business associates" of directors or senior officers of issuers of securities;**

**4. Forms 23, 24 and 27 of the MSR in respect of the 1997 Offering were filed by the Applicant with the Commission pursuant to Section 91 of the MSR;**

**5. Following the completion of the 1997 Offering and filing with the Commission of said Form 27, staff of the Commission raised with the Applicant questions concerning the status as "close friends" or "close business associates" of 297 of the Shareholders ("Most of the Shareholders") and interviewed several officers or directors of the Applicant concerning the "related purchaser" status of Most of the Shareholders;**

**6. Commission staff, not being satisfied that Most of the Shareholders were "related purchasers" within the meaning of Section 91 of the MSR, requested the Applicant to justify the exempt status of each of them, or to make an application to the Commission to correct the deficiencies of the 1997 offering, either of which the Applicant subsequently failed to do;**

**7. In the absence of any response from the Applicant to the Commission staff's request to justify the "related purchasers" status of Most of the Shareholders, the Commission closed its file with respect to the 1997 Offering, as a result of which the Applicant subsequently considered the matter closed;**

**Most of the Shareholders were members of the same religious congregation and/or were clients, customers or friends of directors or officers of the Applicant;**

**The Applicant has identified and staked a mineral property in Northern Manitoba (the "Mineral Prospect"), the assessment of which the Applicant proposes to finance out of the proceeds of an additional offering of Class A Common Voting Shares of the Applicant by way of private placement pursuant to exemptions provided by Multilateral Instrument 45-106 (the "Proposed Offering");**

**The Applicant has been advised by its legal advisers that all matters of compliance still outstanding and arising from the 1997 Offering must be resolved to the satisfaction of the Commission before the Proposed Offering can proceed;**

**Any of the Shareholders who did not have the required "related purchaser" status are entitled to exercise a right to rescind their purchase of shares under the 1997 Offering and are entitled to repayment of the purchase prices of their Shares;**

**The Applicant has applied to the Commission for an Order permitting it to solicit its Shareholders to relinquish their rights of rescission in respect of their Shares purchased under the 1997 Offering;**

(C)The Commission is of the opinion that it would not be prejudicial to the public interest to grant an Order on the following terms:

**IT IS ORDERED:**

**1. THAT, under Section 20(1) of the Act, the trades in connection with the 1997 offering are exempt from sections 6 and 37 of the Act, provided that:**

- (i) the Applicant provide the Shareholders with a copy of this Order; and
- (ii) the Shareholders shall have 30 days from the date that a copy of this Order is mailed or delivered to them by personal delivery (or such other manner as the Commission may approve) to confirm or rescind the purchases of their shares;

using for such purpose the form of Acknowledgement and Election and forwarding letter attached hereto as Schedule A;

**2. THAT the Applicant be permitted to refer to the Mineral Prospect in the form of Acknowledgement and Election and forwarding letter attached hereto to Shareholders referred to in subparagraph (a) above and in any other correspondence with**

**or documents to be forwarded to them concerning the purchase of their Shares from the 1997 Offering, including, without limitation, in the Notice of Annual and Special General Meeting of Shareholders, the Management Proxy Circular and the Plan of Arrangement to be forwarded to Shareholders in connection with such meeting, without any such references being deemed to be furtherance of a trade, within the meaning of the Act, in securities of the Applicant.**

**3. THAT the fee for this Order shall be \$350.00.**

**BY ORDER OF THE COMMISSION**

Deputy Director - Legal

**Schedule A to Order No. 5504**

**[LETTERHEAD OF FALCON CREST RESOURCES INC.]**

October , 2007

Dear Shareholder:

I am very pleased to be able to report to you on behalf of your board of directors as to recent developments affecting your Company and the exciting opportunities which may lie before us.

In early 2007 your Company staked a mineral claim in northern Manitoba near Wabowden. I refer to this as the "Wabowden Claim" in this letter. While further exploration work needs to be carried out to determine whether the Wabowden Claim will be commercially viable, our geologist, Jim Campbell, P. Eng., has expressed the view to the Board of Directors that initial indications are that the Wabowden Claim may hold significant deposits of base metals, which given the current market environment, makes it a very interesting claim indeed.

The Company has engaged Jory Capital Inc. ("Jory") as its agent to raise additional capital of \$1,500,000 that your Directors have determined will be required for purposes of the initial assessment of the Wabowden Claim, as well as for general working capital purposes. Jory has advised that it expects that the additional capital can be raised early in 2008, so that the initial assessment work could be undertaken as early as next Spring. Particulars concerning the Wabowden Claim and the proposed capital financing will be provided to you in documentation to be sent to shareholders shortly in connection with the upcoming Annual and Special Meeting of the Company. You can expect to receive these materials within the next very few weeks.

While it appears that 2008 could be a very exciting year for your Company, there is one matter that we must first address and that is to put our house "in order". As you will all know, the shares that you presently hold were issued by the Company under an offering effected in 1997. Early this summer, the Company was preparing to raise the additional capital required in order to carry out preliminary assessment work on the Wabowden Claim, when certain matters left unresolved from the 1997 share offering came to the attention of our lawyers. We had engaged Thompson Dorman Sweatman LLP in connection with the proposed financing and in the course of their investigations, they learned from The Manitoba Securities Commission that it considers that the shares that you received in 1997 were distributed contrary to *The Securities Act* (Manitoba) (the "Act"). While the Company and its Directors of the time thought that they were complying with all applicable requirements to enable the 1997 offering to be legally exempt from the prospectus requirements of the Act, after the offering had been completed, the staff of the Commission advised our then legal advisers that additional information would have to be provided in order to satisfy the Commission that all shareholders who had purchased shares were entitled to do so on an exempt basis. The basic question raised by Commission staff was whether all of the shareholders were really "close friends" or "close business associates", within the strict securities law interpretations of those terms, of directors or senior officers of the Company, so as to enable them to qualify for exemption from the Act's prospectus requirements under the so-called "related parties" exemption. The Board of Directors in 1997 had understood that all sales of shares had in fact been made only to persons who were truly close friends or business associates, but because the matter was not subsequently pursued with the Board by Commission staff, nothing was ever done to firmly establish the status of those shareholders whose eligibility for exemption was questioned.

In order to enable your Company to proceed with the financing required to raise the additional capital required for a preliminary assessment of the Wabowden Claim, the Commission's concerns with the 1997 offering have first to be addressed to the satisfaction of the Commission. Only then can your Company take the steps necessary with Jory to raise the additional capital required.

In order to address this matter, your Company applied to the Commission this past summer and has recently obtained an Order (copy attached) which sets out the manner in which any lack of shareholder eligibility in 1997 may finally be resolved.

The Order permits the Company to provide shareholders with an opportunity to indicate whether or not they wish to rescind (the technical term for "cancel") their purchases of shares in the Company in 1997 or to confirm their purchase. Accordingly, attached to the draft Order is a form of "Acknowledgment & Election" by which shareholders are asked to provide your Board with this indication within 30 days.

Shareholders who elect to rescind (or "cancel") their purchases are entitled to get their money back, but unfortunately your Company does not have sufficient funds to enable it to repay shareholders for their shares. I am sending you with this letter a copy of the Company's financial statements for 2006 which reflect this fact. If any shareholders should elect to rescind the contracts for their share purchases in 1997 and seek payment for their shares, the Company will be unable to continue and will lose the opportunity to take advantage of any ultimate development of the Wabowden Claim. For your Company to be able to retain its rights to the Wabowden Claim, it is required by law to perform annually a minimum amount of work which its success with the proposed offering through Jory will enable it to do.

The materials which shareholders will shortly be receiving respecting the Annual and Special Meeting will provide you with details concerning the Wabowden Claim and the proposed offering to enable you to make an informed decision. For reasons that will be more fully set out in these materials, your Directors believe that there is good reason to expect that if the shareholders continue to support the Company and enable it to take the steps necessary to raise the further capital required for the assessment of the Wabowden Claim, they will ultimately be rewarded, whether or not you participate in the financing.

We hope you will support us in our efforts to deliver to shareholders an opportunity for a return on their investment, by confirming your purchase. Please complete, initial and sign the enclosed form of Acknowledgment & Election and return it to my attention in the enclosed stamped, self-addressed envelope. Please note that if a shareholder fails to complete and return the enclosed form within 30 days, the Company may take further steps which could result in the shareholder losing its rescission rights. Therefore, we would ask that you respond before November 1, 2007.

In the event you have any questions concerning this matter, please feel free to contact me by telephone, fax or e-mail as follows:

Telephone: (204) 888-8531

Facsimile: (204) 888-8531

E-mail: [blair.c@mts.net](mailto:blair.c@mts.net)

or contact any other Board member.. I also advise you to seek your own legal advice as to your rights as a shareholder of Falcon Crest, and specifically your right of rescission.



That you for your support over the last 10 years; your Board intends to show itself worthy of that trust.

Yours truly,

Blair Caithness  
President and CEO

**FALCON CREST RESOURCES INC.**

**ACKNOWLEDGEMENT & ELECTION**  
(this "Election")

To: Falcon Crest Resources Inc. ("Falcon Crest")  
And to: the Directors and Officers of Falcon Crest  
And to: The Manitoba Securities Commission (the "Commission")

I, the undersigned, acknowledge that:

**I am a holder of Class A Common Voting Shares ("Shares") of Falcon Crest that I purchased in the course of an offering of the Shares by Falcon Crest in 1997 (the "1997 Offering");**

**I have been informed that the Shares that I purchased under the 1997 Offering may have been distributed contrary to *The Securities Act* (Manitoba) (the "Act") and that as a result I understand that I may have the right to rescind the contract with Falcon Crest under which I purchased my Shares and to**

**be repaid the price of my Shares by Falcon Crest;**

**I have been informed by Falcon Crest that if I exercise my right of rescission and seek repayment of the price of my Shares, Falcon Crest does not have sufficient funds out of which to make such repayment;**

**By confirming the purchase of my Shares as provided below, I understand that I will have given up any future right that I might have to rescind the contract with Falcon Crest under which I purchased my Shares and to be repaid the price of my Shares;**

**I understand that if I fail to return this Election to Falcon Crest within the time limited below, Falcon Crest will apply to the Commission for its approval of the taking of certain further steps which could result in my losing any remaining rights that I might have to rescind the contract under which I**

**purchased my Shares and to be repaid the price of my Shares; and**

**I have been advised by Falcon Crest to seek legal advice as to my rights as a shareholder of Falcon Crest, and I either have obtained, or I have made a decision not to obtain, such legal advice.**

Based on all of the foregoing, I hereby irrevocably elect as follows (initial A or B):

\_\_\_\_\_ **A. I hereby confirm the purchase of my Shares under the 1997 Offering and I hereby confirm the contract under which I purchased my Shares.**

**OR**

\_\_\_\_\_ **B. I hereby give Falcon Crest notice that I intend to rescind the contract under which I purchased my Shares under the 1997 Offering.**

Dated at \_\_\_\_\_, \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 2007.  
(City / Town) (Province)

Witness Signature Signature

Print Name Print Name

Address Address

**THIS ELECTION MUST BE COMPLETED, INITIALED, SIGNED AND RETURNED TO FALCON CREST IN THE ENCLOSED SELF-ADDRESSED ENVELOPE BEFORE NOVEMBER , 2007.**