

Headnote

Application for exemption from Part 2 of National Instrument 62-104 *Take-Over Bids and Special Transactions* in respect of an offer by an Alberta offeror for securities of a United States offeree issuer – bid not exempt under the “foreign takeover bid exemption” in section 4.4 of NI 62-104 because offeror’s holdings of offeree issuer’s securities cause holdings of security holders in Canada to be above the 10% threshold contemplated in paragraphs 4.4(a) and (b) of NI 62-104 – exemption granted subject to conditions, including applicable conditions of section 4.4 of NI 62-104.

Applicable Legislative Provisions

National Instrument 62-104 *Take-Over Bids and Special Transactions*, section 6.1, Part 2

Citation: Re Questerre Energy Corporation , 2025 ABASC 148

Date: 20251103

In the Matter of
the Securities Legislation of
Alberta and Ontario (the **Jurisdictions**)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Questerre Energy Corporation (the **Filer**)

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Makers**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption (the **Exemption Sought**) from the take-over bid requirements (the **Take-over Bid Rules**) set out in Part 2 of National Instrument 62-104 *Take-Over Bids and Issuer Bids (NI 62-104)* in respect of an offer (the **Offer**) to be made by the Filer to purchase all of the outstanding common stock not already owned by the Filer of Red Leaf Resources, Inc. (**Red Leaf**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application)

- (a) the Alberta Securities Commission is the principal regulator for this application,
- (b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System (MI 11-102)* is intended to be relied upon in British Columbia and Saskatchewan, and

- (c) this decision is a decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 or National Instrument 13-103 *System for Electronic Data Analysis and Retrieval + (SEDAR+)* have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

Background

1. The Filer is incorporated under the *Business Corporations Act* (Alberta).
2. The head office of the Filer is located in Calgary, Alberta.
3. The Filer is a reporting issuer in all of the provinces of Canada, and is not in default of securities legislation in any jurisdiction of Canada.
4. Red Leaf is a shale energy technology company based in Salt Lake City, Utah.
5. Based on a review of SEDAR+ as at September 30, 2025, Red Leaf is not a reporting issuer in any jurisdiction of Canada.
6. None of the Red Leaf Securities (as defined below) are listed or quoted on any marketplace as defined in National Instrument 21-101 *Marketplace Operation*, or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported.
7. On September 30, 2025, Red Leaf provided to the Filer a securities register (the **Red Leaf Register**), which sets out the registered holders of the common stock (the **Red Leaf Common Stock**), Series A Preferred Shares (the **Red Leaf Preferred Shares**), common stock purchase warrants (the **Red Leaf Warrants**) and options (the **Red Leaf Options**, together with the Red Leaf Common Stock, Red Leaf Preferred Shares and Red Leaf Warrants, the **Red Leaf Securities**).
8. The Filer is the registered and beneficial holder of 132,292.43 shares of Red Leaf Common Stock, representing approximately 40.88% of the outstanding Red Leaf Common Stock (the **Filer Red Leaf Common Stock**).
9. The Filer is also the registered and beneficial holder of 288 Red Leaf Preferred Shares, representing approximately 16.45% of the outstanding Red Leaf Preferred Shares. In accordance with the terms of the Red Leaf Preferred Shares, each Red Leaf Preferred Share represents approximately 1.45 shares of Red Leaf Common Stock on an as-converted basis.
10. Section 4.4 of NI 62-104 provides an exemption (the **Foreign Take-Over Bid Exemption**) from the Take-Over Bid Rules if, among other things, the following conditions are satisfied:

- (a) security holders whose last address as shown on the books of the offeree issuer is in Canada hold less than 10% of the outstanding securities of the class subject to the bid at the commencement of the bid;
 - (b) the offeror reasonably believes that security holders in Canada beneficially own less than 10% of the outstanding securities of the class subject to the bid at the commencement of the bid.
11. The Offer is a take-over bid as defined in NI 62-104. The Offer would be exempt from Part 2 of NI 62-104 pursuant to the Foreign Take-Over Bid Exemption, but for the Filer Red Leaf Common Stock.

Further Information in relation to the Offer

12. The Filer intends to make the Offer to all holders of Red Leaf Common Stock and intends to acquire all of the Red Leaf Common Stock, other than the Filer Red Leaf Common Stock, in exchange for common shares of the Filer at a deemed price of US\$21 per share of Red Leaf Common Stock, pursuant to a securities purchase agreement to be entered into among the Filer, Red Leaf, and holders of Red Leaf Common Stock. The Filer has no current plans to offer to acquire the Red Leaf Warrants or Red Leaf Options, but such securities are convertible into Red Leaf Common Stock, and as a result, may participate in the Offer on that basis.
13. The Filer reasonably believes that all of the holders of Red Leaf Common Stock who are residents of Canada will participate in the Offer, and the Filer does not have any basis to believe that such stockholders would object to the Exemption Sought.
14. If necessary to complete the acquisition of Red Leaf, the Filer may seek to rely on certain “drag-along” rights in respect of the Red Leaf Common Stock. In order to rely on such rights, the Filer may need to acquire all of the Red Leaf Preferred Shares that it does not own. The Filer expects that such an offer would be a take-over bid under NI 62-104, but would be exempt from the Take-Over Bid Rules pursuant to section 4.3 of NI 62-104.

Red Leaf Register Information

15. In relation to paragraph (a) of section 4.4 of NI 62-104, based on the Red Leaf Register, excluding the Filer Red Leaf Common Stock, there are eight common stockholders of Red Leaf whose last address was in Canada, specifically, in Alberta, British Columbia, Saskatchewan and Ontario, and such persons are shown as holders of an aggregate of 1,555 shares of Red Leaf Common Stock, representing approximately 0.48% of the outstanding Red Leaf Common Stock.
16. Based on the Red Leaf Register, other than the Filer, there are 14 holders of Red Leaf Preferred Shares whose last address as shown in that list is in Canada, specifically, Alberta, and such persons are shown as holders of an aggregate of 1,507 Red Leaf Preferred Shares exercisable into 2,185 shares of Red Leaf Common Stock.

17. Based on the Red Leaf Register, there are four holders of Red Leaf Options whose last address as shown in that list was in Canada, specifically, in Alberta, and such persons are shown as holders of an aggregate of 25,800 Red Leaf Options, exercisable into 25,800 shares of Red Leaf Common Stock.
18. Based on the Red Leaf Register, there are two holders of Red Leaf Warrants whose last address as shown in that list was in Canada, specifically, in Alberta, and such persons are shown as holders of an aggregate of 1,507 Red Leaf Warrants, exercisable into 1,507 shares of Red Leaf Common Stock.
19. Relying on the information provided by Red Leaf, the Filer reasonably believes that there are no other registered or beneficial holders of Red Leaf Securities resident in Canada.
20. In relation to paragraph (a) of section 4.4 of NI 62-104, as it is interpreted by subsection 1.8(2) of NI 62-104, excluding the Filer Red Leaf Common Stock, the Filer calculates (including the foregoing as-if-converted numbers) that the number of shares of Red Leaf Common Stock held on a *fully diluted basis* by stockholders who are residents of Canada represents approximately 8.38% of the outstanding Red Leaf Common Stock.
21. In reference to paragraph (b) of section 4.4 of NI 62-104, based on information provided by Red Leaf to the Filer as at September 30, 2025, the Filer reasonably believes that there is no difference between the percentage of the Red Leaf Securities held by registered holders resident in Canada and the percentage of Red Leaf Securities held by beneficial holders resident in Canada.

MI 61-101 Matters

22. Upon receipt of the Exemption Sought, the Offer would no longer be considered a “bid” as defined in Multilateral Instrument 61-101 *Take-Over Bids and Special Transactions* (**MI 61-101**), because it would not be subject to the provisions of Part 2 of NI 62-104. Consequently, Part 2 of MI 61-101 would no longer apply to the Offer, because section 2.1 of MI 61-101 would no longer be satisfied.
23. Of the 1,555 shares of Red Leaf Common Stock held by stockholders of Red Leaf whose last address was in Canada, 55 are held by parties that are each a “related party” to the Filer, as that term is defined in MI 61-101. The acquisition from these related parties will be a related party transaction under paragraph (g) of that definition (the **Related Party Transaction**). However, no requirements of Part 5 of MI 61-101 are expected to apply. First, the acquisition of Red Leaf would not be a material change for the Filer, therefore there would be no material change report as contemplated in subsection 5.2(1) of MI 61-101. Second, the Related Party Transaction will be exempt from the minority approval requirement in section 5.6 of MI 61-101, because the fair market value of the Red Leaf Securities does not represent more than 25% of the market capitalization of the Filer (the **Value Exemption**). Being exempt from section 5.6, the Related Party Transaction will also be exempt from section 5.3 of MI 61-101. Finally, the Related Party Transaction will also be exempt from section 5.4 of MI 61-101, pursuant to the Value Exemption.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Makers to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted, provided that

- (a) the Offer is carried out in accordance with all applicable U.S. securities laws, and
- (b) the Filer satisfies the conditions set out in paragraphs 4.4(d) and (e) of NI 62-104.

“original signed by” _____

Timothy Robson
Manager, Legal
Corporate Finance
Alberta Securities Commission