

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA,
SASKATCHEWAN AND ONTARIO

AND

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

AND

IN THE MATTER OF MRF 2001 II LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan and Ontario (collectively, the "Jurisdictions") has received an application from MRF 2001 II Limited Partnership (the "Partnership") for:

- (i) a decision pursuant to the securities legislation of each of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to file and send to its securityholders (the "Limited Partners") its interim financial statements for each of the first and third quarters of each of the Partnership's fiscal years (the "First & Third Quarter Interim Financials"), shall not apply to the Partnership; and
- (ii) in Ontario and Saskatchewan only, a decision pursuant to the securities legislation of Ontario and Saskatchewan that the requirements to file and send to the Limited Partners, its:
 - (a) annual information form (the "AIF");
 - (b) annual management discussion and analysis of financial condition and results of operations (the "Annual MD&A"); and

- (c) interim management discussion and analysis of financial condition and results of operations (the "Interim MD&A");

shall not apply to the Partnership.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System), the Ontario Securities Commission is the principal regulator for this application.

AND WHEREAS the Partnership has represented to the Decision Makers that:

1. the Partnership is a limited partnership formed pursuant to the *Limited Partnerships Act* (Ontario) on October 31, 2001;
2. the Partnership was formed to invest in certain common shares ("Flow-Through Shares") of companies involved primarily in oil and gas, mining or renewable energy exploration and development ("Resource Companies");
3. the Partnership will enter into agreements ("Resource Agreements") with Resource Companies and under the terms of each Resource Agreement, the Partnership will subscribe for Flow-Through Shares of the Resource Company and the Resource Company will incur and renounce to the Partnership, in amounts equal to the subscription price of the Flow-Through Shares, expenditures in respect of resource exploration and development which qualify as Canadian exploration expense or as Canadian development expense which may be renounced as Canadian exploration expense to the Partnership;
4. on November 29, 2001, the Decision Makers, together with the securities regulatory authority or regulator for Manitoba (in which jurisdiction no legislative requirement exists to file first and third quarter interim financial statements), issued a receipt under the System for the prospectus of the Partnership dated November 29, 2001 (the "Prospectus") relating to an offering of up to 600,000 units of the Partnership (the "Partnership Units");
5. the Prospectus contained disclosure that the Partnership intends to apply for an order from the Decision Makers exempting it from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership;
6. the Partnership Units will not be listed or quoted for trading on any stock exchange or market;

7. at the time of purchase or transfer of Partnership Units, each purchaser or transferee consents to the application by the Partnership for an order from the Decision Makers exempting the Partnership from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership;
8. on or about January 30, 2004, the Partnership will be liquidated and the Limited Partners will receive their pro rata share of the net assets of the Partnership; and it is the current intention of the general partner of the Partnership to propose prior to the dissolution that the Partnership enter into an agreement with Middlefield Mutual Funds Limited (the "Mutual Fund"), an open end mutual fund, whereby assets of the Partnership would be exchanged for shares of the Growth Class of the Mutual Fund; and upon dissolution, Limited Partners would then receive their pro rata share of the shares of the Growth Class of the Mutual Fund;
9. since its formation on October 31, 2001, the Partnership's activities primarily included (i) collecting the subscriptions from the Limited Partners, (ii) investing the available Partnership funds in Flow-Through Shares of Resource Companies, and (iii) incurring expenses to maintain the fund;
10. unless a material change takes place in the business and affairs of the Partnership, the Limited Partners will obtain adequate financial information concerning the Partnership from the semi-annual financial statements and the annual report containing audited financial statements of the Partnership together with the auditors' report thereon distributed to the Limited Partners and that the Prospectus and the semi-annual financial statements provide sufficient background materials and the explanations necessary for a Limited Partner to understand the Partnership's business, its financial position and its future plans, including dissolution on January 30, 2004;
11. given the limited range of business activities to be conducted by the Partnership and the nature of the investment of the Limited Partners in the Partnership, the provision by the Partnership of First & Third Quarter Interim Financials, AIF, Annual MD&A and Interim MD&A will not be of significant benefit to the Limited Partners and may impose a material financial burden on the Partnership;
12. it is disclosed in the Prospectus that the General Partner will apply on behalf of the Partnership for relief from the requirements to send to Limited Partners the First & Third Quarter Interim Financials;
13. each of the Limited Partners has, by subscribing for the units offered by the Partnership in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in Article XIX of the Amended and Restated

Limited Partnership Agreement scheduled to the Prospectus and has thereby consented to the making of this application for the exemption requested herein;

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

AND WHEREAS each Decision Maker is of the opinion that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the requirements contained in the Legislation to file and send to the Limited Partners its First & Third Quarter Interim Financials shall not apply to the Partnership provided that this exemption shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

DATED this 24th day of May, 2002.

“H. Lorne Morphy”
A Commissioner

“Robert L. Shirriff”
A Commissioner

THE FURTHER DECISION of the securities regulatory authority or securities regulator in each of Ontario and Saskatchewan is that the requirements contained in the legislation of Ontario and Saskatchewan to file and send to its Limited Partners its AIF, Annual MD&A and Interim MD&A shall not apply to the Partnership provided that this exemption shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

DATED this 24th day of May, 2002.

“John Hughes”
John Hughes
Manager, Corporate Finance

Headnote:

Issuer exempted from interim financial reporting requirements for first and third quarter of each financial year. Exemption terminates upon the occurrence of a material change in the business affairs of the Issuer unless the Decision Makers are satisfied that the exemption should continue.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am, s. 77, 78, 79, s.80(b)(iii) and 81(1).

Applicable Ontario Rules Cited

OSC Rule 51-501- AIF and MD&A, (2000) 23 OSCB 8365, as am., s. 1.2(2), 2.1(1), 3.1, 4.1(1), 4.3 and 5.1.

OSC Rule 52-501- Financial Statements, (2000) 23 OSCB 8372, s. 2.2(2) and 4.1.