

# ALBERTA SECURITIES COMMISSION

## VARIATION ORDER

Citation: Re Reef Resources Ltd., 2022 ABASC 24

Date: 20220316

### Reef Resources Ltd.

#### Background

1. Reef Resources Ltd. (the **Filer**) has made an application under section 214 of the *Securities Act* (Alberta) (the **Act**) to the Executive Director of the Alberta Securities Commission (**ASC**) for an order to vary a cease trade order dated 4 December 2013 *Re Reef Resources Ltd.*, 2013 ABASC 534 (the **ASC CTO**).
2. The Filer is also subject to cease trade orders issued by the Executive Director of the British Columbia Securities Commission (**BCSC**) on December 5, 2013 (the **BCSC CTO**), the Director of the Ontario Securities Commission (**OSC**) on December 23, 2013 (the **OSC CTO**) and the Director of The Manitoba Securities Commission (**MSC**) on January 2, 2014 (the **MSC CTO** and together with the ASC CTO, the BCSC CTO and the OSC CTO, the **CTOs**).

#### Interpretation

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

#### Representations

4. This order is based on the following facts represented by the Filer.
  - (a) The Filer is a corporation that was incorporated pursuant to the *Business Corporations Act* (Alberta) on November 26, 1996.
  - (b) The Filer's head office is located at 1220, 700 4<sup>th</sup> Ave SW, Calgary, Alberta, T2P 3G4 and its registered office is located at 1250, 639 5<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 0M9.
  - (c) The Filer is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. The Filer's principal regulator is the ASC.
  - (d) The authorized capital of the Filer consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at the date hereof, 70,500,082 Common Shares (the **Shares**) and no Preferred Shares are issued and outstanding. There are no securities issued and outstanding as of the date hereof that are convertible into or that give any person the right to acquire any securities of the Corporation.

- (e) The Filer is a natural resources issuer with non-producing oil and gas assets located in Huron County, Ontario, all of which assets the Filer has agreed to sell to Levant Exploration and Production Corp. or its nominee in exchange for \$1.00 and the assumption of all environmental liabilities, abandonment and reclamation obligations and taxes with respect to the assets post-transaction and all transfer taxes. Completion of the sale of the assets is subject to a number of conditions including the approval by not less than 66⅔% of the votes cast by shareholders at a meeting of shareholders of the Filer. The Shares are not listed or posted for trading on any stock exchange.
- (f) The ASC CTO was issued as a result of the Filer's failure to file its annual audited financial statements, annual management's discussion and analysis (**MD&A**) and certifications of annual filings for the year ended 31 July 2013 (the **2013 Annual Filings**). The Filer also failed to file subsequent annual and interim filings until it made the filings noted in paragraph ((i)) hereof.
- (g) The 2013 Annual Filings and subsequent filings were not filed in a timely manner as a result of the Filer's financial difficulties.
- (h) The Filer is also subject to the BCSC CTO, MSC CTO and OSC CTO (the **Other CTOs**). Applications for partial revocations of the Other CTOs were made concurrently with the application to the ASC .
- (i) Since the issuance of the ASC CTO and the Other CTOs, the Filer has prepared and filed its annual audited financial statements, annual MD&A and certification of annual filings for the years ended 31 July 2018 and 2017, and has prepared and filed its interim unaudited financial statements, interim MD&A and certifications of interim filings for the period ended 30 April 2019.
- (j) The Filer intends to prepare and file annual audited financial statements, annual MD&A and certifications of annual filings for the years ended 31 July 2019, 2020 and 2021 and to prepare and file interim unaudited financial statements, interim MD&A and certifications of interim filings for the interim periods ended 31 October 2021 and 31 January 2022 (the **Unfiled Continuous Disclosure**).
- (k) The Filer is adequately staffed to complete the necessary financial disclosure within the time frame indicated, and provision has been made for temporary additional support if required in order to meet the filing targets.

- (l) The Filer is seeking to complete a securities issuance to a small number of investors in some or all of the Provinces of Alberta, British Columbia, and Ontario (the **Investors**) of unsecured, non-convertible debentures (**Debentures**) having an aggregate principal amount of up to \$250,000 (the **Debenture Financing**). The Debentures will have a maturity date of one year from the date of issuance and will bear interest at a rate of 10% per annum. The Filer does not expect that there will be more than 10 Investors. The identity of the Investors is not yet known. It is possible that some of the directors of the Filer will participate in the Debenture Financing.
- (m) The Debenture Financing will be completed in accordance with all applicable laws.
- (n) The Filer intends to rely on the prospectus exemptions set out in the following sections of National Instrument 45-106 - *Prospectus Exemptions*:
  - i. Section 2.3 - Accredited investor
  - ii. Sections 2.5 and 2.6.1 - Family, friends and business associates
  - iii. Section 2.24 - Employee, executive officer, director and consultant
- (o) Other than the failure to file the Unfiled Continuous Disclosure, and other than the breach of CTOs resulting from the Filer having entered into a letter of intent with CBD Acres Manufacturer Inc. in 2019, which letter of intent has been terminated, the Filer is not in default of any of the requirements of the Act or the rules and regulations made pursuant thereto. The Filer's SEDAR and SEDI profiles are up to date.
- (p) Following the granting of this partial revocation order, the Filer plans to complete the Debenture Financing, and within a reasonable period of time following the completion of the Debenture Financing, the Filer intends to file the Unfiled Continuous Disclosure and pay all outstanding fees. The Filer intends to apply to the applicable securities regulators to have the ASC CTO and the Other CTOs fully revoked.

- (q) The following is a breakdown of the use of proceeds from the Debenture Financing based upon raising \$250,000:

<b>Description</b>	<b>Estimated Amount (\$)</b>
Fees and penalties for filing of Unfiled Continuous Disclosure	60,000
Filing fees for CTO revocation applications, including partial CTO revocations	13,000
Audit fees for annual financial statements 2019, 2020 and 2021	30,000
Accounting expenses (excluding audit expenses) for preparation of Unfiled Continuous Disclosure	3,000
Outstanding fees payable to various service providers, including legal counsel	60,000
Anticipated legal expenses associated with the foregoing	15,000
Transfer agency fees (including payment of fees currently outstanding)	20,000
Working capital (to be used for the maintenance of business) pending full revocation of the CTOs	49,000
<b>TOTAL:</b>	<b>250,000</b>

- (r) The Filer reasonably believes that the proceeds from the Debenture Financing will be sufficient to bring its continuous disclosure obligations up to date and pay all related outstanding fees and provide it with sufficient funds to maintain its business.
- (s) As the Debenture Financing would involve a trade of securities and acts in furtherance of trades, the Debenture Financing could not be completed without a partial revocation of the ASC CTO.
- (t) The Filer hereby undertakes to provide the signed and dated written acknowledgments referred to in paragraph 5(c) below to the Executive Director on request.

### **Decision**

5. The undersigned, considering that it would not be prejudicial to the public interest to do so, orders under subsection 214(1.1) of the Act that the ASC CTO is varied to permit the

Debenture Financing provided that prior to completion of the Debenture Financing, each investor will receive:

- (a) a copy of the ASC CTO;
- (b) a copy of this partial revocation order; and
- (c) written notice from the Filer, to be acknowledged by each investor in writing, that all of the Filer's securities, including the securities issued in connection with the Debenture Financing, will remain subject to the CTOs until such orders are revoked and that the issuance of this partial revocation order does not guarantee the issuance of a full revocation order in the future.

16 March 2022

*"original signed by"*

Denise Weeres  
Director, Corporate Finance  
Alberta Securities Commission