

In the Matter of
the Securities Legislation of
Ontario (the “**Jurisdiction**”)

and

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

and

In the Matter of
Jericho Energy Ventures Inc. (the “**Filer**”)

Decision

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the “**Legislation**”) that:

1. in connection with National Instrument 62-104 *Take-Over Bids and Issuer Bids* (“**NI 62-104**”):
 - (a) an offer to acquire outstanding variable voting shares of the Filer (the “**Variable Voting Shares**”) or common shares of the Filer (the “**Common Shares**”, and collectively with the Variable Voting Shares, the “**Shares**”), as the case may be, which would constitute a take-over bid under the Legislation as a result of the securities subject to the offer to acquire, together with the offeror's securities, constituting in the aggregate 20% or more of the outstanding Variable Voting Shares or Common Shares, as the case may be, at the date of the offer to acquire, be exempt from the requirements set out in Part 2 of NI 62-104 applicable to take-over bids (the “**TOB Relief**”);
 - (b) an acquiror who triggers the disclosure and filing obligations pursuant to the early warning requirements set out in section 5.2 of NI 62-104 with respect to the Variable Voting Shares or Common Shares, as the case may be, be exempt from such requirements (the “**Early Warning Relief**”); and
 - (c) an acquiror who acquires, during a take-over bid or an issuer bid, beneficial ownership of, or control or direction over, Variable Voting Shares or Common Shares, as the case may be, that, together with the acquiror's securities of that class, would constitute 5% or more of the outstanding Variable Voting Shares or Common Shares, as the case may be, be exempt from the requirement set out in section 5.4 of NI 62-104 to issue and file a news release (the “**News Release Relief**”, and collectively with the TOB Relief and the Early Warning Relief, the “**Bid Relief**”);
2. the Filer be exempt from the disclosure requirements in item 6.5 of Form 51-102F5 *Information Circular* (“**Form 51-102F5**”, such relief, the “**Alternative Disclosure Relief**”, and together with the Bid Relief, the “**Aggregation Relief**”); and
3. the requirements under:

- (a) (i) subsections 12.2(3) and 12.2(4) of National Instrument 41-101 *General Prospectus Exemptions* (“**NI 41-101**”), and (ii) item 1.13(1) of Form 41-101 F1 *Information Required in a Prospectus* (“**Form 41-101F1**”) relating to the use of restricted security terms;
- (b) item 1.12(1) of Form 44-101F1 *Short Form Prospectus* (including in respect of any equivalent disclosure in a prospectus or supplement filed pursuant to National Instrument 44-102 *Shelf Distributions* (“**NI 44-102**”)) relating to the use of restricted security terms;
- (c) subsections 10.1(1)(a), 10.1(4) and 10.1(6) of National Instrument 51-102 *Continuous Disclosure Obligations* (“**NI 51-102**”) relating to the use of restricted security terms; and
- (d) subsections 2.3(1)(1.), 2.3(1)(3.) and 2.3(2) of Ontario Securities Commission Rule 56-501 *Restricted Shares* (“**OSC Rule 56-501**”) relating to the use of restricted share terms,

shall not apply to the Variable Voting Shares (the “**Nomenclature Relief**”, and together with the Aggregation Relief, the “**Exemption Sought**”).

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

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102, National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (“**NI 62-103**”) and NI 62-104, including, without limitation, “offeror”, “offeror’s securities”, “offer to acquire”, “acquiror”, “acquiror’s securities”, “early warning requirements” and “eligible institutional investor”, 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:

1. The Filer is a corporation validly existing under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) and is in good standing.
2. The Filer’s head office is located at Suite 2100, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3 and its registered and records office is located at Suite 409, 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.
3. The Filer is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and is not in default of its obligations under the securities legislation in any of those jurisdictions.
4. The authorized share capital of the Filer consists of (i) an unlimited number of Common Shares, and (ii) an unlimited number of Variable Voting Shares. As of June 22, 2022, the Filer had an aggregate of 225,503,169 Shares issued and outstanding. Upon the Amendments (as defined below) becoming effective, Non-U.S. Resident (as defined below) shareholders were deemed to be holders of Common Shares and U.S. Resident (as defined below) shareholders were entered into the register of holders of Variable Voting Shares, without further act or formality. As of May 13, 2022, the record date for the Meeting (as defined below), based on the Filer’s registered shareholder list and non-objecting beneficial shareholder list, approximately 174,897,885 of the Common Shares were held by U.S. Residents (approximately 77.6% of the Common Shares outstanding on the record date for

the Meeting) and 50,380,284 Common Shares were held by Non-U.S. Residents (approximately 22.4% of the Common Shares outstanding on the record date for the Meeting).

5. The Common Shares and Variable Voting Shares are listed for trading on the TSX Venture Exchange (the "**TSXV**") under a single ticker symbol (being "JEV") and are quoted on the Pink Sheets of the United States OTC Markets (the "**OTC Market**") under a single ticker symbol (being "JROOF").

Aggregation Relief

6. As of June 30, 2021, the Filer believes it qualified as a "foreign private issuer" (an "**FPI**") under Rule 405 ("**Rule 405**") under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), and Rule 3b-4(c) ("**Rule 3b-4(c)**"), and together with Rule 405, the "**Rules**") under the United States *Securities Exchange Act of 1934*, as amended, as (i) the Filer was a corporation existing under the laws of British Columbia, and (ii) based on the method of determination set forth in the Rules, less than 50% of the Filer's outstanding voting securities were directly or indirectly held of record by residents of the United States (the "**FPI Threshold**").
7. For the purposes of the FPI Threshold, the United States Securities and Exchange Commission permits issuers that have multiple classes of voting stock with different voting rights to make this determination on the basis of either (i) the number of voting securities, or (ii) the voting power of the voting securities on a combined basis (for the election of directors), provided that the determination methodology is consistently applied.
8. Pursuant to United States securities laws, a foreign company must determine its FPI status on an annual basis, as of the last business day of its second fiscal quarter. Accordingly, the Filer's next FPI determination will be made on June 30, 2022. If the Filer determines that it no longer meets the definition of an FPI, it would be required to transition to United States domestic reporting status and would become subject to the reporting requirements for a United States domestic issuer beginning on January 1, 2023.
9. As (i) a majority of the Filer's executive officers and directors are United States citizens or residents, (ii) more than 50% of the Filer's assets are located in the United States, and (iii) the Filer's business is administered primarily in the United States, the Filer will not qualify as an FPI should it exceed the FPI Threshold at the applicable time.
10. The Filer derives material benefits from its status as an FPI.
11. On June 23, 2022, the Filer amended its notice of articles and articles (the "**Amendments**") to (i) create and set the terms of a new class of shares of the Filer, being the Variable Voting Shares, including applying coattail terms to such shares; and (ii) amend the terms of the Common Shares to include, among other things, constraints on who may hold the Common Shares and apply coattail provisions to such shares.
12. The Filer received the shareholder approvals required under applicable corporate and securities laws to implement the Amendments at the annual general and special meeting of shareholders of the Filer held on June 23, 2022 (the "**Meeting**"). The Filer's management information circular in respect of the Meeting included disclosure that the Filer had made an application to the Ontario Securities Commission for the Exemption Sought, described the implications of the granting of the Exemption Sought, and indicated that there were no assurances that the Exemption Sought would be granted.
13. The Amendments are intended to ensure that the Filer maintains its FPI status under applicable United States securities laws and thereby avoids a commensurate material increase in the ongoing time and monetary burdens which would be expected to result from the loss of its FPI status and becoming subject to the reporting requirements of a United States domestic issuer. Pursuant to the Amendments, a mandatory conversion mechanism was implemented into the Filer's share capital to

decrease, on a *pro rata* basis, the aggregate number of shares eligible to be voted by “U.S. Residents” in connection with the election of directors of the Filer if the Filer’s FPI Threshold would be exceeded. For the purposes of the Amendments, a “**U.S. Resident**” means a resident of the United States, determined as set forth in Rule 405 under the U.S. Securities Act. Without limiting the foregoing but for greater clarity, a security holder is a U.S. Resident if such person’s address appears on the records of the Filer (i.e., a registered holder) as being in the United States; provided that the Filer is required to “look through” the record ownership of brokers, dealers, banks and other nominees located in (i) the United States, (ii) Canada, and (iii) the Filer’s primary trading market (if different from Canada) who hold securities for the accounts of their customers, to determine the residency of those customers, and the Filer is also required to take into account information regarding United States ownership derived from beneficial ownership reports that are provided to the Filer or filed publicly, as well as information that otherwise is provided to the Filer, and a “**Non-U.S. Resident**” means a person or entity that is not a U.S. Resident. At the request of the Filer, beneficial shareholders and actual or proposed transferees are required to respond to enquiries regarding their status as U.S. Residents or Non-U.S. Residents, and shall be required to provide declarations or other documents with respect thereto, as may be necessary or desirable, in the discretion of the Filer, failing which they will, in the Filer’s discretion, be deemed to be U.S. Residents.

14. Except as provided in paragraph 17 below, the Common Shares may only be held, beneficially owned or controlled by Non-U.S. Residents, and carry one (1) vote per share for the election of directors (and for all other purposes). The Common Shares will be automatically converted, without further act or formality, on a one-for-one basis into Variable Voting Shares if they become held, beneficially owned or controlled by a U.S. Resident.
15. Except as provided in paragraph 17 below, the Variable Voting Shares may only be held, beneficially owned or controlled by U.S. Residents. The Variable Voting Shares carry one (1) vote per share for the election of directors (and for all other purposes), except where the total number of votes that may be exercised by holders of Variable Voting Shares in connection with the election or removal of directors exceeds 49.9% of the total number of votes that may be cast by all holders of Shares. In such a case, the votes attached to each Variable Voting Share will decrease automatically, on a *pro rata* basis and without further act or formality, so that the Variable Voting Shares as a class do not carry more than 49.9% of the total number of votes that may be cast in connection with the election or removal of directors at such meeting. The Variable Voting Shares will be automatically converted, without further act or formality, on a one-for-one basis into Common Shares if they become held, beneficially owned or controlled by a Non-U.S. Resident.
16. All Shares rank equally with the other Shares as to dividends on a share-for-share basis, without preference or distinction, except that, subject to applicable regulatory and stock exchange approvals, stock dividends or distributions may be declared by the Filer’s board of directors that are payable in Common Shares on the Common Shares and in Variable Voting Shares on the Variable Voting Shares, provided that an equal number of Shares are declared as dividends or distributions on a per-share basis in each case. All Shares rank *pari passu* on a per-share basis in the event of the Filer’s liquidation, dissolution or winding-up, or a distribution of assets of the Filer for the purposes of a dissolution or winding-up of the Filer. All holders of Shares are entitled to receive notice of, attend (if applicable, virtually) and vote at all meetings of the Filer’s shareholders, except that they are not able to vote (but are entitled to receive notice of, attend (if applicable, virtually) and speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the BCBCA.
17. The Amendments contain coattail provisions pursuant to which each class of Shares may be converted into another class of Shares in the event an offer is made to purchase such other class of Shares and the offer is one which is required to be made to all or substantially all the holders in Canada of such other class of Shares (assuming that the offeree was resident in any province or territory of Canada).

18. Aside from the differences in (i) who may hold Common Shares and Variable Voting Shares as between Non-U.S. Residents and U.S. Residents, respectively, and (ii) the voting rights attributable to each class of Shares set out above, the Shares are otherwise the same in all respects and are mandatorily inter-convertible (continuously and without formality) based on the holder's status as a U.S. Resident or Non-U.S. Resident.
19. The Filer's dual class share structure has been implemented solely to ensure the Filer's continued status as an FPI and thereby significantly reduce time and monetary compliance costs; it has no other purpose.
20. Under the terms of the Amendments, (i) only Non-U.S. Residents are permitted to own Common Shares, (ii) only U.S. Residents are permitted to own Variable Voting Shares, (iii) the Variable Voting Shares as a class will not carry more than 49.9% of the aggregate votes that may be cast by all holders of Shares in connection with the election or removal of directors, and (iv) the Variable Voting Shares will carry one (1) vote per share held, except where the total number of votes that may be exercised by holders of Variable Voting Shares in connection with the election or removal of directors exceeds 49.9% of the total number of votes that may be cast by all holders of Shares. In such a case, the votes attached to each Variable Voting Share will decrease automatically, on a *pro rata* basis and without further act or formality, so that the Variable Voting Shares as a class do not carry more than 49.9% of the total number of votes that may be cast in connection with the election or removal of directors at such meeting. Further, if a Non-U.S. Resident sells his or her Common Shares to a U.S. Resident, whether or not on the TSXV or OTC Market, upon settlement, the Filer's articles will automatically deem the Shares acquired by the U.S. Resident to be converted into Variable Voting Shares at the relevant time.
21. An investor does not control or choose which class of Shares it acquires and holds. There are no unique features of any class of Shares which an existing or potential investor is able to choose to acquire, exercise or dispose of. The class ultimately available to an investor is a function of such investor's status as a U.S. Resident or Non-U.S. Resident only. Moreover, if after having acquired Shares, a holder's status as a U.S. Resident or Non-U.S. Resident changes, such Shares will convert accordingly and automatically, without formality or regard to any other consideration.

Nomenclature Relief

22. Section 1.1 of NI 41-101 and Section 1.1 of NI 51-102 defines "restricted security terms" to mean each of the terms "non-voting security", "subordinate voting security" and "restricted voting security".
23. Section 1.1 of OSC Rule 56-501 defines "restricted share terms" to mean "non-voting shares", "subordinate voting shares", "restricted voting shares" or any other term deemed appropriate by the Director.
24. The Variable Voting Shares may be considered restricted securities and restricted shares, as applicable, under NI 41-101, NI 51-102 and OSC Rule 56-501, as there is another class of shares, being the Common Shares, that carries a disproportionate vote per share relative to the Variable Voting Shares.
25. The Filer desires to use the term "variable voting" to describe the Variable Voting Shares in any offering documents, future prospectuses, and all future continuous disclosure documents of the Filer given that (a) the voting rights attached to the Variable Voting Shares only change in the event the Variable Voting Shares as a class would carry more than 49.9% of the aggregate votes that may be cast by all holders of Shares in connection with the election or removal of directors, in which case the votes attached to each Variable Voting Share decreases automatically, on a *pro rata* basis and without further act or formality so that the Variable Voting Shares as a class do not carry more than 49.9% of the total number of votes that may be cast in connection with the election or removal of directors at such meeting, and (b) other listed issuers with similar capital structures use the term "Variable Voting Shares".

26. The features of the Variable Voting Shares will be set out in disclosure documents pursuant to NI 41-101, National Instrument 44-101 *Short Form Prospectus Distributions*, NI 44-102 and NI 51-102, as applicable, in compliance with the form requirements of such instruments.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Filer discloses the Exemption Sought and the terms and conditions of this decision in a news release filed on SEDAR promptly following the issuance of this decision;
- (b) the Filer discloses the Exemption Sought and the terms and conditions of this decision in each annual information form, management information circular, and other document where the characteristics of its securities are described that is filed on SEDAR following the date of this decision;
- (c) with respect only to the TOB Relief, the securities subject to the offer to acquire, together with the offeror's securities, would not represent in the aggregate 20% or more of the outstanding Variable Voting Shares and Common Shares, as the case may be, calculated using (i) a denominator comprised of all of the outstanding Variable Voting Shares and Common Shares, determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (ii) a numerator including as offeror's securities all of the Variable Voting Shares and Common Shares, as applicable, that constitute offeror's securities;
- (d) with respect only to the Early Warning Relief:
 - (i) the acquiror complies with the early warning requirements, except that, for the purpose of determining the percentage of outstanding Variable Voting Shares or Common Shares, as the case may be, that the acquiror has acquired or disposed of beneficial ownership, or acquired or ceased to have control or direction over, the acquiror calculates the percentage using (A) a denominator comprised of all of the outstanding Variable Voting Shares and Common Shares, determined in accordance with subsection 1.8(2) of NI 62-104, on a combined basis, as opposed to a per-class basis, and (B) a numerator including, as acquiror's securities, all of the Variable Voting Shares and Common Shares, as applicable, that constitute acquiror's securities; or
 - (ii) in the case of an acquiror that is an eligible institutional investor, the acquiror complies with the requirements of the alternative monthly reporting system set out in Part 4 of NI 62-103 to the extent it is not disqualified from filing reports thereunder pursuant to section 4.2 of NI 62-103, except that, for purposes of determining the acquiror's securityholding percentage, the acquiror calculates its securityholding percentage using (A) a denominator comprised of all of the outstanding Variable Voting Shares and Common Shares determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (B) a numerator including all of the Variable Voting Shares and Common Shares, as applicable, beneficially owned or controlled by the eligible institutional investor;
- (e) with respect only to the News Release Relief, the Variable Voting Shares or Common Shares, as the case may be, that the acquiror acquires beneficial ownership of, or control or direction over, when added to the acquiror's securities of that class, would not constitute 5% or more of the outstanding Variable Voting Shares or Common Shares, as the case may be, calculated using (i) a denominator comprised of all of the outstanding Variable Voting Shares and Common Shares,

determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (ii) a numerator including as acquiror's securities, all of the Variable Voting Shares and Common Shares, as applicable, that constitute acquiror's securities;

- (f) with respect only to the Alternative Disclosure Relief, the Filer provides the disclosure required by item 6.5 of Form 51-102F5 except that for the purposes of determining the percentage of voting rights attached to the Variable Voting Shares or Common Shares, the Filer calculates the voting percentage using (i) a denominator comprised of all of the outstanding Variable Voting Shares and Common Shares on a combined basis, as opposed to a per-class basis, and (ii) a numerator including all of the Variable Voting Shares and Common Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, by any person who, to the knowledge of the Filer's directors or executive officers, beneficially owns, controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the outstanding Variable Voting Shares, and Common Shares on a combined basis, as opposed to a per-class basis; and
- (g) with respect only to the Nomenclature Relief, the Variable Voting Shares are referred to as "Variable Voting Shares".

"David Mendicino"

David Mendicino
Manager, Office of Mergers & Acquisitions
Ontario Securities Commission