

**IN THE MATTER OF THE SECURITIES LEGISLATION OF  
ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA,  
ONTARIO, Québec, NEW BRUNSWICK, NOVA SCOTIA  
PRINCE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR,  
NORTHWEST TERRITORIES, THE YUKON TERRITORIES AND NUNAVUT**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
ALTAREX CORP, ALTAREX MEDICAL CORP. AND  
NOVA BANCORP INVESTMENTS LTD.**

**MRRS DECISION DOCUMENT**

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, the Yukon Territories and Nunavut (the "Jurisdictions") has received an application from AltaRex Corp. ("AltaRex") and AltaRex Medical Corp. ("Medical") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

1.1 the dealer registration requirement and the prospectus requirement (together, the "registration and prospectus requirements") of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to the trade by AltaRex in Medical Shares to be made in connection with a proposed plan of arrangement (the "Arrangement") under section 193 of the *Business Corporations Act* (Alberta) ("ABCA") involving AltaRex, Medical and the securityholders of AltaRex ("Securityholders");

1.2 the registration and prospectus requirements of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to the trade by AltaRex in AltaRex New Common Shares made in connection with the Arrangement;

1.3 the registration and prospectus requirements of the Legislation of the Yukon Territories shall not apply to trades in New Options and New Warrants made between Medical and the Securityholders in connection with the Arrangement;

1.4 would declare or deem Medical to be a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador;

1.5 the requirement to have a current annual information form ("AIF") filed on SEDAR in order to be a qualifying issuer under MI 45-102 shall not apply to Medical, and in Quebec, the Information Circular be deemed to qualify for the shortened hold period contemplated by decision no. 2003-C-0377 ("CVMQ Resale Decision") of the Commission de valeurs mobilières du Québec ("CVMQ"); and

1.6 that the prospectus requirements shall not apply to control distributions (as defined in MI 45-102, except in Québec) of Medical Shares by shareholders of Medical (whether acquired on the Arrangement or upon exercise of the New Warrants or New Options) provided that the conditions in subsections (2) or (3) of Section 2.8 of MI 45-102 are satisfied, except that for the purpose of determining the period of time that a holder of Medical Shares has held the Medical Shares under section 2.8 of MI 45-102, such holders be permitted to include the period of time that the holder held AltaRex Common Shares, AltaRex Warrants or AltaRex Options, as the case may be, immediately before the Effective Time of the Arrangement, and further provided that the requirements of subsections (4) through (8) of Section 2.8 of MI 45-102 are satisfied as if the selling security holder relied upon subsections (2) or (3) of Section 2.8.

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), The Manitoba Securities Commission is the Principal Regulator for this application;

3. AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

4. AND WHEREAS the Filer has represented to the Decision Makers that:

#### Background and General

4.1 On December 3, 2003, AltaRex announced that it had entered into a letter agreement with Nova Bancorp Investments Ltd. ("NBC") to reorganize and recapitalize its business pursuant to a Plan of Arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "ABCA"). The management information circular (the "Information Circular") was mailed to AltaRex Securityholders on January 6, 2004, for consideration at the special meeting (the "Meeting") associated therewith to be held on February 2, 2004. It is intended that the effective date of the Arrangement will be February 3, 2004 (the "Effective Date") and the effective time (the "Effective Time") will be 12:01 a.m. on the Effective Date.

4.2 The Information Circular discloses that the Medical and AltaRex securities that are the subject of the trades will be issued in reliance on exemptions, including discretionary exemptions, from the registration and prospectus requirements.

#### *AltaRex*

4.3 AltaRex is a corporation amalgamated under the ABCA and is headquartered in Edmonton, Alberta. Its registered office is located at 1500 Manulife Place, 10180-101 Street, Edmonton, Alberta, T5J 4K1 and its executive offices are located at 1123 Dentistry/Pharmacy Bldg., University of Alberta, Edmonton, Alberta, T6G 2N8.

4.4 AltaRex's business is focused on the research, development and commercialization of foreign antibodies that modulate the immune system for the treatment of certain cancers and other diseases where there exists an unmet medical need.

4.5 The authorized capital of AltaRex consists of an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2003, there were 51,896,936 AltaRex Common Shares issued and outstanding and nil preferred shares issued and outstanding. Also as of December 31, 2003, AltaRex had reserved 8,138,368 AltaRex Common Shares for issuance in connection with the exercise of outstanding stock options and had also reserved 1,200,000 Common Shares for issuance in connection with the exercise of the Agent's Option. As at December 31, 2003, AltaRex had 6,994,000 warrants issued and outstanding entitling the holders thereof to purchase a like number of AltaRex Common Shares at exercise prices of between \$0.50(Cdn) and \$2.00 (Cdn) and \$1.25 (U.S.) per share. AltaRex also has outstanding the United Convertible Note.

4.6 AltaRex is a reporting issuer (where such concept exists) in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador for more than 12 months and is not in default under the Legislation.

4.7 The AltaRex Common Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX"), trading under the symbol "AXO".

4.8 Shortly after the Effective Date of the Arrangement, AltaRex's Common Shares will be voluntarily delisted from the TSX. AltaRex then intends to make application to list the AltaRex New Common Shares (as hereinafter defined) on the TSX Venture Exchange ("TSXV") or the NEX board thereof. The Non-Voting Common Shares will not be listed on any stock exchange. If the AltaRex New Common Shares do not get listing approval from the TSXV then AltaRex will seek to list the AltaRex New Common Shares on another North American stock exchange.

### *Medical*

4.9 Medical is a corporation incorporated under the ABCA on December 8, 2003 and is headquartered in Edmonton, Alberta. Its registered office is located at 1500 Manulife Place, 10180-101 Street, Edmonton, Alberta, T5J 4K1 and its executive offices are located at 1123 Dentistry/Pharmacy Bldg., University of Alberta, Edmonton, Alberta, T6G 2N8.

4.10 Medical has not conducted any business to date, but has executed the Arrangement Agreement with NBC and AltaRex.

4.11 The authorized capital of Medical consists of an unlimited number of Medical Shares and an unlimited number of preferred shares. As at December 31, 2003, there is one issued and outstanding Medical Share and it is owned by AltaRex. There are no preferred shares issued and outstanding.

4.12 Medical is not a reporting issuer in any jurisdiction.

4.13 Medical had made an application to list the Medical Shares on the TSX.

4.14 Medical expects that it shall be able to satisfy all of the conditions of the TSX relating to the listing of the Medical Shares upon completion of the Arrangement. If Medical is not able to meet the continued listing requirements of the TSX then Medical will seek to list the Medical Shares on another North American stock exchange.

4.15 The initial directors and officers of Medical are listed in Appendix H to the Information Circular. All are current directors and/or senior management of AltaRex.

### *Nova Bancorp Investments Ltd.*

4.16 NBC is a corporation incorporated under the laws of the Province of British Columbia and its head office is at Suite 1050, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. NBC is a wholly owned subsidiary of Nova Bancorp Group (Canada) Ltd. ("Nova Bancorp"). NBC is a holding company. Nova Bancorp is an investment and merchant banking company based in Vancouver. Its main areas of focus for principal investments have been financial services and energy companies.

4.17 NBC is not a reporting issuer in any jurisdiction.

### *The Arrangement*

4.18 On December 22, 2003 AltaRex obtained an interim order of the Court of Queen's Bench of Alberta (the "Interim Order") which permits AltaRex to

proceed to convene the Meeting and which further provides that the arrangement resolution is required to be approved by not less than 66 2/3% of the aggregate votes cast by the AltaRex Securityholders, voting together as a single class, present in person or by proxy at the Meeting. Each AltaRex Shareholder is entitled to one vote for each AltaRex Common Share held and each AltaRex Optionholder and AltaRex Warrantholder is entitled to one vote for each AltaRex Common Share such holder would be entitled to receive upon the valid exercise of such AltaRex Options or AltaRex Warrants. Only holders of AltaRex New Common Shares or Medical Shares whose shares will be cancelled and repurchased as a result of the operation of subparagraphs 4.22.6 and 4.22.7 may exercise rights of dissent only with respect to such shares which shall be cancelled and repurchased and in the manner set forth in Section 191 of the ABCA as modified by the Interim Order and the Arrangement.

4.19 McNally Valuations Inc. has provided the Board of Directors with its opinion (the "Fairness Opinion") that the Arrangement is fair, from a financial point of view, to AltaRex Shareholders.

4.20 The Board of Directors has unanimously approved the Arrangement and has recommended that AltaRex Securityholders vote for the Arrangement.

4.21 On December 23, 2003, AltaRex, NBC and Medical executed the arrangement agreement (the "Arrangement Agreement") which provides for the implementation of the Arrangement pursuant to section 193 of the ABCA.

#### *Steps of the Arrangement*

4.22 Pursuant to the Arrangement, the following shall occur in sequence:

4.22.1 the transfer of the Assets, together with all contractual obligations and liabilities, to Medical in consideration for 40,000,000 Medical Shares and a certain indemnity to have been completed and have been legally effective on December 31, 2003;

4.22.2 the AltaRex Options and AltaRex Warrants shall be cancelled and terminated and cease to represent any right or claim whatsoever and the New Options (including the Agent's Option) and the New Warrants will be issued in their place on identical terms;

4.22.3 the Articles of Amalgamation ("Articles") of AltaRex will be amended to create a new class of non-voting common shares in the capital of AltaRex (the "AltaRex Non-Voting Common Shares") and a new class of voting common shares in the capital of AltaRex (the "AltaRex New Common Shares");

4.22.4 the Articles of AltaRex will also be amended to change its name from "AltaRex Corp." to "Twin Butte Energy Ltd.";

4.22.5 AltaRex will acquire all outstanding AltaRex Common Shares from the holders thereof and shall deliver in exchange for each 10 AltaRex Common Shares held one AltaRex New Common Share and 10 Medical Shares, in each case free of any claims. The AltaRex Common Shares acquired by AltaRex will be cancelled and returned to the status of authorized but unissued shares;

4.22.6 each AltaRex Shareholder who holds 1000 AltaRex Common Shares or less shall surrender and be deemed to surrender to AltaRex all of the AltaRex Common Shares held by such AltaRex Shareholder and shall receive therefore, instead of the AltaRex New Common Shares to which such AltaRex Shareholder would otherwise be entitled, an amount in cash equal to \$0.05 per share, and upon such surrender of AltaRex Common Shares each such holder of AltaRex Common Shares shall cease to be such a holder and shall have his name removed from the register of holders of AltaRex Common Shares and the AltaRex Common Shares so surrendered shall be cancelled;

4.22.7 each AltaRex Shareholder who holds 150 AltaRex Common Shares or less shall surrender and be deemed to surrender to AltaRex all of the AltaRex Common Shares held by such AltaRex Shareholder and shall receive therefor, instead of the Medical Shares to which such AltaRex Shareholder would otherwise be entitled, an amount in cash equal to the lesser of (i) the amount determined by multiplying \$0.60 by the number of AltaRex Common Shares held by such AltaRex Shareholder and (ii) the amount determined by subtracting \$0.05 from the weighted average trading price of the AltaRex Common Shares during the 10 trading days immediately preceding the Effective Date and then multiplying such sum by the number of AltaRex Common Shares held by such AltaRex Shareholder and upon such surrender of AltaRex Common Shares each such holder of AltaRex Common Shares shall cease to be such a holder and shall have his name removed from the register of holders of AltaRex Common Shares and the AltaRex Common Shares so surrendered shall be cancelled;

4.22.8 the stated capital of the AltaRex New Common Shares issued pursuant to the exchange set forth in subparagraph 4.22.5 above shall be reduced to the amount of \$1.00;

4.22.9 the Articles will be amended by deleting the AltaRex Common Shares and the rights, privileges, restrictions and conditions attaching thereto and by re-designating the AltaRex New Common Shares as the "common shares" of Twin Butte; and

4.22.10 at the Effective Time, AltaRex shall acquire an additional 11,896,936 Medical Shares for \$5.045 million, subject to a holdback; provided that if between December 23, 2003 and the closing date of the Arrangement, AltaRex issues any additional Common Shares ("Additional Shares") then AltaRex shall subscribe for additional Medical Shares in an amount equal to the Additional Shares and AltaRex shall contribute to Medical the consideration received by AltaRex for the Additional Shares.

4.23 Pursuant to the Arrangement Agreement, NBC shall, immediately following the Effective Time, subscribe for such number of AltaRex New Common Shares so as to constitute 45% of the voting shares of Twin Butte following completion of the Arrangement and the 10% unsecured convertible notes of Twin Butte having a maximum principal value of \$4,475,500 (subject to adjustment), for total subscription proceeds of \$6.15 million.

4.24 In connection with the Meeting, AltaRex Shareholders, which AltaRex Shareholders shall be deemed to be shareholders of Medical, shall be asked to approve a new Medical stock option plan (attached as Appendix M to the Information Circular), which plan, if approved by disinterested AltaRex Shareholders, shall become effective to govern the New Options issued by Medical pursuant to the Arrangement, and any and all other options Medical may grant after the Effective Date of the Arrangement.

4.25 In connection with the Meeting, AltaRex Shareholders shall also be asked to approve a new Twin Butte option plan (attached as Appendix L to the Information Circular), which plan, if approved, shall become effective to govern options granted by Twin Butte after the Effective Date of the Arrangement.

4.26 The Information Circular in connection with the Arrangement to be provided to Securityholders provides prospectus-level disclosure regarding Medical and the Assets to be purchased by Medical from AltaRex pursuant to the Arrangement, which purchase and sale shall be effective on December 31, 2003. The Information Circular also provides disclosure of all other material facts relating to the Arrangement, and includes a pro-forma balance sheet for Medical, which balance sheet includes the Assets to be acquired by Medical pursuant to the Arrangement. Disclosure regarding the Assets has been previously provided in AltaRex's continuous disclosure documentation filed pursuant to the applicable Legislation. The Information Circular also provides complete descriptions of the directors and officers, share capital and all other items to be included in prospectuses under Ontario Securities Commission Rule 41-501 *General*

*Prospectus Requirements.* Audited historical financial statements of AltaRex for the years ending December 31, 2002, December 31, 2001 and December 31, 2000 are included in the Information Circular, as well as unaudited interim financial statements for the nine month period ended September 30, 2003. In essence, the AltaRex financial statements represent the business and Assets to be acquired by Medical and constitute Medical's historical financial statements.

5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

6. AND WHEREAS, 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;

7. THE DECISION of the Decision Makers under the Legislation is that:

7.1 the registration and prospectus requirements of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to trades in Medical Shares made between AltaRex, Medical and the Securityholders in connection with the Arrangement;

7.2 the registration and prospectus requirements of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to trades in AltaRex New Common Shares made between AltaRex and the Securityholders in connection with the Arrangement;

7.3 the registration and prospectus requirements contained in the Legislation of the Yukon Territories shall not apply to trades in New Options and New Warrants made between Medical and the Securityholders in connection with the Arrangement;

7.4 Medical is deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador;

7.5 except in Québec, upon completion of the Arrangement, the requirement contained in the Legislation to have a current AIF filed on SEDAR in order to be a qualifying issuer shall not apply to Medical provided that:

7.5.1 Medical files a notice on SEDAR advising that the Information Circular has been filed as an alternate form of AIF and identifying the Project Number under which the Information Circular was filed; and

7.5.2 Medical files a Form 45-102F2 on or before the tenth day after the distribution of securities certifying that it is a "qualifying issuer" except for the requirement to have a "current AIF";

with such order to expire 140 days after Medical's year ended December 31, 2003;

7.6 in Québec, upon completion of the Arrangement, the requirement to have a current annual information form filed on SEDAR pursuant to paragraph 1(e) of decision no. 2003-C-0377 of the Commission des valeurs mobilières du Québec shall not apply to Medical if the conditions of subparagraph 7.5.1 are met; and

7.7 that the prospectus requirement shall not apply to control distributions (as defined in MI 45-102, except in Québec) of Medical Shares by shareholders of Medical (whether acquired on the Arrangement or upon exercise of the New Warrants or New Options) provided that the conditions in subsections (2) or (3) of Section 2.8 of MI 45-102 are satisfied, except that for the purpose of determining the period of time that a holder of Medical Shares has held the Medical Shares under section 2.8 of MI 45-102, such holders be permitted to include the period of time that the holder held AltaRex Common Shares, AltaRex Warrants or AltaRex Options, as the case may be, immediately before the Effective Time of the Arrangement, and further provided that the requirements of subsections (4) through (8) of Section 2.8 of MI 45-102 are satisfied as if the selling security holder relied upon subsections (2) or (3) of Section 2.8.

DATED February 3, 2004.

*"Chris Besko"*  
*Deputy Director - Legal*