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June 3, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - NI 51-102 *Continuous Disclosure Requirements*, s. 13.1 – Financial statement requirements in information circular - 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 - Alternate financial information will be provided about the issuer that is consistent with the financial information required in the continuous disclosure context for significant acquisitions; information will be provided about the parties to the transaction sufficient for shareholders to assess the transaction as a whole

Applicable British Columbia Provisions

National Instrument 51-102 *Continuous Disclosure Obligations*, s. 13.1, s. 14.2 of Form 51-102F5

In the Matter of
the Securities Legislation
of Alberta, British Columbia and Manitoba

and

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

and

In the Matter of Winstar Resources Ltd.

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the “Decision Makers”), in each of Alberta, British Columbia, and Manitoba (collectively, the “Jurisdictions”) has received an application from Winstar Resources Ltd. (the “Winstar” or the “Applicant”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the Applicant is exempt from including certain financial statements in its information circular (“Information Circular”).

The Legislation requires financial statements for El Paso Hungary, as described in sections 6.4 and 6.6 of OSC Rule 41-501 General Prospectus Requirements (the

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“El Paso Financial Statements”). to be included in the Information Circular. The Information Circular will be presented to the shareholders of the Applicant at an annual and special meeting of the shareholders in June 2005. The Applicant has requested relief from the requirement under the Legislation to include the El Paso Financial Statements in the Information Circular (the “Requested Relief”).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications
 - (a) the Alberta Securities Commission is the principal regulator for this application, and
 - (b) the MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

4. This decision is based on the following facts represented by the Applicant:
 - 4.1. Winstar was incorporated under the laws of the Province of Alberta and Winstar’s head office is located in Calgary, Alberta.
 - 4.2. The common shares of Winstar are listed and posted for trading on the TSX Venture Exchange (“TSX V”) under the trading symbol “WRL”. As of the date hereof, there are 37,221,423 common shares issued and outstanding.
 - 4.3. The Applicant has been a venture issuer or equivalent in each of the Jurisdictions since May, 1996.
 - 4.4. To the best of its knowledge, the Applicant is not in default of any requirements of the securities legislation of the Jurisdictions (the “Legislation”).
 - 4.5. Athanor is a closely-held company incorporated in the Netherlands with, through subsidiaries, oil and gas exploration and development activities in Tunisia.
 - 4.6. El Paso Hungary Ltd. (“El Paso Hungary”) is an oil and gas exploration and development company with one producing well and undeveloped prospective oil and gas exploration acreage in

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Hungary and is, indirectly, a wholly-owned subsidiary of El Paso Oil Production Oil and Gas Company.

- 4.7 Winstar is proposing to acquire all of the issued and outstanding shares of Athanor in exchange for the issuance of that number of common shares of Winstar equal to approximately 150% of the number of issued and outstanding shares of Winstar currently outstanding (the “Athanor Acquisition”).
- 4.8 Athanor is proposing to acquire all of the issued and outstanding shares of El Paso Hungary for approximately \$5.6 million (the “Hungary Acquisition”).
- 4.9 Winstar is at arm’s length and is unrelated to Athanor and its shareholders and each of Winstar and Athanor is at arm’s length and is unrelated to El Paso Hungary and its shareholders. The Athanor Acquisition is not conditional on the Hungary Acquisition.
- 4.10 Winstar is proposing to call an annual and special meeting of the holders of its common shares (the “Meeting”) to consider, among other things, and if determined advisable approve the issuance of common shares pursuant to the Athanor Acquisition.
- 4.11 Pursuant to NI 51-102 the form of information circular to be forwarded by Winstar is as set forth in NI 51-102F5 *Information Circular*, wherein Item 14.2 provides, among other things, that in the case of a significant acquisition the information circular must include the information prescribed by the form of prospectus that he issuer would be eligible to use.
- 4.12 The Legislation prescribes, among other things, the financial statement requirements in a prospectus in respect of significant acquisitions.
- 4.13 For the purposes of TSX V Policy 5.2 the Athanor Acquisition is being treated as a reverse take-over (“RTO”). Pursuant to that Policy’s Form 3B1 section 47.1 in the case of a significant acquisition, the issuer is required to provide the disclosure required by OSC 41-501.
- 4.14 The following financial statements of Winstar and Athanor will be included in the Information Circular:

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- (a) Winstar financial statements for the years ended December 31, 2004, 2003 and 2002 (audited)(the “Winstar Financial Statements”);
- (b) Athanor financial statements for the years ended December 31, 2004, 2003 and 2002 (audited) (the “Athanor Financial Statements”); and
- (c) pro forma financial statements reflecting the combination of Athanor and Winstar as at and for the year ended December 31, 2004.

4.15 The Legislation requires financial statements, as described in sections 6.4 and 6.6(3) of OSC Rule 41-501, for a significant probable acquisition by reference to significance tests in relation to consolidated assets, consolidated investments and consolidated income, with commensurate pro forma financial statements. In respect of such tests:

- (a) the consolidated assets of El Paso Hungary (as set forth in the audited December 31, 2004 financial statements thereof, prepared in accordance with Hungarian generally accepted accounting principles and converted from \$US to \$Cdn) were \$9.7 million, compared to the consolidated assets of Winstar (as set forth in the audited December 31, 2004 financial statements thereof) of \$26.2 million, or 37.0%; and
- (b) the consolidated investments in and advances to El Paso Hungary as at the date of the proposed acquisition are expected to be \$5.6 million, or 21.4% of the consolidated assets of Winstar (as set forth in the audited December 31, 2004 financial statements thereof) of \$26.2 million;

each being in excess of 20% and, as a consequence, OSC 41-501 would mandate the inclusion of financial statements of El Paso Hungary in the Information Circular.

4.16 Pursuant to Section 8.3 of NI 51-102 the significance tests for a venture issuer are a 40% assets test and a 40% investment test. The Hungary Acquisition would not be considered a significant acquisition within the meaning of such section as the asset test would be 37.0% (i.e. below the 40% asset test) and the investment

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test would be 21.4% (i.e. below the 40% test). As a result, no financial statements in respect of El Paso Hungary would be necessary under Section 8.5 of NI 51-102.

Decision

5. Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met.
6. The Decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted provided that the disclosure in the Information Circular, including financial statement disclosure, otherwise complies with the requirements in the Legislation.

Mavis Legg, CA
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