

2011 BCSECCOM 457

October 5, 2011

Headnote

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – National Instrument 51-102 *Continuous Disclosure Obligations*, section 13.1 – An issuer wants relief from the requirement to include prospectus-level disclosure in an information circular to be circulated in connection with an arrangement, reorganization, acquisition or amalgamation - The issuer will be acquired or has been acquired by a foreign issuer that is not reporting in Canada; the foreign issuer is not required to present quarterly financial statements according to its governing laws; the issuer will provide alternate financial information about the foreign issuer in the circular; sufficient information will be provided about the parties to the transaction to enable shareholders to assess it as a whole

Applicable Legislative Provisions

National Instrument 51-102 *Continuous Disclosure Obligations*, s. 13.1

In the Matter of
the Securities Legislation of
British Columbia
(the Jurisdiction)

and

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

and

In the Matter of
Realm Energy International Corporation
(the Filer)

Decision

Background

- ¶ 1 The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) exempting the Filer from the requirement in Item 14.2 of Form 51-102F5 *Information Circular* (Form 51-102F5) to provide

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unaudited interim financial statements of San Leon Energy plc (San Leon) for the three-month period ended June 30, 2011 (with comparative financial information for the corresponding period in the immediately preceding financial year) in the Realm Circular (as defined below) (the Exemption Sought);

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the British Columbia Securities Commission is the principal regulator for this application; and
- (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 Alberta and the Yukon Territory.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 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:
- 1. the Filer is a corporation continued under the *Business Corporations Act* (British Columbia) (the BCBCA); the Canadian head office of the Filer is located in Vancouver, British Columbia and its principal operational office is located in Vancouver, British Columbia;
 - 2. the Filer is a Canadian domiciled global energy company focused on the exploration and development of major shale plays throughout Europe and emerging countries;
 - 3. the Filer is a reporting issuer in the Jurisdiction, Alberta, and the Yukon Territory (the Realm Jurisdictions); the Filer is not in default of securities legislation in any of the Realm Jurisdictions;
 - 4. the authorized capital of the Filer consists of an unlimited number of common shares;
 - 5. the common shares of the Filer (the Realm Shares) are listed on the TSX Venture Exchange;

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6. San Leon is a company incorporated under the laws of Ireland pursuant to the *Irish Companies Acts 1963 to 2009*; the head office of San Leon is located in Dublin, Ireland;
7. San Leon and its subsidiaries are an international group of companies focused on the exploration and production of oil and gas projects in Poland, Ireland, Albania, Italy, Morocco, Netherlands, and North America;
8. San Leon is not a reporting issuer in any Canadian jurisdiction and is not in default of any requirements under the Legislation;
9. none of the executive officers and the directors of San Leon are residents of Canada, San Leon has no material assets located in Canada, and the business of San Leon is administered wholly outside of Canada;
10. the ordinary shares of San Leon (the San Leon Shares) are traded on the Alternative Investment Market (AIM) of the London Stock Exchange;
11. San Leon is subject to the reporting requirements under the *Irish Companies Acts 1963 to 2009* and the ongoing requirements of the AIM (collectively, the Reporting Requirements);
12. there is currently no market in Canada for San Leon's securities;
13. San Leon meets the definition of a "designated foreign issuer" under National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;
14. on August 25, 2011, the Filer and San Leon entered into an arrangement agreement (the Arrangement Agreement) providing for the proposed acquisition by San Leon of all of the issued and outstanding Realm Shares under a statutory plan of arrangement under the BCBCA (the Arrangement);
15. under the Arrangement, at the election of each holder of Realm Shares (Realm Shareholders) (subject to certain pro-rata provisions set forth below), each Realm Share is exchangeable for any of the following:
 - (a) C\$1.30 in cash;
 - (b) 3.30 San Leon Shares or 3.30 exchangeable shares (each, an Exchangeable Share) in the capital of an indirect Canadian subsidiary of San Leon together with the associated ancillary rights; or

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- (c) a combination thereof, subject to a maximum of \$17.7 million in cash (subject to adjustment) being paid to Realm Shareholders in the aggregate;
16. completion of the Arrangement is subject to a number of conditions, including the approval of the Realm Shareholders by special resolution to be considered at a special meeting (the Realm Meeting) to be called and held to consider the Arrangement, and the approval of the Supreme Court of British Columbia under the BCBCA;
17. at the date of the Arrangement Agreement, San Leon had a market capitalization of approximately £158 million (approximately \$254 million) and the aggregate transaction value for the Realm Shares was approximately \$121 million;
18. as at September 30, 2011, there were 109,870,130 Realm Shares issued and outstanding;
19. assuming all Realm Shareholders elect to accept San Leon Shares in exchange for their Realm Shares, a maximum of approximately 481 million San Leon Shares (assuming the exercise of all outstanding Realm stock options and warrants) will be issued to the Realm Shareholders on completion of the Arrangement; on this basis, on completion of the Arrangement, former Realm Shareholders will own approximately 36.9% of the San Leon Shares that are then outstanding, assuming all Realm Shares (including all outstanding Realm stock options and warrants) are exchanged for San Leon Shares;
20. San Leon will become a reporting issuer in the Realm Jurisdictions on completion of the Arrangement, and will be subject to continuous disclosure obligations under NI 51-102;
21. Realm will, in connection with the Arrangement and in accordance with applicable corporate and securities laws, prepare and send to the Realm Shareholders, and electronically file through the System for Electronic Document Analysis and Retrieval (SEDAR) established under National Instrument 13-101 *Filings with Securities Regulatory Authority*, the Realm Circular, which will provide notice of the Realm Meeting and describe, among other things, the Arrangement, the Exchangeable Shares, and San Leon Shares to be issued in consideration for the Realm Shares under the Arrangement;
22. under the form requirements for an information circular, the Realm Circular is required to include, for San Leon, the disclosure (including financial statements) prescribed under the Legislation and described in the form of prospectus that San Leon would use immediately prior to the sending and

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filing of the Realm Circular for a distribution of its securities, which is the disclosure in respect of San Leon described in Form 41-101F1 *Information Required in a Prospectus* (the Prospectus Form) of National Instrument 41-101 *General Prospectus Requirements*;

23. San Leon is required under Reporting Requirements to publish its financial results on a semi-annual basis and is neither required nor in a position to prepare quarterly information; San Leon's most recently prepared interim financial statements are for the half-year ended June 30, 2011 (the Half-Year Statements), and comparative information for 2010 which in accordance with the Reporting Requirements do not include any results for the three-month period then ended;
24. the Filer proposes to include the financial reports prepared by San Leon for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 and the Half-Year Statements in the Realm Circular; and
25. the Realm Circular will otherwise contain prospectus-level disclosure as required by NI 51-102.

Decision

- ¶ 4 The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted, provided that the Realm Circular includes the Half Year Statements (with comparative financial information for the corresponding period in the immediately preceding financial year), and disclosure of all material changes in the affairs of San Leon since the date of the Half Year Statements.

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