

THE SECURITIES ACT )  
 )  
Section 147.1(1) )

Order No. 7578

March 16, 2022

**REEF RESOURCES LTD.**

**WHEREAS:**

(A) The Director of The Manitoba Securities Commission (the **Commission**) issued a cease trade order dated on January 2, 2014 (Order No. 6863) under section 147.1(1) of *The Securities Act* (Manitoba) (the **Act**) (the **Cease Trade Order**) for failure to file required continuous disclosure in accordance with National Instrument 51-102 *Continuous Disclosure Obligations* and provided that all trading in the securities of Reef Resources Ltd. (the **Filer**) shall cease until further order by the Director.

(B) The Filer has made application to the Commission for a partial revocation of the Cease Trade Order under Part 4 of National Policy 12-202 *Revocation of Certain Cease Trade Orders* for an order pursuant to section 147.1(1) of the Act.

(C) The Filer has represented to the Commission that:

1. The Filer was incorporated under the *Business Corporations Act* (Alberta) on November 26, 1996. The Filer's registered office is located at 1250, 639 – 5<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 0M9.
2. The Filer has been a reporting issuer under the Act and is currently a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Nova Scotia (collectively, the **Reporting Jurisdictions**) and is not a reporting issuer or equivalent in any other jurisdiction in Canada. The Filer's principal regulator is the Alberta Securities Commission.
3. The Filer's authorized capital consists of an unlimited number of common shares (the **Common Shares**) and an unlimited number of Preferred Shares. As at the date hereof, 70,500,082 Common Shares are issued and outstanding and no Preferred Shares are issued and outstanding.
4. The Filer is a natural resources issuer with non-producing oil and gas assets located in Huron County, Ontario, all of which assets the Filer has agreed to sell to Levant Exploration and Production Corp. or its nominee in exchange for \$1.00 and the assumption of all environmental liabilities, abandonment and reclamation obligations and taxes with respect to the assets post-transaction and all transfer taxes. Completion of the sale of the assets is subject to a number of conditions including the approval by not less than 66 $\frac{2}{3}$ % of the votes cast by shareholders at a meeting of shareholders of the Filer. The Shares are not listed or posted for trading on any stock exchange.

5. The Cease Trade Order was issued as a result of the Filer's failure to file the following continuous disclosure materials within the timeframe stipulated by the applicable legislation:
  - (a) audited annual financial statements for the year ended July 31, 2013;
  - (b) management's discussion and analysis relating to the audited annual financial statements for the year ended July 31, 2013; and
  - (c) certification of the foregoing filings as required by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings (**NI 52-109**);

(collectively, the **2013 Annual Filings**).
6. Subsequent to the issuance of the Cease Trade Order, the Applicant also failed to file, within the timeframe stipulated by the applicable legislation, subsequent annual and interim filings until it made the filings noted in (7) hereof.
7. Since the issuance of the Cease Trade Order, the Applicant has filed the following on the System for Electronic Document Analysis and Retrieval (**SEDAR**): (a) the 2017 Annual Filings; (b) the 2018 Annual Filings; and (c) the 2019 Interim Filings. The Filer intends to prepare and file its 2019, 2020, and 2021 Annual Filings, and to prepare and file Interim Filings for the periods ended October 31, 2021 and January 31, 2022 (the **Unfiled Continuous Disclosure**).
8. The Filer is also subject to, as a result of the failure to file the 2013 Annual Filings, a cease trade order dated December 5, 2013 issued by the British Columbia Securities Commission, a cease trade order dated December 23, 2013 issued by the Ontario Securities Commission and a cease trade order dated December 4, 2013 issued by the Alberta Securities Commission.
9. The Filer has concurrently applied to the Ontario Securities Commission, the British Columbia Securities Commission and the Alberta Securities Commission for a partial revocation of the cease trade orders issued in each respective jurisdiction.
10. Other than the failure to file the Unfiled Continuous Disclosure, and other than the breach of CTOs resulting from the Filer having entered into a letter of intent with CBD Acres Manufacturer Inc. in 2019, which letter of intent has been terminated, the Filer is not in default of any of the requirements of the Act or the rules and regulations made pursuant thereto. The Filer is not in default of the Cease Trade Order or any cease trade order issued in any of the Reporting Jurisdictions.
11. The Filer's SEDAR and System for Electronic Disclosure by Insiders profiles are up-to-date.

12. The Filer is seeking to complete a securities issuance to a small number of investors in some or all of the Provinces of Alberta, British Columbia, and Ontario (the **Investors**) of unsecured, non-convertible debentures (**Debentures**) having an aggregate principal amount of up to \$250,000 (the **Debenture Financing**). The Debentures will have a maturity date of one year from the date of issuance and will bear interest at a rate of 10% per annum. The Filer does not expect that there will be more than 10 Investors. The identity of the Investors is not yet known. It is possible that some of the directors of the Filer will participate in the Debenture Financing.
  
13. The Filer intends to rely on the prospectus exemptions set out in the following sections of National Instrument 45-106 *Prospectus Exemptions*:
  - i. Section 2.3 – Accredited investor,
  - ii. Sections 2.5 and 2.6.1 – Family, friends, and business associates
  - iii. Section 2.24 – Employee, executive officer, director, and consultant
  
14. Following the granting of this partial revocation order, the Filer plans to complete the Debenture Financing, and within a reasonable period of time following the completion of the Debenture Financing, the Filer intends to file the Unfiled Continuous Disclosure and pay all outstanding fees. The Filer intends to apply to the applicable securities regulators to have the Cease Trade Order and the other CTOs fully revoked.
  
15. The following is a breakdown of the use of proceeds from the Debenture Financing based upon raising \$250,000:

<b>Description</b>	<b>Estimated Amount (\$)</b>
Fees and penalties for filing of Unfiled Continuous Disclosure	60,000
Filing fees for CTO revocation applications, including partial CTO revocations	13,000
Audit fees for annual financial statements 2019, 2020 and 2021	30,000
Accounting expenses (excluding audit expenses) for preparation of Unfiled Continuous Disclosure	3,000
Outstanding fees payable to various service providers, including legal counsel	60,000
Anticipated legal expenses associated with the foregoing	15,000
Transfer agency fees (including payment of fees currently outstanding)	20,000

Working capital (to be used for the maintenance of business) pending full revocation of the CTOs	49,000
<b>TOTAL:</b>	<b>250,000</b>

16. The Filer reasonably believes that the proceeds from the Debenture Financing will be sufficient to bring its continuous disclosure obligations up to date and pay all related outstanding fees and provide it with sufficient funds to maintain its business.
17. As the Debenture Financing would involve a trade of securities and acts in furtherance of trades, the Debenture Financing could not be complete without a partial revocation of the Cease Trade Order.
18. The Filer hereby undertakes to provide the signed and dated written acknowledgements referred to in paragraph (c) below to the Director on request.

**(D)** The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested.

**I Hereby Order** pursuant to a delegation to me by the Commission under section 4(1) of the Act of the powers in that regard:

**THAT**, pursuant to section 147.1(1) of the Act, the Cease Trade Order is partially revoked to permit the Debenture Financing, provided that prior to completion of the Debenture Financing, each investor will receive:

- a) A copy of the Cease Trade Order;
- b) A copy of this partial revocation order;
- c) Written notice from the Filer, to be acknowledged by each investor in writing, that all of the Filer's securities, including the securities issued in connection with the Debenture Financing, will remain subject to the CTOs until such orders are revoked and that the issuance of this partial revocation order does not guarantee the issuance of a full revocation order in the future.

**BY ORDER OF THE COMMISSION**

*"Patrick Weeks"*  
 Deputy Director  
 The Manitoba Securities Commission