

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

AND

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

AND

IN THE MATTER OF
CANADIAN NATURAL RESOURCES LIMITED,
RIO ALTO RESOURCES INTERNATIONAL INC.
AND RIO ALTO EXPLORATION LTD.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, the Yukon Territory and Nunavut Territory (the "Jurisdictions") has received an application from Rio Alto Exploration Ltd. ("Rio Alto") and Rio Alto Resources International Inc. ("Newco") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

1.1 the registration and prospectus requirements of the Legislation shall not apply to certain trades made in connection with or subsequent to a proposed plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta) (the "ABCA") involving Canadian Natural Resources Limited ("CNQ"), Newco, Rio Alto and the securityholders of Rio Alto;

1.2 Newco be deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Northwest Territories, Yukon Territory and Nunavut Territory; and

1.3 Newco shall be exempted from the requirement of the Basic Qualification Criteria set forth in National Instrument 44-101 (the "Instrument") from the time the Arrangement becomes effective, that it be a reporting issuer in the respective Jurisdiction for the 12 calendar months preceding the date of the filing of its most recent Annual Information Form;

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

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

Canadian Natural Resources Limited

3.1 CNQ is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

3.2 CNQ is a senior independent energy company engaged in the acquisition, exploration, development, production, marketing and sale of oil and natural gas. Its principal areas of operations are Western Canada, the United Kingdom sector of the North Sea and offshore West Africa;

3.3 the authorized capital of CNQ consists of an unlimited number of common shares and 200,000 Class 1 preferred shares. As of May 15, 2002, there were 122,927,720 common shares and no Class 1 preferred shares issued and outstanding. Also as of May 15, 2002, 12,474,292 common shares were reserved for issuance in connection with the exercise of outstanding stock options;

3.4 CNQ has been, and currently is, a reporting issuer (where such concept exists) for a period of time in excess of 12 months under the securities legislation of the Jurisdictions. To the best of its knowledge, information and belief, CNQ is not in default of the requirements under the Legislation or the regulations made thereunder (the "Regulations");

3.5 the common shares of CNQ are listed and posted for trading on both the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange (the "NYSE"), trading under the symbols "CNQ" and "CED", respectively;

Rio Alto Exploration Ltd.

3.6 Rio Alto is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

3.7 Rio Alto's business is the acquisition of interests in petroleum and natural gas rights and the exploration, development, production, marketing and sale of petroleum and natural gas. While having interests in properties outside Canada, the bulk of the Corporation's activities are concentrated in the Province of Alberta;

3.8 the authorized capital of Rio Alto consists of an unlimited number of common shares (the "Rio Alto Shares"), an unlimited number of first preferred shares and an unlimited number of second preferred shares. As of May 23, 2002, there were

75,926,702 Rio Alto Shares and no first preferred or second preferred shares issued and outstanding. Also as of May 23, 2002, 5,256,436 Rio Alto Shares were reserved for issuance in connection with the exercise of outstanding stock options;

3.9 Rio Alto has been, and currently is, a reporting issuer (where such concept exists) for a period of time in excess of 12 months under the securities legislation of the Jurisdictions. To the best of its knowledge, information and belief, Rio Alto is not in default of the requirements under the Legislation or the Regulations;

3.10 the Rio Alto Shares are listed and posted for trading on the TSX, trading under the symbol "RAX";

Newco

3.11 Newco is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

3.12 Newco has not conducted any business to date, except for the entering into of the Arrangement with CNQ and Rio Alto;

3.13 the authorized capital of Newco consists of an unlimited number of common shares (the "Newco Shares") and an unlimited number of first preferred shares. As of the date hereof, there is issued and outstanding 1 common share, this share being owned by Rio Alto. There are no first preferred shares issued and outstanding;

3.14 Newco is not a reporting issuer in any jurisdiction;

3.15 Newco will apply to list the Newco Shares on the TSX;

The Arrangement

3.16 on May 13, 2002, CNQ and Rio Alto announced the intention to enter into a Plan of Arrangement (the "Arrangement"), the composition of which is set forth below;

3.17 pursuant to the Arrangement, Rio Alto will transfer to Newco all of the issued and outstanding shares (the "Subsidiary Shares") it holds and inter-company receivables (the "Subsidiary Receivables") it holds of, certain directly and indirectly wholly-owned subsidiary companies ("the Subsidiaries") which own certain properties in the Oriente Basin of Ecuador and the San Jorge Basin of Argentina (collectively, the "Newco Properties"), in exchange for that number of Newco Shares which (together with the Newco Shares issued to Rio Alto pursuant to paragraph 3 below and any Newco Shares owned by Rio Alto prior to the Arrangement) is equal to the number of Rio Alto Shares then issued and

outstanding. Rio Alto shall then distribute one (1) Newco Share to each shareholder of Rio Alto for every Rio Alto Share held by such shareholder;

3.18 Rio Alto shall subscribe for and shall be issued, subject to adjustment, 4,210,526 Newco Shares, each Newco Share having a subscription price of \$1.90, subject to adjustment. The Newco Shares issued to Rio Alto hereunder shall be included and be part of the Newco Shares distributed to the shareholders of Rio Alto as described in paragraph 3.17 above;

3.19 CNQ shall acquire (the "Acquisition") all of the Rio Alto Shares currently issued and outstanding by offering the holders thereof the choice to receive for each Rio Alto Share so tendered (i) 0.3468 of a CNQ Share, (ii) \$18.10 in cash or (iii) any combination of items (i) and (ii) having a value equal to the value of the Rio Alto Shares so tendered by such shareholder. The maximum number of CNQ Shares issuable under item (i) is 12,270,000, and the maximum aggregate amount payable under item (ii) is \$850,000,000, each amount being subject to prorationing in the event that one or both 'maximums' are exceeded;

3.20 in lieu of fractional CNQ Shares, each holder of a Rio Alto Share, who would otherwise be entitled to receive a fractional CNQ Share, shall be paid by CNQ an amount equal to the product of such fraction multiplied by \$52.20;

3.21 CNQ shall subscribe for and shall be issued 8,330,000 Newco Shares, each having a subscription price of \$1.90;

The Order

3.22 the Information Circular in connection with the Arrangement as provided to all securityholders and filed in each of the Jurisdictions will contain, (or, to the extent permitted will have incorporated by reference therein) prospectus-level disclosure of CNQ, Rio Alto and Newco;

3.23 the Newco Properties have been the subject of continuous disclosure on an ongoing basis for more than 12 months, in accordance with Rio Alto's responsibilities as a reporting issuer;

3.24 Securityholders of Rio Alto shall have the right to dissent from the Arrangement under Section 191 of the ABCA, and the Information Circular will disclose full particulars of this right in accordance with applicable law;

3.25 exemptions from registration and prospectus requirements of the Legislation in respect of trades made in securities of Newco in connection with the Arrangement and exemptions from prospectus requirements of the Legislation in respect of first trades in Newco Shares following the Arrangement are not otherwise available in all Jurisdictions;

3.26 Newco will not be a reporting issuer within the definitions of all of the applicable Jurisdictions at the time of the Arrangement becoming effective;

3.27 Newco will not be qualified to file a prospectus in the form of a short form prospectus under the Instrument at the time of the Arrangement becoming effective;

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

5. 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;

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

6.1 all trades made in securities of Newco in connection with the Arrangement shall not be subject to the registration and prospectus requirements of the Legislation;

6.2 except in Quebec, the first trade in a Jurisdiction of Newco Shares acquired by CNQ, Rio Alto or former shareholders of Rio Alto in connection with the Arrangement shall be distributions or primary distributions under the Legislation of such Jurisdiction except that where

6.2.1 Newco is a reporting issuer in a jurisdiction listed in Appendix B to Multilateral Instrument 45-102 *Resale of Securities* preceding the trade;

6.2.2 the seller is in a special relationship with Newco, as the case may be, as defined in the Legislation, the seller has reasonable grounds to believe that Newco is not in default of any requirement of the Legislation; and

6.2.3 no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of the first trades;

then such a first trade shall be a distribution or primary distribution only if it is from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Newco, as the case may be, to affect materially the control of Newco, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of Newco shall, in the absence of

evidence to the contrary, be deemed to affect materially the control of Newco;

6.3 the alienation in Quebec of Newco Shares acquired by CNQ, Rio Alto or former shareholders of Rio Alto in connection with the Arrangement shall be distributions under the legislation of Quebec except that where

6.3.1 Newco is a reporting issuer in Quebec immediately preceding the trade;

6.3.2 no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade;

6.3.3 no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

6.3.4 if the selling shareholder is an insider or officer of Newco, the selling securityholder has no reasonable grounds to believe that Newco is in default of any requirement of securities legislation;

6.4 Newco shall be deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Northwest Territories, Yukon Territory and Nunavut Territory; and

6.5 Newco shall be exempted from the requirement of the Basic Qualification Criteria that it be a reporting issuer in the applicable Jurisdiction for the 12 calendar months preceding the date of filing of its most recent Annual Information Form.

DATED this 26th day of June, 2002.

"original signed by"
Eric T. Spink, Vice-Chair

"original signed by"
Thomas G. Cooke, Q.C., Member

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from registration and prospectus requirements in connection with a distribution of shares of subsidiary company to parent shareholders and third party in order to spin off and capitalize subsidiary. Issuer spun off from a reporting issuer in connection with a plan of arrangement deemed to be a reporting issuer where a parent company has been a reporting issuer for more than 12 months and the assets that will make up the business of the spun off issuer have been subject to reporting in the continuous disclosure filings of the parent company. Prospectus level disclosure of the spun off entity to be provided in the information circular;

Applicable Alberta Statutory Provisions

Securities Act, R.S.A., 2000, c.S-4, s. 75, 110, 144 and 145