

Headnote

Sections 75 and 110 of the *Securities Act* (Alberta) and National Instrument 12-201 *Mutual Reliance Review System for Exemptive Relief Applications* - exemption from the prospectus and registration requirements in respect of the issuance of options, the sale of shares, and the first trade of shares - relief required because options grant right to acquire shares in foreign company, non-reporting in Canada - optionholders will receive copies of all disclosure and materials filed in accordance with Euronext, FSA, LSE, and SEC requirements.

Applicable Legislative Provisions

Sections 75 and 110 of the *Securities Act* (Alberta) and National Instrument 12-201 *Mutual Reliance Review System for Exemptive Relief Applications*.

Citation: Shell Canada Limited, 2007 ABASC
127 **Date:** 20070320

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba,
Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland &
Labrador, Yukon, Northwest Territories and Nunavut

and

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

and

In the Matter of
Shell Canada Limited

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the provinces and territories of Canada (the

Jurisdictions) has received an application from Shell Canada Limited (the Filer), under the securities legislation, regulations, rules, instruments and/or policies of the Jurisdictions (the Legislation), for a decision under the Legislation that the prospectus and registration requirements of the Legislation do not apply to:

(a) the issuance of Replacement Options (as defined below) to Optionholders (as defined below) in accordance with the terms of the Option Exchange Letter (as defined below);

(b) the trade of RDS Shares (as defined below) to Optionholders by SC OptionCo (as defined below) on the exercise of Replacement Options in accordance with the terms of the Option Exchange Letter; and

(c) the first trades of RDS Shares on the exercise of Replacement Options by Canadian-resident Optionholders in accordance with the terms of the Option Exchange Letter and the Replacement Options to the extent that an Optionholder does not elect to exercise the SAR entitlement (as defined below) to receive cash in lieu of RDS Shares

(collectively, the Prospectus and Registration Relief).

2. Pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the System), the Alberta Securities Commission is the principal regulator for this application.

Interpretation

3. Terms defined in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are otherwise defined in this decision.

Representations

4. The decision is based on the following representations by the Filer to each Decision Maker:

(a) On January 23, 2007, the Shell Investments Limited (the Offeror), a wholly-owned indirect subsidiary of Royal Dutch Shell plc (RDS), announced its intention to make an offer (the Offer) to purchase all of the issued and outstanding common shares (the Common Shares) in the capital of the Filer, other than Common Shares already held by the Offeror and its affiliates, at a price of Cdn. \$45.00, in cash,

per Common Share. As at the date of such announcement, the Offeror and its affiliates held 643,308,858 Common Shares, representing approximately 78% of the currently issued and outstanding Common Shares.

(b) In a letter dated on or about the date of the Offer (the Option Exchange Letter), subject to (i) the granting of the requested relief pursuant to this application, and (ii) the acquisition by the Offeror of Common Shares under the Offer, Shell Canada Options Corporation (SC OptionCo) will offer to those persons (the Optionholders) who hold options to purchase Common Shares (the Shell Canada Options) under the Filer's existing Long Term Incentive Plan (the LTIP) to exchange such Shell Canada Options for options to be issued by SC OptionCo (the Replacement Options) exercisable to acquire from SC OptionCo previously issued and outstanding Class A ordinary shares in RDS (the RDS Shares). The terms and conditions of the Replacement Options will be substantially the same as those of the Shell Canada Options with the exception that the Replacement Options will be exercisable for RDS Shares rather than common shares of the Filer.

(c) The Filer was incorporated under the laws of Canada in 1925 as the successor to The Shell Company of Canada, Limited (incorporated in 1911), and was continued under the Canada Business Corporations Act on May 1, 1978.

(d) The authorized share capital of the Filer consists of an unlimited number of Common Shares, an unlimited number of preferred shares and an unlimited number of 4% cumulative redeemable preference shares. Based on publicly

available information, there are 825,662,514 Common Shares (of which RDS indirectly owns 643,308,858 Common Shares), no preferred shares and no 4% cumulative redeemable preference shares issued and outstanding as at December 31, 2006.

(e) The Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “SHC”.

(f) The Filer is a reporting issuer or the equivalent in all provinces and territories of Canada.

(g) RDS was incorporated under the laws of England and Wales on February 5, 2002, as a private company limited by shares under the name Forthdeal Limited. On October 27, 2004, it re-registered as a public company limited by shares and changed its name to RDS.

(h) In 2005, RDS became the parent company of Royal Dutch Petroleum Company and Shell Transport and Trading Company Limited, the two former public parent companies of the Shell group of companies (the Shell Group). RDS’ primary object is to carry on the business of a holding company through its interests in the Shell Group.

(i) The authorized share capital of RDS consists of (i) 4,077,359,886 Class A ordinary shares (nominal value of €0.07 each), (ii) 2,759,360,000 Class B ordinary shares (nominal value of €0.07 each), (iii) 50,000 sterling deferred shares of £1 each, and (iv) 3,101,000,000 unclassified shares of €0.07 each.

(j) As of December 31, 2006, RDS' issued and outstanding share capital consisted of (i) 3,695,780,000 Class A ordinary shares, (ii) 2,759,360,000 Class B ordinary shares, (iii) 50,000 sterling deferred shares, and (iv) no unclassified shares.

(k) RDS' Class A ordinary shares and Class B ordinary shares trade on the Euronext Amsterdam Exchange (Euronext) and the London Stock Exchange (LSE) under the symbols RDSA and RDSB, respectively, and on the New York Stock Exchange (NYSE) (in American Depositary Receipt form) under the symbols RDS.A and RDS.B, respectively.

(l) RDS is not a reporting issuer, or the equivalent, under the Legislation and has no intention of becoming a reporting issuer, or the equivalent, in any Jurisdiction.

(m) There is currently no market in Canada for any securities of the RDS, and no such market is expected to develop.

(n) As RDS is an English company listed on the LSE, it is subject to the authority of the Financial Services Authority (FSA) in the United Kingdom and the securities regulatory authorities in The Netherlands. In addition to the extensive disclosure and other regulatory requirements imposed by the LSE, Euronext and the FSA, RDS is also subject to the regulatory requirements of the applicable securities laws of the United States and the listing rules of the NYSE.

(o) SC OptionCo is incorporated under the Canada Business Corporations Act and is a wholly-owned subsidiary of Shell

Canada Charitable Trust, which has been settled by the Filer for the benefit of certain Canadian registered charities.

(p) The sole undertaking of SC OptionCo will be to provide Replacement Options to Optionholders who have exchanged their Shell Canada Options pursuant to the Option Exchange Letter.

(q) SC OptionCo will enter into a support agreement with the Filer, which will require SC OptionCo to, among other things, offer to all Optionholders the right to exchange their Shell Canada Options for Replacement Options. Replacement Options entitle holders thereof to acquire from SC OptionCo upon exercise thereof RDS Shares pursuant to substantially the same general terms and conditions as apply under the Shell Canada Options governed by the LTIP.

(r) SC OptionCo will not be a reporting issuer, or the equivalent, under the Legislation and has no intention of becoming a reporting issuer, or the equivalent, in any Jurisdiction.

(s) The option exchange outlined in the Option Exchange Letter is meant to preserve the value of the Shell Canada Options. The number of Replacement Options an Optionholder will receive in exchange for the surrender of their Shell Canada Options and the exercise price of those Replacement Options will differ from the number of, and exercise price of, the Shell Canada Options by virtue of the price of RDS Shares. Replacement Options will otherwise be subject to substantially the same general terms and

conditions, including the dates of vesting, post-employment exercise provisions, performance conditions, assignment restrictions, expiration and the inclusion of a cash share appreciation right (SAR) alternative exercisable at the election of the option holder as Shell Canada Options.

(t) Optionholders include current and former employees, executive officers, directors or consultants of the Filer who were granted Shell Canada Options under the LTIP.

(u) Optionholders who elect to surrender their Shell Canada Options and receive Replacement Options will be provided with materials explaining how to exercise the Replacement Options.

(v) Optionholders who elect to receive Replacement Options and who exercise those Replacement Options and acquire RDS Shares, will, thereby, become entitled to receive copies of all annual reports and all other materials distributed to the RDS' shareholders pursuant to the applicable disclosure and other regulatory requirements of the FSA and the securities laws of the United States.

(w) None of the Optionholders will be induced to participate in the option exchange offer to be set forth in the Option Exchange Letter by the expectation of employment or continued employment or further advancement with the Filer or any of its affiliates. Furthermore, participation by directors of the Filer (who are not also employees) is also voluntary.

(x) Since there is no active market for RDS Shares in Canada and none is expected to develop, it is expected that any resale of the RDS Shares received by Canadian-resident holders of Replacement Options will occur through the facilities of Euronext.

(y) Since December 31 2005, more than approximately 97% of Optionholders have elected to exercise the SAR entitlement to receive cash in lieu of common shares of the Filer in respect of their Shell Canada Options. The Filer believes that a similar percentage of Optionholders may reasonably be expected to elect to exercise the SAR entitlement to receive cash in respect of their Replacement Options rather than exercising their Replacement Options and receiving the underlying RDS Shares. This may reasonably be expected to reduce even further the number of RDS Shares traded to Canadian residents.

(z) The following table sets forth the approximate number of Optionholders in each Jurisdiction as at January 20, 2007. Following the exchange of Shell Canada Options for Replacement Options and assuming that all Optionholders accept the offer provided in the Option Exchange Letter, and further assuming that the SAR alternative is not elected and all Replacement Options received are exercised for RDS Shares, it is expected that there will be approximately 806 holders of RDS Shares with registered addresses in Canada.

| Province/Territory | Total Number of Optionholders |
|---------------------------|--------------------------------------|
| Alberta | 705 |
| British Columbia | 8 |
| Manitoba | Nil |
| New Brunswick | Nil |

| | |
|-------------------------|-----|
| Newfoundland & Labrador | Nil |
| Northwest Territories | Nil |
| Nova Scotia | 1 |
| Nunavut | Nil |
| Ontario | 49 |
| Prince Edward Island | Nil |
| Québec | 44 |
| Saskatchewan | Nil |
| Yukon Territory | Nil |

(aa) It is anticipated that, following the exchange of Shell Canada Options and assuming that all Optionholders accept the offer provided in the Option Exchange Letter and further assuming that all of Replacement Options are exercised for RDS Shares, holders whose registered address is in Canada will hold, in the aggregate, substantially less than 5% of the outstanding RDS Shares and will not represent more than 5% of the total number of holders of RDS Shares.

(bb) In most transactions of this nature, optionholders of the offeree issuer would simply exchange their options to acquire shares in the offeree for options to acquire shares in the offeror. Where the offeror is not a reporting issuer, section 2.24 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106) provides an exemption from the prospectus and registration requirements for the issuance of options of the offeror to employees, executive officers, directors or consultants and their permitted transferees upon the offeror's acquisition of control of the offeree.

(cc) RDS is not authorized to distribute either (i) newly issued or (ii) treasury securities to employees, executive officers, directors or consultants. Moreover, under the U.K. *Companies Act* and the *Canada Business Corporations Act*, the Filer, as a subsidiary of RDS, is not permitted to own equity securities in RDS, which it would have to if it were to assume the role of issuing the Replacement Options exercisable for RDS Shares.

(dd) Accordingly, in order to preserve, to the extent possible, the original incentives provided by the Shell Canada Options, an alternative structure has been established whereby SC OptionCo will issue Replacement Options to Optionholders in exchange for their Shell Canada Options pursuant to the Option Exchange Letter and acquire, or cause to be acquired, RDS Shares for delivery upon the exercise of Replacement Options.

(ee) As SC OptionCo will not be a “related entity” of RDS for securities law purposes, it is unable to rely upon the registration and prospectus exemption provided in section 2.24 of NI 45-106 in respect of the issuance of the Replacement Options and the subsequent trade of RDS Shares on exercise of Replacement Options. Moreover, exemptions from the prospectus and registration requirements which might otherwise apply to first trades in RDS Shares acquired by Canadian-resident Optionholders upon the exercise of Replacement Options are unavailable.

Decision

5. Pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker.

6. 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 pursuant to the Legislation is that the Prospectus and Registration Relief is granted provided that the first trade of RDS Shares acquired pursuant to this order shall be deemed to be a distribution or a primary distribution to the public under the Legislation unless the following conditions are met:

(a) RDS is not a reporting issuer in any jurisdiction of Canada at the date of the first trade of RDS Shares;

(b) at the date of the option exchange described in the Option Exchange Letter, after giving effect to

the exercise of Replacement Options for RDS Shares, Optionholders who are residents of Canada:

(i) will not own directly or indirectly more than 10 percent of the outstanding RDS Shares; and

(ii) will not represent in number more than 10 percent of the total number of owners directly or indirectly of RDS Shares; and

(c) the first trade of RDS Shares is made:

(i) through an exchange, or a market, that is outside of Canada; or

(ii) to a person or company outside of Canada.

“original signed by”
Glenda A. Campbell, QC, Vice-Chair
Alberta Securities Commission

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