

**Date: September 25, 2006**

In the Matter of  
the Securities Legislation  
of Manitoba, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island,  
Newfoundland and Labrador, Northwest Territories, Yukon, and Nunavut (the “Jurisdictions”)

and

In the Matter of  
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of **MBMI RESOURCES INC. (the “Filer”)**

MRRS Decision Document

## **Background**

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from MBMI Resources Inc. (“MBMI” or the “Filer”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) for an exemption from the dealer registration requirement and the prospectus requirement of the Legislation in connection with the proposed Distribution (as defined below) by MBMI of shares of common stock of Garson Resources Ltd. (“Garson”) that it currently holds to holders of MBMI common stock (the “MBMI Shareholders”) resident in the Jurisdictions by way of a pro rata dividend in kind (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”):

- (a) The Manitoba Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

## **Interpretation**

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

## **Representations**

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

**MBMI RESOURCES INC.**

1. MBMI was incorporated under the laws of British Columbia on July 24, 1987 under the name of Panarim Resources Inc. On December 7, 1994 the British Columbia Registrar of Companies issued a Certificate of Change of Name showing that Panarim Resources Inc. had changed its name to Kismet Ventures Inc. On December 24, 1998 the British Columbia Registrar of Companies issued a Certificate of Change of Name showing that Kismet Ventures Inc. had changed its name to Mighty Beaut Minerals Inc. On August 30, 2000 Mighty Beaut Minerals Inc. was continued into the jurisdiction of the Yukon Territory and a Certificate of Continuance was issued. On October 31, 2002 the Articles of Continuance were amended to change the name of Mighty Beaut Minerals Inc. to MBMI Resources Inc. On November 15, 2005 MBMI Resources Inc. was continued into the jurisdiction of British Columbia and filed Articles of Arrangement under the laws of British Columbia.
2. MBMI commenced active operations as a junior mineral exploration company in 1998. Its current exploration activities are conducted on its nickel properties which are located in the Philippines.
3. The registered office of MBMI is located at Suite 1260 – 1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2.
4. In October 2005, the Board of Directors of MBMI determined that MBMI's interest in its Philippine Nickel projects was not a strategic fit with the Canadian gold properties held in its subsidiary (then named Tri-Energy, which subsequently was reorganized and changed its name to Garson Resources Ltd.).
5. The MBMI Directors decided to dividend the shares MBMI held in Garson (the "Garson Dividend Shares") to the shareholders of MBMI on the Record Date, that being January 6th 2006. The dividend was declared by way of news release dated December 23, 2005.
6. At the present time MBMI holds 4,491,250 Garson Shares, representing approximately 23.76% of the outstanding Garson Shares.
7. The dividend forms part of a restructuring strategy intended to allow (i) MBMI to focus on its core business of exploring and developing its Philippine nickel properties; (ii) MBMI to increase shareholder value; and (iii) Garson Resources Ltd. to focus on the exploration and development of its three Canadian gold properties.
8. MBMI is a reporting issuer in the Provinces of British Columbia and Alberta.
9. MBMI's authorized share capital is comprised of an unlimited number of Class A voting Common Shares (each, a "Common Share") with no par value.
10. As of the Record Date, there were 42,282,486 MBMI Common Shares issued and outstanding of which 39,433,018 were held by 189 registered holders of record in Canada.
11. The MBMI Common Shares are listed and posted for trading on the TSX Venture Exchange under the symbol MBR.

## **GARSON RESOURCES LTD.**

12. On January 11, 1988, 377253 Alberta Ltd. was incorporated under the Alberta *Business Corporations Act* under Corporate Access Number 20377253. 377253 Alberta Ltd. changed its name to Garson Resources Ltd. on January 8, 1996. On August 13, 2002 the Alberta Registrar of Corporations issued a Certificate of Revival for Garson Resources Ltd.

13. On December 6, 1994, 634714 Alberta Ltd. was incorporated under the Alberta Business Corporations Act under Corporate Access Number 20634714. 634714 Alberta Ltd. changed its name to Tri-Energy Inc. on April 21, 1998. On August 19, 2002, the Alberta Registrar of Corporations issued a Certificate of Revival for Tri-Energy Inc.

14. Tri-Energy Inc. was continued into British Columbia on November 4, 2005 under the name 206347148 Holdings Ltd.

15. Garson Resources Ltd. was continued into British Columbia on November 4, 2005 with the name Garson Resources Ltd.

16. 206347148 Holdings Ltd. and its wholly-owned subsidiary Garson Resources Ltd. were amalgamated under the British Columbia Business Corporations Act on November 8, 2005 with the name 206347148 Holdings Ltd. under amalgamation number BC0739911.

17. 206347148 Holdings Ltd. changed its name to Garson Resources Ltd. on November 9, 2005.

18. Garson is authorized to issue an unlimited number of common shares. As at May 29, 2006 there are 19,250,674 common shares outstanding.

19. Garson commenced active operations as a junior mineral exploration company in November 2005 in Manitoba on its Squall Lake property and in Ontario on its McMillan and Copper Prince properties (the "Canadian Gold Properties").

20. In October 2002 MBMI entered into an option agreement with the principals of Garson (then known as Tri-Energy Inc.) pursuant to which MBMI acquired 44.5% of Garson and the right to acquire the balance of the principal's interest should MBMI wish to do so. MBMI's ownership of Garson was diluted to 23.76% as a result of various private placements and option exercises in Garson.

21. In October 2005 MBMI decided that the Canadian Gold properties did not fit with its nickel operations and, since that time, MBMI has held the Garson Shares as a passive investment. Subsequent to that date, MBMI has not taken an active role in managing Garson, although Dave Tafel and Kenneth A. Cawkell (directors of MBMI) are also directors of Garson (out of a total of 4 Garson directors).

22. The Canadian Trading and Quotation System Inc. (the "CNQ") has conditionally approved the listing of the Garson Dividend Shares subject to Garson fulfilling all of the requirements of the CNQ (which includes obtaining a receipt for the final prospectus). Upon meeting all of the

listing requirements of the CNQ Garson will be subject to the continuous disclosure requirements set out in NI 51-102

## THE DIVIDEND DISTRIBUTION

23. MBMI and Garson filed a preliminary prospectus dated May 29, 2006 with the securities regulatory authorities in British Columbia, Alberta and Ontario to qualify the distribution of the Garson Dividend Shares by way of dividend in specie or dividend in kind.

24. MBMI intends to distribute to MBMI Shareholders all of the Garson Dividend Shares it owns as a Dividend in specie or a Dividend in kind on a pro rata basis based on the number of Common Shares held by the MBMI Shareholders such that MBMI's shareholders will receive one Garson Dividend Share for every ten shares of MBMI they hold.

25. MBMI anticipates that the Garson Shares will be distributed to the MBMI Shareholders of record as of January 6, 2006.

26. To the best of MBMI's knowledge after inquiry, subsequent to the dividend Distribution, MBMI's shareholders in Canada would own approximately the following percentage of Garson's total shares issued and outstanding: British Columbia 2,220,797 (11.54%); Alberta 336,456 (1.75%); Saskatchewan 1,233 (0.01%); Manitoba 5,900 (0.03%); Ontario 795,112 (4.13%); Quebec 20,610 (0.1%); New Brunswick 4,454 (0.02%); Prince Edward Island 0 (0.0%); Nova Scotia 1,520 (0.01%); Newfoundland and Labrador 500 (0.00%); Yukon Territory 10 (0.00%); Northwest Territories 864 (0.00%) and Nunavut 0 (0.0%) for a total of 17.6%.

27. A (final) receipt has been issued by each of the securities regulatory authorities in British Columbia, Alberta and Ontario for the (final) prospectus of MBMI and Garson.

28. The Dividend Distribution will be effected in compliance with the corporate laws of British Columbia. The corporate laws of British Columbia do not require shareholder approval of the proposed transaction because the distribution will be by way of dividend.

29. The MBMI shareholders will pay no consideration, commission or other remuneration for the Garson Dividend Shares.

30. All of the 13 beneficial holders of shares of MBMI that reside in Québec have been given an opportunity to request the prospectus materials in French and have not taken up such opportunity.

31. Notwithstanding that MBMI's shareholders will not be required to pay for the Garson Dividend Shares, the distribution of the Garson Dividend Shares by way of dividend could nonetheless be considered a "trade" within the meaning of section 1(1) of the Act and, absent an exemption or exemptive relief, the Registration Requirement and the Prospectus Requirement of the Legislation would apply.

32. Securities legislation in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador provides an exemption from the prospectus requirement and the registration requirement of such legislation for a trade by an issuer in a security of a reporting issuer held by the issuer that is distributed by it to its securities holders as a dividend in specie or a dividend in kind.

33. Because the Distribution is a dividend in specie or a dividend in kind, following the issuance of a (final) receipt there will be an exemption from the registration requirements in British Columbia, Alberta and Ontario but there will not be any exemptions from the registration and prospectus requirements in the Jurisdictions because Garson will not be a reporting issuer or equivalent in the Jurisdictions and has no intention of becoming a reporting issuer or equivalent in such Jurisdictions.

34. Prior to November 2005 Garson was treated as a consolidated subsidiary of MBMI for accounting, financial reporting and continuous disclosure purposes. As a consequence, sufficient information concerning Garson and its mining properties has been available to MBMI Shareholders. Significant information including National Instrument 43-101 compliant property reports have been filed on the MBMI website and a complete prospectus level disclosure has been provided with respect to Garson through the prospectus which will be filed on SEDAR.

35. Immediately following the distribution of the Garson Dividend Shares, the MBMI shareholders will hold Garson shares in the same proportion as their holdings of MBMI shares. MBMI and Garson will each operate as a separate publicly listed company and neither company will retain any beneficial shareholding in the other.

## **Decision**

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 the Requested Relief is granted provided that:

1. Garson and MBMI have obtained a final receipt for their prospectus and Garson has become a reporting issuer in British Columbia, Alberta and Ontario;
2. MBMI and Garson will provide a copy of the prospectus to MBMI Shareholders in the Jurisdictions at the same time as the prospectus is provided to MBMI Shareholders in British Columbia, Alberta and Ontario.
3. MBMI and Garson give the MBMI Shareholders who receive a Garson Dividend Share as a dividend a contractual right of action for damages against MBMI and Garson in the event of a material misrepresentation in the (final) prospectus of MBMI and Garson;
4. The distribution of the Garson Dividend Shares is completed on or before November 30, 2006;

5. The first trade in Garson Dividend Shares acquired pursuant to this Decision shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions in subsection 2.6(3) (except for 2.6(3)1) of Multilateral Instrument 45-102 Resale of Securities are satisfied.

Chris Besko  
Legal Counsel – Deputy Director  
The Manitoba Securities Commission