



Canadian Securities
Administrators

Autorités canadiennes
en valeurs mobilières

NOTICE AND REQUEST FOR COMMENT

PROPOSED NATIONAL INSTRUMENT 51-103 *ONGOING GOVERNANCE AND DISCLOSURE REQUIREMENTS FOR VENTURE ISSUERS*

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*, NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS* AND NATIONAL INSTRUMENT 45-106 *PROSPECTUS AND REGISTRATION EXEMPTIONS* AND PROPOSED RELATED CONSEQUENTIAL AMENDMENTS

July 29, 2011

1. Introduction

The Canadian Securities Administrators (the CSA or we) are publishing for comment proposed rules and rule amendments which introduce a new mandatory regulatory regime for venture issuers intended to streamline and tailor venture issuer disclosure to reflect the needs and expectations of venture issuer investors and to make the disclosure requirements for venture issuers more suitable and more manageable for issuers at this stage of development. The proposals address continuous disclosure and governance obligations as well as disclosure for prospectus offerings and certain exempt offerings that require prescribed disclosure. The proposals were influenced by our understanding of the characteristics of the venture market, which are set out in Appendix A to this Notice.

2. Goals of the current proposals

(a) Governance and disclosure

The proposed new governance and disclosure regulatory regime for venture issuers:

- is designed to provide tailored disclosure to enhance informed investor decision making in this segment of the market, by
 - eliminating certain disclosure obligations that may be of less value to venture issuer investors,
 - providing supplemental disclosure that we think is of relevance to venture issuer investors,

- reduces the length of regulatory instruments by
 - tailoring the regulatory requirements to focus on those applicable to venture issuers,
 - streamlining and reducing disclosure redundancies,
- makes it easier for venture issuer investors to read disclosure documents and locate key information,
- is designed to enhance the substantive governance standards for venture issuers, relating to conflicts of interest, related party transactions and insider trading, in order to maintain or improve investor confidence in the venture market,
- is expected to allow venture issuer management more time to focus on the growth of the business,
- enhances regulators' abilities to focus on the unique challenges associated with the venture market when considering rule making.

(b) Prospectus and exempt offerings

The revised prospectus and exempt offering disclosure regime for venture issuers:

- in the case of short form prospectuses, TSXV short form offering documents and qualifying issuer offering memoranda, contemplates incorporation by reference of the continuous disclosure documents required by the new governance and disclosure regime,
- in the case of long form prospectuses,
 - introduces a new long form prospectus form that more closely conforms the required disclosure to the new governance and disclosure regime, in particular, the disclosure required under the proposed new annual report,
 - requires only two years of audited annual financial statements, but maintains the junior issuer financial statements exemption that currently exists in the long form prospectus form,
- replaces business acquisition reports (BARs) with enhanced material change reporting including financial statements for acquisitions that are 100% significant,
- does not require three and nine month interim financial reports or associated management's discussion and analysis (MD&A).

3. Purpose of this Notice

The CSA is publishing this notice, and related materials, in order to obtain input on the current proposal. There are a number of specific questions set out in section 10 that we would like to receive comments on, but we are also interested in general comments about the proposal.

This notice and the following materials are being published for a 90-day comment period:

- Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (Proposed Instrument),
- Proposed amendments to National Instrument 41-101 *General Prospectus Requirements* (NI 41-101),
- Proposed amendments to National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101),
- Proposed amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106),
- Proposed consequential amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102),
- Proposed consequential amendments to National Instrument 52-109 *Certification of Disclosure In Issuers' Annual and Interim Filings* (NI 52-109),
- Proposed consequential amendments to National Instrument 52-110 *Audit Committees* (NI 52-110),
- Proposed consequential amendments to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101),
- Proposed consequential amendments to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101),
- Proposed consequential amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101),
- Proposed consequential amendments to National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107)
- Proposed consequential amendments to National Instrument 44-102 *Shelf Distributions*,
- Proposed consequential amendments to National Instrument 45-101 *Rights Offerings*,

- Proposed consequential amendments to National Instrument 55-104 *Insider Reporting Requirements and Exemptions*,
- Proposed consequential amendments to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*,
- Except in Ontario, proposed consequential amendments to Multilateral Instrument 11-102 *Passport System*, and
- In Ontario and Quebec, proposed consequential amendments to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*

The materials also include proposed changes to the following policies:

- Companion Policy 41-101CP *General Prospectus Requirements*;
- Companion Policy 44-101CP *Short Form Prospectus Distributions*;
- Companion Policy 44-102CP *Shelf Distributions*;
- Companion Policy 45-106CP *Prospectus and Registration Exemptions*;
- Companion Policy 43-101CP *Standards of Disclosure for Mineral Projects*;
- Companion Policy 51-101CP *Standards of Disclosure for Oil and Gas Activities*;
- Companion Policy 51-102CP *Continuous Disclosure Obligations*;
- Companion Policy 52-107CP *Acceptable Accounting Principles and Auditing Standards*;
- Companion Policy 52-109CP *Certification of Disclosure In Issuers' Annual and Interim Filings*;
- Companion Policy 71-102CP *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;
- National Policy 12-202 *Revocation of a Compliance Related Cease Trade Order*;
- National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*;
- National Policy 51-201 *Disclosure Standards*; and
- National Policy 58-201 *Corporate Governance Guidelines*.

The Proposed Instrument including the guidance, the proposed amendments, the proposed consequential amendments and proposed changes to the above policies are collectively referred to as the Proposed Materials. We are publishing the Proposed Materials with this Notice. You can also find the Proposed Materials on the websites of many CSA members.

4. Background

The securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia and Saskatchewan initially published CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation* (Consultation Paper) on May 31, 2010, to elicit feedback on a number of proposals designed to create a new regulatory regime for the venture market (Consultation Proposals). In order to better demonstrate the Consultation Proposals, Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, including all related

forms, was attached to the Consultation Paper. The Consultation Paper can be accessed at the following internet address:

www.albertasecurities.com/securitiesLaw/Pages/ViewDocument.aspx?ProjectId=f9c626cd-81a5-4a5f-8174-a15069b30589.

In addition to publishing the Consultation Paper, we coordinated consultation sessions across the country to solicit feedback on the Consultation Proposals. Invitations were extended to issuers, company associations, investors, investor associations, dealers, advisers, lawyers, accountants and stock exchange staff (from both the TSX Venture Exchange (TSXV) and the Canadian National Stock Exchange). We initially held 14 consultation sessions in Halifax, Toronto, Montreal, Winnipeg, Calgary, Edmonton and Vancouver. Following the main consultation sessions, a number of smaller meetings were held in September and October 2010 with investors, investment advisors, accounting firms and local bar associations.

In addition to the feedback obtained from the in-person consultation sessions, we received 35 comment letters in respect of the Consultation Paper.

The Consultation Paper was published to help us assess market interest in a more tailored approach to regulating venture issuers. Although there were different levels of support for each of the specific Consultation Proposals, the results of the consultations indicated strong support for pursuing a more tailored approach to venture issuer regulation, including the development of a separate instrument tailored to the continuous disclosure and governance obligations of venture issuers.

5. Why we are pursuing the current proposals

There are numerous reasons behind the CSA's initiative for a more targeted and tailored approach to regulation of the venture market. Some of these reasons include:

- **Significance of venture issuers** - We think that the role venture issuers play in the Canadian equity capital markets and the broader economy justify pursuing a separate regulatory regime.
 - **Significance of venture market** - Venture issuers by number represent a significant component of the total number of reporting issuers. For example, of the 3,730 issuers listed on the Toronto Stock Exchange (TSX) and the TSXV as at May 31, 2011, 2,188 or approximately 59% are listed on the TSXV. This is a significant portion of the equity capital markets.
 - **Economic role** - Venture issuers, as small and medium-sized enterprises, can play an important economic role. They directly and indirectly provide jobs, explore for new resources, serve as incubators for new technologies, and contribute to gross domestic product.

- **Senior issuers of tomorrow** - Venture issuers grow and become the senior issuers of tomorrow. For example, over the last five years, approximately 50 venture issuers have graduated to the TSX per year with approximately 335 of the 1,542 currently listed TSX issuers being graduates of the TSXV.¹
- **Compliance challenges** - Venture issuers have advised us that they have difficulty meeting existing disclosure requirements. For example, the length and complexity of, and the necessary duplication in, the existing rules may create more of a compliance challenge for venture issuers given that they are less likely to have the funds to readily access professional advisers or employ specialized staff to focus solely on securities regulatory compliance matters.
- **Current disclosure format** - The current format of required periodic disclosure, consisting of separate MD&A, financial statements, CEO and CFO certifications, information circulars, and, in some cases, annual information forms (AIF), requires that each of these documents be capable of standing on its own. This creates duplication between the documents as it is necessary for each to be read on a stand-alone basis and provide a complete picture of the issuer's business.
 - **Implications for issuers** - This duplication lengthens the rules and creates additional compliance costs for issuers in reading and interpreting them and ensuring each of the documents required by the rules conforms to the others. The duplicative disclosure can also add to the printing and mailing costs for those documents required to be mailed.
 - **Implications for investors** - The duplication can impact investors.
 - Investors may be less likely to read disclosure documents due to the length and duplication. This issue may be exacerbated for retail investors with limited time and resources. The lack of a periodic narrative summary of the business may also make it difficult for an investor to get a complete picture of the issuer.
 - Venture market investors are frequently investing without the benefit of research reports prepared by analysts to aid investment decisions. Requiring a single disclosure document that would encapsulate all annual disclosure and another for a mid-year period allows us to remove much of the duplication. It could also provide investors with a more complete, yet concise, picture of the venture issuer's business.
- **Regulatory instruments applicable to all issuers** - Although the existing regulatory framework already accommodates venture issuers, it can often be necessary to read and understand an entire regulatory instrument, including the inapplicable portions, to appreciate the scope of the venture issuer-specific provisions. Separate instruments applicable only to

¹ Information derived from TSX information at May 31, 2011. The 335 currently listed graduates do not include those that have been acquired by other issuers.

venture issuers that are streamlined and targeted at venture issuer regulation may make it easier for venture issuers to understand the requirements they must follow.

- **Market concerns** - New securities regulatory initiatives often arise in response to developments in international markets or emerging shareholder concerns and are often directed at issues in the senior market. Although Canadian securities regulators already consider the needs and characteristics of the venture market when developing new regulations, the scope of possible adjustments for the venture market can be limited when the adjustments are crafted to work within the confines of the regulatory regime for senior issuers. Consequently, the current securities regulatory regime is largely “one size fits all” with variations built in to address venture issuer differences. While the current regime does work, we think that improvements can be made.

Issues particular to the venture market can take longer to gain attention than those that arise in the senior market. This may arise because of the size of the venture market and the limited presence of institutional investors. A regulatory regime directed and tailored to venture issuers could facilitate greater attention to the venture market.

6. Summary of current proposals

The Proposed Instrument introduces a new definition of venture issuer which, unlike the current definition, will exclude debt-only issuers, preferred share-only issuers and issuers of securitized products. Debt-only, preferred share-only and securitized product issuers are outside the scope of this CSA project but may be, or currently are being, considered in other CSA projects. Debt-only, preferred share-only and securitized product issuers that meet the current NI 51-102 venture issuer definition (collectively to be referred to as “senior unlisted issuers”) will continue to be subject to the NI 51-102 venture issuer requirements.

The proposed venture issuer definition also excludes issuers which are subject to BC Instrument 51-509 *Issuers Quoted in the U.S. Over-the-Counter Markets*. The CSA, other than Ontario, has published for comment proposed Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets* (MI 51-105). If MI 51-105 becomes effective, we plan to exclude issuers which are subject to MI 51-105 from the venture issuer definition.

The Proposed Instrument would replace the governance, disclosure and certification obligations of venture issuers currently covered by the following:

- NI 51-102 *Continuous Disclosure Obligations*,
- NI 52-109 *Certification of Disclosure In Issuers’ Annual and Interim Filings*,
- NI 52-110 *Audit Committees*, and
- NI 58-101 *Disclosure of Corporate Governance Practices*.

As a result, consequential amendments to the above instruments are being made.

(a) Governance and continuous disclosure

The key proposals relating to governance and continuous disclosure are:

- introduction of an annual report requirement that combines into one document business, governance and executive compensation disclosure, audited annual financial statements, associated MD&A and CEO/CFO certifications,
- streamlining of information circular disclosure requirements, including moving governance and executive compensation disclosure to the annual report,
- make filing of three and nine month interim financial reports and associated MD&A voluntary,
- introduction of a mid-year report that includes a six month interim financial report, associated MD&A and CEO/CFO certifications,
- replacing BARs with enhanced material change reporting, including financial statements for acquisitions that are 100% significant,
- introduction of an optional significance test which permits significance to be calculated using the acquisition date market capitalization instead of market capitalization at the announcement date,
- introduction of substantive corporate governance requirements relating to conflicts of interest, related party transactions and insider trading,
- tailored director and executive compensation disclosure,
- requiring the delivery of disclosure documents only on request in lieu of mandatory mailing requirements, and
- requiring only two years of historical financial statements in connection with an initial public offering prospectus offering.

The proposals are not intended to have any material impact on other instruments dealing with continuous disclosure obligations. The following instruments will continue to apply to venture issuers:

- NI 51-101 *Standards of Disclosure for Oil and Gas Activities*,
- NI 43-101 *Standards of Disclosure for Mineral Projects*,
- NI 52-107 *Acceptable Accounting Principles and Auditing Standards*,
- National Instrument 52-108 *Auditor Oversight*, and

- National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (NI 54-101).

The CSA has published for comment proposed amendments to NI 54-101 and related amendments to NI 51-102. We plan to make corresponding changes to the Proposed Instrument to reflect any NI 54-101 related amendments that the CSA implements.

(b) Prospectus and certain exempt offerings

The key proposals relating to prospectus and certain exempt offerings are:

- modifying the disclosure obligations required of venture issuers in connection with a long form prospectus under NI 41-101,
- modifying the documents required to be incorporated by reference in the case of
 - a short form prospectus under NI 44-101,
 - a qualifying issuer offering memorandum under NI 45-106, and
 - the TSXV short form offering document contemplated under NI 45-106.

The disclosure currently required under Form 41-101F1 *Information Required in a Prospectus* (Form 41-101F1) is being modified by way of the introduction of a proposed new form to be used by venture issuers. The new form conforms prospectus disclosure to that required by an annual report under the Proposed Instrument.

The proposals would modify the prospectus financial statement requirements to require only two years of audited financial statements. The proposals would remove the requirement for BARs (and associated financial statements) in connection with an offering, although financial statements would be required for reverse take-overs and acquisitions that are 100% significant. Further, three and nine month interim financial reports and associated MD&A would not be required in connection with a prospectus offering or one of the exempt offering disclosure regimes referred to above.

NI 44-101 and NI 45-106 are being revised to permit incorporation by reference into a short form prospectus, TSXV short form offering document or qualifying issuer offering memorandum of the continuous disclosure documents contemplated under the Proposed Instrument rather than the continuous disclosure documents currently required under NI 51-102.

The proposals are not intended to:

- modify the procedures for conducting a prospectus offering as set out in NI 41-101 or NI 44-101,

- modify the requirements in connection with issuer bids or take-over bids, other than allowing the disclosure in a securities exchange take-over bid circular to conform to the disclosure that would be required of a venture issuer under the revised continuous disclosure and prospectus requirements contemplated above.

The CSA has published for comment proposed amendments to NI 41-101 which clarify that item 32 of Form 41-101F1 does not require financial statements of predecessor entities and primary business acquisitions for certain reporting issuers, but that item 35 disclosure should be provided for these acquisitions. Major acquisitions under the venture issuer regime would be expected to constitute the primary business of a venture issuer, however, we have retained item 35 in the proposed venture issuer long-form prospectus form since certain reporting issuers may be subject to item 35 disclosure for primary business acquisitions. We plan to make corresponding changes to the proposed venture issuer long-form prospectus form to reflect any prospectus amendments that the CSA implements.

Consequential amendments to NI 43-101 are being proposed to introduce the filing of a preliminary short form prospectus as a trigger to file a technical report for venture issuers.

7. Summary of key changes to the current proposals from those outlined in the Consultation Proposals

As a result of the feedback received on the Consultation Paper, we are proposing a number of changes to the Proposed Instrument from what was originally contemplated in the Consultation Proposals. Some of the key changes are identified below.

(a) Replacing the requirement for three and nine month interim financial reports with the option to provide voluntary disclosure

Similar to the Consultation Proposals, the Proposed Instrument eliminates the requirement for venture issuers to file three and nine month interim financial reports and associated MD&A.

In this Notice we wish to emphasize that under the Proposed Instrument venture issuers have the option to elect to voluntarily file interim financial reports and/or MD&A for three and nine month interim periods (Optional Interim Periods). If a venture issuer decides to file interim financial reports for Optional Interim Periods, pursuant to NI 52-107, those interim financial reports would have to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. We are proposing to require that optional interim financial reports be filed within 60 days after the end of the Optional Interim Period. We would also require the issuer to issue a news release disclosing its intent to file optional interim reports and would require the cover page of the annual report to include a statement, in bold text, that the venture issuer intends to file three and nine month interim financial reports. Once an issuer had decided to file interim financial reports for Optional Interim Periods, it would be required to do so for a minimum period of two years. To discontinue filing interim financial reports for Optional Interim Periods, the venture issuer would be required to issue a news release prior to the start of the annual financial period for which the interim financial reports will no longer be filed.

The Proposed Instrument does not require that financial reports prepared for an Optional Interim Period be accompanied by MD&A or a certificate of the CEO or CFO. However, the financial reports and any accompanying discussion, analysis or other narrative would be subject to the statutory prohibitions against misrepresentations. Interim financial reports for Optional Interim Periods would not be required to be mailed to shareholders.

(b) Duties to act honestly and in good faith and to exercise care, skill and diligence

We are no longer proposing to introduce, into securities law, obligations on directors and officers to act honestly and in good faith and to exercise the care, skill and diligence of a reasonably prudent person acting for a venture issuer in comparable circumstances (similar to those in business corporations law) and the associated governance certification.

Venture issuers will be required to disclose and describe whether their directors and officers are subject to any statutory or contractual requirements that require them, in performing their services as directors and officers, to act honestly and in good faith and to exercise the care, skill and diligence of a reasonably prudent person. If an issuer is subject to similar requirements under an incorporating statute, it would be sufficient to refer to the name of the statute and quote the provisions of that statute. It would not be necessary to summarize general common law obligations.

(c) Material changes and disclosable events

We eliminated the “Disclosable Event” concept. However, one of the elements of the former definition of “Disclosable Event” was a material related entity transaction. Given the prevalence of these types of transactions in the venture market, and investor interest in them, we are proposing to maintain an obligation to report on a timely basis any material related entity transactions. Another element of the definition of Disclosable Event was the refiling of a continuous disclosure document. Although refiling will not trigger a Disclosable Event report, similar to the requirements under NI 51-102, issuers will be required to file a news release in the event of a refiling.

(d) Annual report triggering a mining technical report

Mining issuers that file an AIF that contains scientific or technical information that relates to a mineral project on a property material to the issuer must file a technical report unless the issuer previously filed a technical report that supports the scientific or technical information and there is no new scientific or technical information concerning the subject property not included in the previously filed technical report.

Commenters questioned whether the introduction of an annual report with mining disclosure would trigger a technical report filing requirement for venture issuers.

In order to maintain the status quo for venture issuers, we propose that a technical report would be triggered if either of the following two circumstances apply:

1. a venture issuer files a short form prospectus;
2. a venture issuer's annual report contains disclosure of the type that would trigger a technical report under paragraph 4.2(1)(j) of NI 43-101 (i.e., first time disclosure of mineral resources, mineral reserves or a preliminary economic assessment or a change to that disclosure, if that change constitutes a material change for the venture issuer).

We are proposing amendments to NI 43-101 to implement this proposal. Under paragraph 4.2(1)(b.1) of NI 43-101, an issuer that is a venture issuer must file a technical report with a preliminary short form prospectus. We have re-introduced this requirement for venture issuers because they will not be required to file a technical report with their annual report under the Proposed Instrument.

(e) Companies with mineral projects

We are proposing to change the annual report disclosure requirements to reflect amendments that have been made to the technical report requirements under NI 43-101. The changes to the technical report requirements became effective June 30, 2011. We are also proposing equivalent amendments to the AIF under NI 51-102.

(f) Material contracts - summaries vs. filing of contracts

The Consultation Proposals required venture issuers to summarize material contracts in their annual reports but not file them. NI 51-102 requires that venture issuers file materials contracts, but does not require venture issuers to provide material contract summaries unless they file an AIF.

We have decided to revert to the status quo, requiring venture issuers to file material contracts but not require material contracts to be summarized in their annual disclosure. Venture issuers would be required to provide a list of the material contracts in their annual report.

(g) Summary of insider trading

We have removed the requirement to provide a summary of insider trading in the annual report. Instead we propose to require venture issuers to disclose each person or company, other than executive officers, that, to the venture issuer's knowledge, is or was, during the last completed financial year a "reporting insider", as that term is defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions*.

(h) Aggregation of executive compensation disclosure

The Consultation Proposals permitted aggregation of compensation of executive officers, other than the CEO, CFO and any higher paid executive and director compensation.

The Proposed Instrument requires individualized compensation disclosure for the directors and named executive officers or NEOs, (as that term is defined under Form 51-102F6 *Statement of Executive Compensation*) (i.e., individualized disclosure would be required for directors and for the CEO, CFO, and three most highly compensated executive officers, other than the CEO or CFO whose total salary and bonus exceeded \$150,000). We concluded that there was not a sufficiently compelling reason to create different disclosures or thresholds than those set out in Form 51-102F6 *Statement of Executive Compensation*. However, disclosure in respect of these individuals would continue to be the tailored disclosure contemplated in the Consultation Proposals. We clarified that compensation disclosure should be provided for the venture issuer's two most recently completed financial years and have mandated that the prescribed stock option and compensation securities disclosure must be positioned directly after the compensation table.

(i) Compensation discussion and analysis

We are proposing to enhance the compensation analysis disclosure requirements. For example, we have added requirements to describe and explain significant elements of compensation; we have enhanced the required discussion of performance criteria or goals; and now require disclosure of how each significant element of compensation is determined.

(j) Governance disclosure

Institutional investor representatives expressed apprehension about certain elements of governance disclosure not being provided. In particular, they were concerned that we did not require disclosure of:

1. steps to encourage a culture of ethical conduct,
2. how the board facilitates independent judgement, and
3. how the boards assesses results.

Our initial rationale for excluding these disclosure items was, in part, because we thought that they would be covered by the substantive governance requirements to act honestly and in good faith and to exercise care, skill and diligence of a reasonably prudent person. However, given that the Proposed Instrument eliminates those substantive governance requirements for directors and officers, we have introduced a few additional governance disclosure requirements, particularly addressing the issues referred to above.

(k) Financial statements – filing requirement for major acquisitions

We contemplated, in the Consultation Proposals that if an issuer conducted an acquisition that was 100% significant to the venture issuer, financial statements would be required. Some commenters noted that the Consultation Proposals required venture issuers to provide financial statements for major acquisitions at the same time as the filing of a material change report (within 10 days of the material change). These commenters expressed concern that this was significantly abbreviated from the 75 days allowed for BARs.

Although the material change report would be required within 10 days of the acquisition, we will not require the financial statements to be filed concurrently with the material change report and, consistent with the timing requirements for BARs, will permit them to be filed within 75 days after the transaction.

(l) Significance test

We have maintained the proposed significance test, but introduced an optional significance test which permits significance to be calculated using the acquisition date market capitalization instead of market capitalization at the announcement date.

(m) Confidential material change reports

Similar to the current disclosure regime for venture issuers, the Proposed Instrument will allow venture issuers to deliver confidential material change reports. However, venture issuers will not be permitted to file reports of material related entity transactions on a confidential basis.

(n) Disclosure responsibilities

The Consultation Proposals contained a “General Disclosure Standard” which prohibited venture issuers from making or authorizing the making of oral or written statements that are misleading or false in a material respect. Under that standard, executive officers and directors that authorized, permitted or acquiesced in a contravention could also be held liable.

The Consultation Proposals also contained a requirement that unfiled disclosure, such as that made on a website or in a presentation, be consistent with the disclosure made in filed documents. Some concerns were expressed regarding this provision, including the certainty of it and whether it would be more appropriate to include it in securities legislation as opposed to a rule.

We have removed the general disclosure standard as we determined that this issue was adequately covered in the statutes of Canadian jurisdictions.

(o) Incorporation by reference

The Consultation Paper permitted venture issuers to satisfy certain disclosure obligations by reference to a previously filed document. The Proposed Instrument now requires venture issuers, other than CPCs, to provide any required disclosure directly in the annual report. This is consistent with the objective of the annual report to be the annual disclosure document that venture issuer investors should refer to for complete, concise annual disclosure.

(p) Certification

In the event that a venture issuer chooses to include a full certificate in its annual report, we added requirements that it comply with the relevant provisions of NI 52-109 for issuers filing a full certificate.

8. Proposed legislative amendments

Legislative amendments may need to be sought in some jurisdictions. For example, legislative requirements may be pursued to add an annual and mid-year report and a report of material change, material related entity transaction or major acquisition, except for financial statements associated with a major acquisition, to the core document definition for the purposes of secondary market disclosure civil liability or to provide rule-making authority for certain of the proposed corporate governance requirements.

9. Appendix

Appendix A of this notice sets out the characteristics of the venture market.

Local Notices and Amendments

In conjunction with the Proposed Materials, certain securities regulatory authorities will amend local securities legislation. These jurisdictions will publish any proposed local changes or other information required by local securities legislation with this notice.

10. Questions on the Proposed Materials

We invite market participants to provide input on the proposed new mandatory regulatory regime for venture issuers outlined in this Notice. In addition to any comments you may have to the Proposed Materials, we have a number of questions on the Proposed Materials where we would appreciate your feedback. We encourage you to provide detailed explanations in support of your answers. We are particularly interested in hearing from those participating in the venture market such as issuers, investors, legal counsel and promoters. We also invite ideas for other possible regulatory reforms directed at the venture market.

Mid-year financial reporting

A key element of the proposal remains the change from quarterly financial reporting to a semi-annual reporting requirement. We also propose creating an option to voluntarily provide quarterly financial disclosures within a prescribed, consistent framework. We received strong feedback both supporting the proposal to eliminate the existing requirement for mandatory first and third quarter reports, as well as feedback voicing concerns. As this continues to be one of the most significant elements of the proposal, we think it is important to seek more detailed formal comment specifically on this issue.

From a regulatory perspective, the rationale for creating a semi-annual filing regime includes the following:

- many financial regulatory regimes outside North America follow a semi-annual schedule of financial reporting, such as the United Kingdom, Australia, Hong Kong and South Africa, though none of these jurisdictions have a regime that requires quarterly reporting for one segment but semi-annual reporting for another segment;
- the feedback we received during the consultation phase indicates that investors in venture companies place a great deal of value in the issuer's management, concepts, direction and plans and they are interested in significant corporate developments that are addressed through non-financial statement disclosures;
- issuers must comply with material change reporting; and
- other aspects of this proposal are intended to provide disclosure that addresses key areas of investor interest.

The following questions ask how the removal of mandatory first and third quarter financial statement reporting would affect investor protection and capital-raising.

1. Do you support the proposal to replace the requirement to file three and nine month interim financial reports (and associated MD&A) with a prescribed framework for voluntary three and nine month financial reporting?
 - a) If you support this proposal, why? What are the benefits?
 - b) If you do not support this proposal, why not? What are your concerns?
2. If we choose not to eliminate mandatory quarterly financial reporting, are the other elements of the Proposed Instrument significant enough to justify changing the venture issuer regulatory regime?
3. If you do not support the proposal to replace the requirement to file three and nine month interim financial reports and associated MD&A with a prescribed framework for voluntary three and nine month financial reporting, do you think it is necessary for venture issuers to file full financial statements and MD&A for their first and third quarters?
 - a) If you think full financial statements are necessary, why do you think so? Specifically, how do you use this information?
 - b) If you do not think that full financial statements are necessary, is there something other than full financial statements that could provide you with the information that is necessary or relevant for your purposes? Please specify what financial or other information would suffice and explain why.
 - c) Does the information noted in (b) vary for issuers based on industry, size or whether the issuer generates revenues? If so, please explain.
4. If venture issuers were not required to file first and third quarter financial statements, would this deter you from investing in all venture issuers? Why or why not?
5. If you currently invest in issuers in jurisdictions that prescribe semi-annual reporting, please explain why you are comfortable doing so, particularly if you oppose the elimination of mandatory first and third quarter financial statements.

6. Would it be less burdensome, or would there be significant time savings, to prepare some subset of quarterly financial reporting, or would the work required to prepare alternative quarterly financial reporting be as onerous as preparing interim financial statements?

Other financial statement requirements

7. The Proposed Instrument eliminates the requirement to file business acquisition reports (BARs) for significant acquisitions. Instead, it requires venture issuers to provide financial statements of an acquired business if the value of the consideration transferred equals 100% or more of the market capitalization of the venture issuer. Is 100% the correct threshold?
 - a. If you think that 100% is the correct threshold, explain why.
 - b. If you do not think that 100% is the correct threshold, explain why. Should the threshold be lower? Please provide your views on an alternative threshold, with supporting reasons.
 - c. Should financial statements be required at all for these transactions?
8. The Proposed Instrument does not include a pro forma financial statement requirement for acquisitions that are 100% significant. Do pro forma financial statements provide useful information about acquisitions that is not provided elsewhere in the venture issuer's disclosure?
 - a. If you are of the opinion that pro forma financial statements do provide useful information, specifically, what information do they provide and how do you make use of that information?
9. The proposed long form prospectus form for venture issuers provides the subset of "junior issuers" with an exemption that allows them to provide only one year of audited financial statements together with unaudited comparative year financial information in their IPO prospectus. This is consistent with current requirements for junior issuers under Form 41-101F1. Should this exemption be expanded to apply to all venture issuers?
 - a. If you think the exemption should be expanded, explain why.
 - b. If you do not think that the exemption should be expanded, explain why.

Governance requirements and executive compensation disclosure

10. The Proposed Instrument requires an audit committee to be composed of at least three directors, a majority of whom are not executive officers or employees of the venture issuer or an affiliated entity of the venture issuer. Should control persons be added to this list, similar to section 21(b) of Policy 3.1 of the TSX Venture Exchange Corporate Finance Manual?
 - a. If you think that control persons should be added, explain why.
 - b. If you do not think that control persons should to be added, explain why.
11. The Proposed Instrument requires that director and executive officer compensation as well as corporate governance disclosure be provided in a venture issuer's annual report instead of in its information circular. The information circular directs investors to the issuer's annual report for this information. We are attempting to reduce duplication for

venture issuers, but want to balance that goal with ensuring that investors have adequate information available for decision making purposes, namely when they make their decision to elect directors.

- a. Should venture issuers be required to duplicate director and executive officer compensation disclosure in the document that shareholders have on hand when they vote for directors, the information circular?
 - i. If you think that executive compensation and corporate governance disclosure should be provided in both the annual report and the information circular, explain why.
 - ii. If you do not think that it is necessary to provide executive compensation and corporate governance disclosure in both the annual report and in the information circular, explain why.
12. In the Proposed Instrument, we have replaced the requirement to disclose the grant date fair value of stock options or other securities-based compensation in the executive compensation disclosure with a requirement to disclose other details about stock options, including amounts earned on exercise. We made this change as a result of feedback received regarding the relevance and reliability of the grant date fair value of stock options for venture issuers. Does specific disclosure of the grant date fair value and the accounting fair value of stock options or other securities-based compensation provide useful information for venture issuers? If so, please explain.

General disclosure requirements

13. The Proposed Instrument would permit a capital pool company (CPC) to satisfy certain of its annual report disclosure obligations by referring to disclosure previously provided in its initial public offering prospectus. Should CPC's be exempted from further aspects of the annual or mid-year report requirements? If so, which requirements?

Further comments invited

14. We also invite further comment. If you have suggestions about additional steps that we could take to tailor a regulatory regime that is directed at the venture market, please provide them.

11. Cost Benefit Analysis

In addition to the request for comments set out in this notice, the CSA will also conduct a cost benefit analysis. We will contact various market participants including venture issuers and investors to request participation in completing a survey to assist in this process. If you would be interested in participating, please contact:

Suzanne Lo
Economist
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, B.C. V7Y 1L2
(604) 899-6538 or 1-800-373-6393
slo@bcsc.bc.ca

12. Comments and Submissions

To respond to the questions in this notice you must submit your comments in writing by October 27, 2011. If you are sending your comments by email, you should also send an electronic file containing the submissions in Microsoft Word.

Please address your comments to all of the CSA members as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Prince Edward Island Securities Office
Office of the Superintendent of Securities, Government of Newfoundland and Labrador
Department of Community Services, Government of Yukon
Office of the Superintendent of Securities, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

Please send your comments only to the addresses below. Your comments will be forwarded to the remaining CSA jurisdictions.

Ashlyn D'Aoust
Legal Counsel, Corporate Finance
Alberta Securities Commission
Suite 600, 250-5th Street SW
Calgary, Alberta T2P 0R4
Fax: (403) 297-2082
ashlyn.daoust@asc.ca

Anne-Marie Beaudoin

Corporate Secretary

Autorité des marchés financiers

800, square Victoria, 22e étage

C.P. 246, tour de la Bourse

Montréal, Québec H4Z 1G3

Fax: 514-864-6381

E-mail: consultation-en-cours@lautorite.qc.ca

Please note that comments received will be made publicly available and posted at www.albertasecurities.com and <http://www.bcsc.bc.ca/> and the websites of certain other securities regulatory authorities. We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

13. Questions

Please refer your questions to any of the following:

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Director, Corporate Finance

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tom.graham@asc.ca

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British Columbia Securities Commission

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Director, Corporate Finance

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Andrew Richardson

Deputy Director, Corporate Finance

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Jody-Ann Edman

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*Saskatchewan Financial Services
Commission*

Ian McIntosh

Deputy Director, Corporate Finance

(306) 787-5867

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Manitoba Securities Commission

Bob Bouchard
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Ontario Securities Commission

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Autorité des marchés financiers

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Chantal Leclerc
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New Brunswick Securities Commission

Susan Powell
Acting Director, Regulatory Affairs
(506) 643-7697 1-866-933-2222
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Nova Scotia Securities Commission

Abel Lazarus
Securities Analyst
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lazaruah@gov.ns.ca

Appendix A

Venture Market Characteristics²

- **Common characteristics of venture market investors**
 - proportionately more likely to be retail investors with small positions,
 - limited (but growing) institutional involvement,
 - because of fewer institutional investors, shareholder influence on management may differ from that in the senior market,
 - founders and management are frequently the largest shareholders with controlling interest,
 - more likely to have prior experience in the venture issuer's industry or with its management,
 - limited analyst coverage and fewer research reports (although increasing) place a greater burden on investors and dealers to do their own research and follow developments,
- **Venture issuer investor interests and expectations**
 - more likely to expect a dramatic growth strategy,
 - less likely to expect dividend payments, or long-term, steady appreciation,
 - recognize that smaller, developing issuers have a high failure rate, but invest with the understanding that greater risks may bring greater rewards,
 - more likely influenced by material news releases than historical financial statements,
 - interested in intended milestones and performance relative to milestones,
 - more interested in the amount directors and management have invested in the venture issuer – their “skin-in-the-game”,
 - particular interest in the relationship between management compensation compared to amounts of capital spent on business development,
 - particular concern about discretionary expenditures and the issuer's “burn-rate”,

² These points are based on anecdotal information taken from consultation with venture issuers and various other market participants.

- particular interest in the details of related party transactions,
- interest in trading by directors and officers in the venture issuer's securities,
- **Common characteristics of venture issuers**
 - tend to have small internal staffs and proportionately smaller scale operations,
 - limited segregation of duties even as between directors and officers,
 - more likely to invest based on management and management's ideas and the anticipated future prospects,
 - more limited financial resources,
 - resource exploration and technology research and development companies,
 - may have no foreseeable prospects of generating significant revenue,
 - may rely for a prolonged period on financing to fund development and meet operational requirements,
 - financing windows are shorter and smaller and there is less competition for their funding,
 - smaller financings, proportionately fewer shareholders with significant positions and less analyst following all tend to create generally reduced trading liquidity,
 - limited financial resources can
 - make it more challenging to hire staff dedicated to securities regulatory compliance matters,
 - make the cost of professional and technical advisers proportionately more expensive,
 - increase reliance on stock-based compensation,
 - increase reliance on stock as a form of currency for acquisitions,
 - the combination of limited financial resources and the statistically greater risk of business failure can make it more difficult to attract and compensate experienced and independent directors and management.

National Instrument 51-103
Ongoing Governance and Disclosure Requirements for Venture Issuers

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 3. Application
- PART 2 DISCLOSURE OBLIGATIONS**
- PART 3 GOVERNANCE RESPONSIBILITIES**
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 5. Audit Committees
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- PART 4 PERIODIC DISCLOSURE**
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 8. Annual Report and Annual Financial Statements
 9. Approval and Filing of Mid-Year Report
 10. Mid-Year Report and Mid-Year Interim Financial Report
 11. First Annual Financial Statements and Mid-Year Interim Financial Reports After Becoming a Reporting Issuer
 12. Delivery Options for an Annual Report or Mid-Year Report
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- PART 5 PROXY SOLICITATION AND INFORMATION CIRCULARS**
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- PART 6 MATERIAL CHANGES, MATERIAL RELATED ENTITY TRANSACTIONS AND MAJOR ACQUISITIONS**
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 20. Contents of Report of Material Change, Material Related Entity Transaction or Major Acquisition
 21. Filing Deadline for Report of Material Change, Material Related Entity Transaction or Major Acquisition
 22. Financial Statement Requirements for a Major Acquisition
 23. Contents of Mid-Year Interim Financial Report – Canadian GAAP Applicable to Private Enterprises
 24. Financial Statements for Related Businesses
 25. Exemption for Major Acquisitions Accounted for Using the Equity Method
 26. Exemption for Major Acquisitions if Financial Year End Changed

27. Exemption from Comparatives if Mid-Year Interim Financial Report Not Previously Prepared
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PART 9 EFFECTIVE DATE AND TRANSITION

45. Effective Date
46. Transition

PART 10 LANGUAGE OF DOCUMENTS

47. Language of Documents

Guidance:

The grey shaded text marked “Guidance” found within this instrument is not legally binding and does not form part of the official version of the instrument. The guidance provides cross-references to certain other provisions and, in some cases, clarification as to the intention or expectation of the securities regulatory authority or regulator with respect to a particular legal requirement.

National Instrument 51-103
Ongoing Governance and Disclosure Requirements for Venture Issuers

PART 1 DEFINITIONS, INTERPRETATION AND APPLICATION

1. Definitions

(1) In this instrument,

“acquisition” includes an acquisition of an interest in a business that is consolidated for accounting purposes or accounted for by another method, such as the equity method, but excludes transactions that are accounted for by the cost method;

“acquisition date” has the same meaning as in the issuer’s GAAP.

“annual financial statements” means the financial statements required by section 8;

“annual report” means a completed Form 51-103F1 *Annual and Mid-Year Reports*, prepared as an annual report or, in the case of an SEC issuer that is a venture issuer, the alternative disclosure permitted by section 42 of this instrument;

“asset-backed security” means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, fixed or revolving, that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or the timely distribution of proceeds to securityholders;

“board” or “board of directors” includes, for a person or company that does not have a board of directors, an individual or group that acts in a capacity similar to a board of directors;

“business” when used in relation to a major acquisition has the same meaning ascribed to that term in the issuer’s GAAP and includes an interest in an oil and gas property to which reserves, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, have specifically been attributed;

“capital pool company” has the same meaning as in the corporate finance manual of the TSX Venture Exchange;

“CEO” means the chief executive officer or the individual performing functions similar to a chief executive officer;

“CFO” means the chief financial officer or the individual performing functions similar to a chief financial officer;

“convert”, “converting” and “conversion” include exercising, converting or exchanging a convertible security;

“convertible security” means a security that is exercisable, convertible or exchangeable into another security;

"CPC" has the same meaning as in the corporate finance manual of the TSX Venture Exchange;

“credit support issuer” has the same meaning as in subsection 13.4(1) of National Instrument 51-102 *Continuous Disclosure Obligations*;

“equity investee” means an entity that the venture issuer has invested in and accounted for using the equity method;

“exchangeable security issuer” has the same meaning as in subsection 13.3(1) of National Instrument 51-102 *Continuous Disclosure Obligations*;

“executive officer” means in respect of an issuer, an individual to which any one or more of the following applies,

- (a) is the chair, vice-chair or president,
- (b) is a vice-president in charge of a principal business unit, division or function, including sales, finance or production,
- (c) is performing a policy-making function in respect of the issuer;

“founder” means a person or company that is a promoter that has been actively involved in the issuer’s business at any time within either or both of

- (a) the 2 most recently completed financial years,
- (b) the current financial year;

“information circular” means a completed Form 51-103F4 *Information Circular*;

“interim period” means,

- (a) in the case of a year other than a transition year, a period commencing on the first day of the financial year and ending 9, 6 or 3 months before the end of the financial year;
- (b) in the case of a transition year, a period commencing on the first day of the transition year and ending
 - (i) 3, 6, 9 or 12 months, if applicable, after the end of the old financial year, or
 - (ii) 12, 9, 6 or 3 months, if applicable, before the end of the transition year;

“issuer’s GAAP” has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

“major acquisition” means an acquisition of, including a lease of or option to acquire, by a venture issuer or one or more subsidiary entities of the venture issuer, directly or indirectly, a business or related business, if the value of the consideration transferred, determined in accordance with the issuer's GAAP without remeasuring previously held equity interests, for the business or related business equals 100% or more of the market capitalization of the venture issuer, but excludes an acquisition if the value of the consideration transferred for the business or related businesses is less than 100% of the optional market capitalization of the venture issuer;

Guidance:

IFRS 3 Business Combinations requires that when a business combination is achieved in stages, the acquirer’s previously held equity interests in the acquiree is remeasured at its acquisition date fair value. However, for the purpose of determining whether an acquisition of a business is a major acquisition, previously held equity interests in the acquiree are not required to be remeasured.

“market capitalization” means the sum of the aggregate market value of each class of equity securities of an issuer, where the market value of each class of securities is calculated by multiplying

- (a) if the class of equity securities is traded on a published market,
 - (i) the number of securities of that class that were outstanding immediately before the announcement of the acquisitionby
 - (ii) the 10 day volume weighted average closing price of those securities as reported by the published market on the trading day immediately before announcement of the acquisition,
- (b) if the class of equity securities is not traded on a published market but the venture issuer has made application to have that class of securities listed or quoted on a published market,
 - (i) the number of securities of that class outstanding immediately before the announcement of the acquisition,

by,

- (ii) if the venture issuer is conducting an initial public offering in connection with its application to list or quote that class of securities, the price per security at which the board of directors reasonably anticipates the securities will be issued on the initial public offering, or
 - (iii) if the venture issuer is not conducting an initial public offering in connection with its application to list or quote that class of securities, the price per security at which the board of directors reasonably anticipates the securities to commence trading on the published market;
- (c) if the class of equity securities is not traded on a published market and no application to list or quote that class of securities on a published market has been made,
- (i) the number of securities of that class that were outstanding immediately before the announcement of the acquisition,
- by
- (ii) the fair market value of the outstanding securities of that class immediately before the announcement of the acquisition;

“marketplace” means any one of the following:

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that does each of the following:
 - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
 - (ii) brings together the orders for securities of multiple buyers and sellers,
 - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade,
- (d) a dealer, other than an inter-dealer bond broker, that executes a trade of an exchange-traded security outside of a marketplace;

“material contract” means each of the following:

- (a) a contract, other than a contract entered into in the ordinary course, to which the venture issuer or one or more of its subsidiary entities is a party if the contract is material to the venture issuer,
- (b) a contract, regardless of whether it was entered into in the ordinary course, if it is one or more of the following
 - (i) a contract with one or more directors, executive officers or founders of the venture issuer, other than an employment contract,
 - (ii) a continuing contract to sell the majority of the venture issuer’s products or services or to buy the majority of the venture issuer’s requirements of goods, services or raw materials,
 - (iii) a franchise or license or other agreement to use a patent, formula, trade secret, process or trade name,
 - (iv) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions of the venture issuer,
 - (v) an external management or external administration agreement,
 - (vi) a contract on which the continuation of the venture issuer’s business is substantially dependent;

Guidance:

Some examples of a contract on which the continuation of the venture issuer’s business might be substantially dependent include:

- (a) *financing or credit agreements that provide a majority of the venture issuer’s capital requirements if alternative financing on comparable terms is not readily available;*
- (b) *a contract calling for the purchase or sale of substantially all of the venture issuer’s property, plant and equipment, long-lived assets, or total assets;*
- (c) *an option, joint venture, purchase or other agreement relating to a mining or oil and gas property that represents a majority of the venture issuer’s business.*

“material related entity transaction” means one or more of the following, if it is material to the venture issuer:

- (a) a related party transaction as defined in the issuer's GAAP,
- (b) an oral or written agreement, or a transaction, to which a venture issuer is directly or indirectly a party and to which a person or company that is a related entity of the venture issuer at the time the agreement is entered into or the transaction is agreed to is also a party,
- (c) a material amendment to an agreement referred to in paragraph (b);

“MD&A” means management's discussion and analysis;

“mid-year interim financial report” means the interim financial report required by section 10;

“mid-year period” means

- (a) in the case of a year other than a transition year, a period commencing on the first day of the financial year and ending 6 months before the end of the financial year;
- (b) in the case of a transition year, a period commencing on the first day of the transition year and ending
 - (i) 6 months and 12 months, if applicable, after the end of the old financial year, or
 - (ii) 6 months and 12 months, if applicable, before the end of the transition year;

“mid-year report” means a completed Form 51-103F1 *Annual and Mid-Year Reports* completed in respect of a mid-year period or, in the case of an SEC issuer that is a venture issuer, the alternative disclosure permitted by section 42 of this instrument;

“optional interim period” means

- (a) in the case of a year other than a transition year, a period commencing on the first day of the financial year and ending 9 or 3 months before the end of the financial year;
- (b) in the case of a transition year, a period commencing on the first day of the transition year and ending
 - (i) 3 or 9 months, if applicable, after the end of the old financial year, or
 - (ii) 9 or 3 months, if applicable, before the end of the transition year;

“optional market capitalization” has the same meaning as market capitalization if the references in paragraph (c) of the definition of market capitalization to “before the announcement of the acquisition” are read as “before the acquisition date”.

“prescribed security” means in respect of a venture issuer, any of the following

- (a) a security issued by the venture issuer,
- (b) a put, call, option or other right or obligation to buy or sell a security of the venture issuer,
- (c) an instrument, agreement, security or exchange contract, the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security of the venture issuer,
- (d) any other instrument, agreement or understanding that affects, directly or indirectly, the economic interest of a person or company in respect of a security or an exchange contract of the venture issuer.

“principal holder” means a person or company, other than an underwriter in the course of a distribution, that holds securities of a venture issuer carrying more than 10% of the voting rights attached to any class of the venture issuer’s outstanding voting securities, where securities are considered to be “held” if the person or company holds the securities by way of either

- (a) beneficial ownership, or direct or indirect control or direction,
- (b) a combination of beneficial ownership and direct or indirect control or direction;

“proxy form” means a form of proxy prepared in accordance with Form 51-103F3 *Proxy Form* or as otherwise permitted by this instrument;

“publicly accountable enterprise” means a publicly accountable enterprise as defined in the handbook;

“published market” means a market that publishes closing prices for securities traded on that market;

“registered securityholder” means a registered holder of voting securities of a venture issuer as indicated on the register of shareholders maintained by the venture issuer or its registrar and transfer agent;

“related business” means a business which, in relation to a second business, one or more of the following apply

- (a) it was under common control or management with the second business before the acquisitions,
- (b) the acquisition of one was conditional upon the acquisition of the other,
- (c) the acquisitions of both were contingent upon a single common event;

“related entity” of a venture issuer means a person or company that, at the relevant time, is one or more of the following

- (a) a “related party” as that term is defined in the issuer’s GAAP,
- (b) a founder or insider of the venture issuer or "close members of the family", as defined under Canadian GAAP applicable to publicly accountable enterprises, of a founder or insider,
- (c) a person or company of which a director, executive officer, or founder of the venture issuer is a director, executive officer or founder,
- (d) a director, executive officer or insider of the venture issuer or “close members of the family”, as defined under Canadian GAAP applicable to a publicly accountable enterprise, of a director, executive officer or insider,
- (e) a director, executive officer or insider of any other person or company referred to in paragraphs (b) or (c),
- (f) an affiliated entity of any person or company referred to in any of paragraphs (b), (c) or (d),
- (g) a person or company of which one or more persons or companies described in any paragraph of this definition beneficially own, in the aggregate more than 50% of the securities of any class of equity securities;

“restricted security” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

“report of material change, material related entity transaction or major acquisition” means a completed Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*;

“restructuring transaction” means:

- (a) a reverse takeover;
- (b) an amalgamation, merger, arrangement or reorganization;
- (c) a transaction or series of transactions involving a venture issuer acquiring assets and issuing securities that results in
 - (i) new securityholders owning or controlling more than 50% of the venture issuer’s outstanding voting securities, and
 - (ii) a new person or company, a new combination of persons or companies acting together, the sellers of the assets, or new management either

- (A) being able to materially affect the control of the venture issuer,
 - (B) holding more than 20% of the outstanding voting securities of the venture issuer, unless there is evidence showing that the holding of those securities does not materially affect the control of the venture issuer;
- (d) any other transaction similar to the transactions listed in paragraphs (a) to (c),

but does not include a subdivision, consolidation, or other transaction that does not alter a securityholder's proportionate interest in the venture issuer and the venture issuer's proportionate interest in its assets;

Guidance:

The phrase "new securityholders" includes both beneficial owners who did not hold any of the venture issuer's securities before the restructuring transaction, and beneficial owners that held some securities in the venture issuer before the transaction, but who now, as a result of the transaction, own more than 50% of the outstanding voting securities.

"reverse takeover" means

- (a) a reverse acquisition, which has the same meaning as in Canadian GAAP applicable to a publicly accountable enterprise, or
- (b) a transaction where an issuer acquires a person or company by which the securityholders of the acquired person or company, at the time of the transaction, obtain control of the issuer, where for purposes of this paragraph, "control" has the same meaning as in Canadian GAAP applicable to a publicly accountable enterprise;

"reverse takeover acquiree" means the legal parent in a reverse takeover;

"reverse takeover acquirer" means the legal subsidiary in a reverse takeover;

"SEC issuer" means a venture issuer that meets both of the following:

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act,
- (b) is not registered or required to be registered as an "investment company" under the *Investment Company Act of 1940* of the United States of America, as amended;

"SEDAR" has the same meaning as in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

"senior unlisted issuer" has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

“solicit” or “solicitation” in connection with a proxy, includes

- (a) requesting a proxy whether or not the request is accompanied by or included in a form of proxy,
- (b) requesting a securityholder to execute or not to execute a form of proxy or to revoke a proxy,
- (c) sending a form of proxy or other communication to a securityholder under circumstances that to a reasonable person will likely result in the giving, withholding or revocation of a proxy, or
- (d) sending a form of proxy to a securityholder by management of a venture issuer,

but does not include

- (e) sending a form of proxy to a securityholder in response to an unsolicited request made by or on behalf of the securityholder,
- (f) performing ministerial acts or professional services on behalf of a person or company soliciting a proxy,
- (g) sending, by an intermediary as defined in NI 54-101, of the documents referred to in NI 54-101,
- (h) soliciting by a person or company in respect of securities of which the person or company is the beneficial owner,
- (i) publicly announcing, by a securityholder, how the securityholder intends to vote and the reasons for that decision, if that public announcement is made by
 - (i) a speech in a public forum, or
 - (ii) a press release, an opinion, a statement or an advertisement provided through a broadcast medium or by a telephonic, electronic or other communication facility, or appearing in a newspaper, a magazine or other publication generally available to the public;
- (j) communicating for the purposes of obtaining the number of securities required for a securityholder proposal under the laws under which the venture issuer is incorporated, organized or continued or under the venture issuer’s constating or establishing documents; or
- (k) communicating, other than a solicitation by or on behalf of the management of the venture issuer, to securityholders in the following circumstances:
 - (i) by one or more securityholders concerning the business and affairs of the venture issuer, including its management or proposals contained in a management

information circular, and no form of proxy is sent to those securityholders by the securityholder or securityholders making the communication or by a person or company acting on their behalf, unless the communication is made by

- (A) a securityholder who is an officer or director of the venture issuer if the communication is financed directly or indirectly by the venture issuer,
 - (B) a securityholder who is a nominee or who proposes a nominee for election as a director, if the communication relates to the election of directors,
 - (C) a securityholder whose communication is in opposition to an amalgamation, arrangement, consolidation or other transaction recommended or approved by the board of directors of the venture issuer and who is proposing or intends to propose an alternative transaction to which the securityholder or an affiliate or associate of the securityholder is a party,
 - (D) a securityholder who, because of a material interest in the subject-matter to be voted on at a securityholders' meeting, is likely to receive a benefit from its approval or non-approval, which benefit would not be shared pro rata by all other holders of the same class of securities, unless the benefit arises from the securityholder's employment with the venture issuer, or
 - (E) any person or company acting on behalf of a securityholder described in any of clauses (A) to (D);
- (ii) by one or more securityholders and concerns the organization of a dissident's proxy solicitation, and no form of proxy is sent to those securityholders by the securityholder or securityholders making the communication or by a person or company acting on their behalf;
 - (iii) as clients, by a person or company who gives financial, corporate governance or proxy voting advice in the ordinary course of business and concerns proxy voting advice if
 - (A) the person or company discloses to the securityholder any significant relationship with the venture issuer and any of its affiliates or with a securityholder who has submitted a matter to the venture issuer that the securityholder intends to raise at the meeting of securityholders and any material interests the person or company has in relation to a matter on which advice is given,
 - (B) the person or company receives any special commission or remuneration for giving the proxy voting advice only from the securityholder or securityholders receiving the advice, and
 - (C) the proxy voting advice is not given on behalf of any person or company soliciting proxies or on behalf of a nominee for election as a director, or

- (iv) by a person or company who does not seek directly or indirectly the power to act as a proxyholder for a securityholder;

“SOX 302 rules” means U.S. federal securities laws implementing the annual periodic certification requirements in section 302(a) of the *Sarbanes-Oxley Act of 2002* of the United States of America, as amended from time to time;

“transition year” means the financial year of a venture issuer or business in which the venture issuer or business changes its financial year-end;

“venture issuer” means an issuer in respect of which this instrument applies.

Guidance:

- (1) *Securities statutes in local jurisdictions may provide definitions or meanings for “associate”, “control person”, “distribution”, “director”, “exchange contract”, “forward-looking information”, “insider”, “investment fund”, “issuer”, “material change”, “material fact”, “promoter”, “reporting issuer”, “security”, and “special relationship”.*
- (2) *Refer to National Instrument 14-101 Definitions for the definitions of “1933 Act”, “1934 Act”, “Canadian GAAP”, “Canadian GAAS”, “handbook”, “IFRS”, “local jurisdiction”, “regulator”, “securities legislation”, and “securities regulatory authority”.*
- (3) *Securities legislation defines the term “person” and in Alberta, Saskatchewan, Manitoba and Nova Scotia also defines the term “company”. Where the phrase “person or company” is used in this instrument, refer to National Instrument 14-101 Definitions for the meaning of that phrase in British Columbia and New Brunswick.*
- (4) *This instrument uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, venture issuers should consider that National Instrument 14-101 Definitions provides that a term used in this instrument that is defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires.*

For example, the term “associate” is defined in both local securities statutes and Canadian GAAP applicable to publicly accountable enterprises. We are of the view that the references to the term “associate” in the instrument and its forms (e.g., item 12(2)(e) of Form 51-103F4 Information Circular) should be given the meaning of the term under local securities statutes since the context does not indicate that the accounting meaning of the term should be used.

If an issuer is permitted under National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards to file financial statements or interim financial reports

prepared in accordance with acceptable accounting principles other than Canadian GAAP then the issuer should interpret any reference in this instrument to a term or provision defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.

- (5) *Refer to Canadian GAAP applicable to publicly accountable enterprises for the definition of “interim financial report”.*
 - (6) *When this instrument requires disclosure of a “material” relationship, transaction, agreement, plan or other information, in determining whether or not a particular matter is material, consider whether disclosing, omitting or misstating the relationship, transaction, agreement, plan or other information would likely influence or change a reasonable investor’s decision as to whether or not to buy, sell or hold a security in the capital of the venture issuer.*
- (2) For purpose of subsection (3), “core document definition” means the definition of “core document” set out in:
- (a) in Alberta, subsection 211.01(b) of the *Securities Act* (Alberta);
 - (b) in British Columbia, section 140.1 of the *Securities Act* (British Columbia);
 - (c) in Manitoba, subsection 174 of the *Securities Act* (Manitoba);
 - (d) in New Brunswick, section 161.1 of the *Securities Act* (New Brunswick);
 - (e) in Newfoundland and Labrador, section 138.1(b) of the *Securities Act* (Newfoundland and Labrador);
 - (f) in the Northwest Territories, section 122 of the *Securities Act* (Northwest Territories);
 - (g) in Nova Scotia, section 146A(b) of the *Securities Act* (Nova Scotia);
 - (h) in Nunavut, section 122 of the *Securities Act* (Nunavut);
 - (i) in Ontario, section 138.1 of the *Securities Act* (Ontario);
 - (j) in Prince Edward Island, section 122 of the *Securities Act* (Prince Edward Island);
 - (k) in Quebec, section 225.3 of the *Securities Act* (Quebec);
 - (l) in Saskatchewan, section 136.01(b) of the *Securities Act* (Saskatchewan);
 - (m) in the Yukon, section 122 of the *Securities Act* (Yukon).

- (3) Each of the following documents is prescribed as a core document for the purpose of the core document definition:
- (a) an annual report;
 - (b) a mid-year report;
 - (c) a report of material change, material related entity transaction or major acquisition, except for financial statements associated with a major acquisition.

2. Interpretation

In this instrument

- (a) an issuer is an “affiliated entity” of another issuer if one of them is the subsidiary entity of the other or if each of them is controlled by the same person or company,
- (b) an issuer is considered “controlled” by another person or company if that person or company has or shares the power to govern the financial and operating policies of the venture issuer so as to obtain benefits from its activities,
- (c) an issuer is a “subsidiary entity” of another issuer if it is controlled by that other issuer.

3. Application

- (1) This instrument applies to a reporting issuer unless, as determined at the applicable time set out in subsection (2), any of the following apply:
- (a) it is an investment fund;
 - (b) any of its securities are listed or quoted on one or more of the following
 - (i) the Toronto Stock Exchange,
 - (ii) an exchange registered as a “national securities exchange” under section 6 of the 1934 Act,
 - (iii) a marketplace outside of Canada or the United States, other than a designated venture market;
 - (c) except in Ontario, BC instrument 51-509 *Issuers Quoted in the U.S. Over-the-Counter Markets*, as amended from time to time, applies to the issuer;

- (d) the issuer is a senior unlisted issuer.
- (2) For the purposes of subsection (1), the applicable time of the determination is
- (a) the end of the venture issuer's applicable financial year for the purpose of determining whether it is
 - (i) required to file an annual report under this instrument, or
 - (ii) required to file
 - (A) annual financial statements, associated management's discussion and analysis and an annual information form, if applicable, under National Instrument 51-102 *Continuous Disclosure Obligations*,
 - (B) a certificate under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* in respect of its "annual filings" as that term is defined under that instrument;
 - (b) the end of the venture issuer's applicable interim period for the purpose of determining whether it is required to file
 - (i) an interim financial report and associated management's discussion and analysis under National Instrument 51-102 *Continuous Disclosure Obligations*,
 - (ii) a certificate under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* in respect of its "interim filings" as that term is defined under that instrument;
 - (c) the end of the venture issuer's applicable mid-year period for the purpose of determining whether it is required to file a mid-year report under this instrument;
 - (d) the end of the most recently completed financial year for the purpose of determining whether it is required to file an information circular
 - (i) under this instrument, or
 - (ii) under National Instrument 51-102 *Continuous Disclosure Obligations*;
 - (e) the acquisition date for the purpose of determining whether it is required to file
 - (i) a report of material change, material related entity transaction or major acquisition under this instrument, or

- (ii) a report in Form 51-102F4 *Business Acquisition Report* under National Instrument 51-102 *Continuous Disclosure Obligations*;
- (f) the date of the material change for the purpose of determining whether it is required to file
 - (i) a report of material change, material related entity transaction or major acquisition under this instrument, or
 - (ii) a report in Form 51-102F3 *Material Change Report* under National Instrument 51-102 *Continuous Disclosure Obligations*.
- (3) Despite subsection (1), paragraph 35(1)(d) applies to an issuer that was a venture issuer but has ceased to be a venture issuer.
- (4) In this section, “designated venture market” means the Alternative Investment Market of the London Stock Exchange, the PLUS-SX market operated by PLUS Markets Group, plc, the NZAX Market of the New Zealand Stock Exchange, the Risk Capital Segment of the Segmento de Capital de Riesgo de la Bolsa de Valores de Lima, the NASDAQ *OMX* First North, the Bolsa de Valores de Colombia or other exchange, quotation and trade reporting system or other market that has been recognized or designated by the securities regulatory authority or regulator for the purpose of this instrument.

Guidance:

- (1) *The SEC website provides a list that identifies each exchange registered as a “national securities exchange”. See <http://www.sec.gov/divisions/marketreg/mrechanges.shtml>*
- (2) *In determining whether or not a venture issuer’s securities are listed or quoted on a “marketplace” outside of Canada or the United States, consider whether the securities are “listed or quoted”, as opposed to merely admitted for trading. Refer to the definition of “marketplace”.*
- (3) *Subsection 3(4) authorizes securities regulatory authorities to designate a market as a designated venture market. Refer to CSA Notice ■ for a current list of such markets.*

PART 2 DISCLOSURE OBLIGATIONS

Guidance:

- (1) *Generally, securities legislation in each of the jurisdictions prohibits a venture issuer from making a statement that is a misrepresentation or otherwise, in a material respect and at the time and in light of the circumstances, is false or misleading or fails to state a fact that is either required to be stated or that is necessary to make another statement not misleading. These prohibitions can apply in a number of circumstances and may differ somewhat among jurisdictions. Some examples include if the statement*
- (a) *could reasonably be expected to have a significant effect on the market price or value of the securities,*
 - (b) *is made to securities regulatory authorities or is in a document provided to securities regulatory authorities, or*
 - (c) *is made in connection with activities or oral or written communications, by or on behalf of an issuer that promote or reasonably could be expected to promote the purchase or sale of securities of the issuer.*

Breaching these provisions can lead to a variety of sanctions including, in some circumstances, fines and imprisonment.

- (2) *Directors and officers of a venture issuer can also be held liable for false or misleading statements if they authorize, acquiesce to or permit the statements. Directors and officers will therefore want to exercise diligence with respect to the accuracy and completeness of the disclosure made or authorized by the venture issuer.*

PART 3 GOVERNANCE RESPONSIBILITIES

4. Conflicts of Interest and Material Related Entity Transactions

The board of directors of a venture issuer must take steps reasonably designed to ensure that they are made aware of and have an opportunity to discuss and consider in a timely fashion, having regard to the best interests of the venture issuer, the following:

- (a) each conflict of interest between the venture issuer and any of its directors or executive officers;
- (b) each proposed material related entity transaction and the consideration to be paid or received by the venture issuer.

Guidance:

The board of directors should develop the policies and processes that it thinks are appropriate to accomplish the purposes described in section 4.

Boards might wish to consider having policies and processes in place that:

- (a) are implemented through written corporate policies or by way of conditions of employment or retention included as part of employment and consulting agreements;*
- (b) describe the circumstances under which directors and executive officers of the venture issuer would be expected to disclose conflicts of interest to the board of directors;*
- (c) describe the circumstances under which directors and executive officers would be expected to disclose proposed material related entity transactions to the board;*
- (d) assist the board in determining whether directors and executive officers are aware of the venture issuer's policies on conflicts of interest and material related entity transactions;*
- (e) describe what disclosure and reporting to the board is expected and when it is required in order to ensure the board of directors gets sufficient information and has an opportunity to consider the nature, effect and significance of the actual or perceived conflict of interest or material related entity transaction; and*
- (f) the process the board would use to review and assess the disclosure and reporting it has received.*

5. Audit Committees

- (1) The board of directors of a venture issuer must appoint an audit committee composed of at least three directors a majority of whom are not executive officers or employees of the venture issuer or an affiliated entity of the venture issuer.
- (2) The audit committee of a venture issuer must do each of the following:
 - (a) oversee the selection and appointment of an auditor;
 - (b) oversee the performance of services provided to the venture issuer by the auditor and the auditor's relationship with the venture issuer's management, including by doing each of the following

- (i) monitor the services provided by the auditor which are beyond the scope of the venture issuer's audit and the amount of fees charged for those services relative to the fees charged for the audit services,
 - (ii) meet annually with the auditors, independent of the executive officers of the venture issuer, before the board of directors review and approval of the annual financial statements, to determine whether there have been any disagreements or contentious issues between the auditor and the venture issuer's executive officers relating to the venture issuer's disclosure and whether those issues have been resolved to the satisfaction of the auditor,
 - (iii) meet with the auditor at such other times as reasonably necessary,
 - (iv) review and approve the hiring policies regarding employees, and consultants, previously employed by the venture issuer's auditor;
- (c) before filing or disclosure, review the annual financial statements, the auditor's report relating to those annual financial statements and the associated MD&A contained in the annual report, and make a recommendation to the board of directors regarding whether to approve that disclosure;
- (d) before filing or disclosure, review the mid-year interim financial report and associated MD&A contained in the mid-year report and either, if authorized to do so, approve that disclosure or make a recommendation to the board of directors regarding whether to approve that disclosure;
- (e) before filing or disclosure, review each interim financial report prepared for an optional interim period and either, if authorized to do so, approve that disclosure or make a recommendation to the board of directors regarding whether to approve that disclosure;
- (f) before filing or disclosure, review each news release if it contains financial information derived from annual financial statements, a mid-year interim financial report or an interim financial report for an optional interim period;
- (g) establish procedures reasonably designed to ensure each of the following
- (i) they receive, have an opportunity to consider and address and keep a record of each complaint or concern regarding questionable accounting, internal accounting controls and auditing matters,
 - (ii) complaints and concerns can be submitted to a non-management member of the audit committee or another individual designated by the audit committee who is not a member of management or a family member of management,

- (iii) that employees and consultants of the venture issuer can submit such complaints or concerns on a confidential and no-names basis.

Guidance:

Subsection 7(3) requires that the board of directors approve the annual report. Subsection 9(3) requires that either the board of directors or the audit committee approve the mid-year report and subsection 13(2)(b) requires that either the board of directors or the audit committee approve an interim financial report prepared for an optional interim period.

6. Trading Policies

A venture issuer must take steps reasonably designed to become aware of and to deter or prevent each person or company that is in a special relationship with the venture issuer, when they have knowledge of a material fact or material change with respect to the venture issuer that has not been generally disclosed, from

- (a) buying or selling or otherwise entering into a transaction with respect to a prescribed security,
- (b) except as necessary in the course of business, informing (“tipping”) another person or company of the material fact or material change, and
- (c) recommending or encouraging another person or company to buy, sell or otherwise enter into a transaction with respect to a prescribed security.

Guidance:

(1) *Policies and procedures that could significantly assist the board of directors in complying with the obligation in section 6 include those that:*

- (a) *are designed to ensure directors, executive officers, employees and consultants are aware of the venture issuer’s trading policies and the securities law prohibitions on insider trading, tipping and recommending, when a person or company is in possession of undisclosed material information;*
- (b) *identify persons or companies who typically have access to undisclosed material information;*
- (c) *establish certain black-out periods during which trading by persons or companies with access to undisclosed material information is prohibited, for example, during the preparation of and for some specified period (perhaps 2 trading days) after filing of the annual report, mid-year report or a news release containing material information;*
- (d) *establish procedures for limiting the persons or companies who have access to undisclosed material information before it is properly disclosed; and*

(e) *implement procedures to enable the board and management to become aware on a timely basis that undisclosed material information exists or is expected to become known within the venture issuer so that steps can be taken promptly to deal with it appropriately.*

Policies and processes can be implemented in a variety of ways, for example, by formally adopting corporate policies or by including them as terms of employment and consulting agreements.

Part 5 of National Policy 51-201 Disclosure Standards provides guidance on establishing corporate disclosure policies and insider trading policies and other useful disclosure practices.

(2) *Part 3 of National Policy 51-201 Disclosure Standards provides additional guidance on the meanings of the term “special relationship” and the phrase “necessary course of business”. Part 4 of that policy provides guidance on assessing materiality.*

PART 4 PERIODIC DISCLOSURE

7. Approval and Filing of Annual Report

- (1) A venture issuer must file an annual report for each financial year ended after becoming a venture issuer.
- (2) A report referred to in subsection (1) must be filed on or before the 120th day after the end of its most recently completed financial year.
- (3) The board of directors of the venture issuer must approve the annual report before it is filed.

Guidance:

Under subsection 5(2)(c), the audit committee is required to first make a recommendation to the board of directors regarding whether to approve the annual financial statements, applicable auditor’s report and associated MD&A forming part of the annual report.

8. Annual Report and Annual Financial Statements

- (1) A venture issuer must prepare an annual report in accordance with Form 51-103F1 *Annual and Mid-Year Reports*.
- (2) A venture issuer’s annual report must contain financial statements that
 - (a) include a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for
 - (i) the most recently completed financial year, and

- (ii) the financial year immediately preceding the most recently completed financial year, if any;
 - (b) if the venture issuer presents the components of profit or loss in a separate income statement, display the separate income statement immediately before the statement of comprehensive income filed under paragraph (a);
 - (c) include a statement of financial position as at the end of each of the periods referred to in paragraph (a);
 - (d) include a statement of financial position as at the beginning of the financial year immediately preceding the most recently completed financial year in the case of a venture issuer that discloses in its annual financial statements an unreserved statement of compliance with IFRS and that
 - (i) applies an accounting policy retrospectively in its annual financial statements,
 - (ii) makes a retrospective restatement of items in its annual financial statements, or
 - (iii) reclassifies items in its annual financial statements,
 - (e) in the case of a venture issuer's "first IFRS financial statements", as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, include the opening IFRS statement of financial position at the "date of transition to IFRSs", as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, and
 - (f) include notes to the annual financial statements.
- (3) The annual financial statements contained in the annual report must be audited.
- (4) The CEO and CFO of the venture issuer must certify the annual report as set out in Form 51-103F1 *Annual and Mid-Year Reports*.
- (5) If a venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, the venture issuer must comply with Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations* as if it were a senior unlisted issuer to which that instrument applies and include the disclosure required by Part 10 of that instrument in the annual report.

Guidance:

- (1) *Form 51-103F1 Annual and Mid-Year Reports requires that the venture issuer's annual financial statements and the associated auditor's report be included in the annual report. The annual report must also be certified by the CEO and CFO.*
- (2) *Because the definition of annual financial statements in this instrument includes both the financial statements for the most recently completed financial year and the corresponding financial statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include audited financial statements for the 2 most recently completed financial years.*
- (3) *Canadian GAAP applicable to publicly accountable enterprises provides an issuer 2 alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of paragraphs 8(2)(b) and 10(2)(b) of this instrument.*

9. Approval and Filing of Mid-Year Report

- (1) A venture issuer must file a mid-year report for each mid-year period ended after becoming a venture issuer.
- (2) A report referred to in subsection (1) must be filed on or before the 60th day after the end of its most recently completed mid-year period.
- (3) The board of directors or the audit committee of the venture issuer must approve the mid-year report before it is filed.

10. Mid-Year Report and Mid-Year Interim Financial Report

- (1) A venture issuer must prepare its mid-year report in accordance with Form 51-103F1 *Annual and Mid-Year Reports*.
- (2) A venture issuer's mid-year report must contain a mid-year interim financial report that
 - (a) includes a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for
 - (i) the most recent mid-year period, and
 - (ii) the mid-year period in the immediately preceding financial year, if any;
 - (b) if the venture issuer presents the components of profit or loss in a separate income statement, displays the separate income statement immediately before the statement of comprehensive income filed under paragraph (a);

- (c) includes a statement of financial position as at the end of each of
 - (i) the period referred to in paragraph (a)(i), and
 - (ii) the immediately preceding financial year
 - (d) in the case of a venture issuer's mid-year interim financial report in the year of adopting IFRS, includes the opening IFRS statement of financial position at the "date of transition to IFRSs," as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, and
 - (e) includes notes to the mid-year interim financial report.
- (3) The CEO and CFO of the venture issuer must certify the mid-year report as set out in Form 51-103F1 *Annual and Mid-Year Reports*.

Guidance:

- (1) *A mid-year report is required to be prepared in Form 51-103F1 Annual and Mid-Year Reports. It is required to include the venture issuer's mid-year interim financial report and certain additional information, including MD&A. It is required to be certified by the venture issuer's CEO and CFO.*
- (2) *Mid-year interim financial reports are interim financial reports as that term is defined in Canadian GAAP applicable to publicly accountable enterprises. The term "interim financial report" is the term used under IFRS to refer to what was previously called "interim financial statements".*

11. First Annual Financial Statements and Mid-Year Interim Financial Reports After Becoming a Reporting Issuer

- (1) Despite any other provision of this Part, a venture issuer must file annual financial statements and an interim financial report for each annual and mid-year period immediately following the periods covered by the financial statements and interim financial reports of the venture issuer in the document filed
 - (a) that resulted in the venture issuer becoming a reporting issuer, or
 - (b) in respect of a transaction that resulted in the venture issuer becoming a reporting issuer.
- (2) If subsection (1) requires a venture issuer to file annual financial statements or an interim financial report for a period that ended on or before the date the venture issuer became a reporting issuer, those must be filed by the later of
 - (a) in the case of annual financial statements,

- (i) the 20th day after the venture issuer became a reporting issuer,
 - (ii) the filing deadline in subsection 7(2).
- (b) in the case of an interim financial report,
 - (i) the 10th day after the venture issuer became a reporting issuer,
 - (ii) the filing deadline in subsection 9(2).
- (3) A venture issuer is not required to provide comparative financial information for mid-year periods that ended before the venture issuer became a reporting issuer if all of the following apply:
 - (a) the board of directors or audit committee, acting reasonably, determines that it is impracticable to present prior-period information on a basis consistent with the requirements for an interim financial report,
 - (b) the prior-period information that is available is presented,
 - (c) the notes to the interim financial report disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial report.
- (4) Annual financial statements filed under this Part must be audited.

Guidance:

- (1) *Section 11 is intended to provide investors with access to the current financial history of the venture issuer by requiring venture issuers to file financial statements for all annual periods and interim financial reports for all mid-year periods that ended after the periods that are covered by the financial statements and interim financial reports which were included in the prospectus, information circular or other document that was filed in connection with the venture issuer becoming a reporting issuer.*
- (2) *Securities regulatory authorities are of the view that it is only “impracticable to present prior-period information” if the venture issuer has made every reasonable effort to present prior-period information on a basis consistent with the interim financial report. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not for reasons related solely to the cost or the time involved in preparing the interim financial report.*

12. Delivery Options for an Annual Report or Mid-Year Report

A venture issuer must send its annual report and mid-year report to each registered securityholder using one or any combination of the following methods:

- (a) the method set out in section 4.6 of National Instrument 51-102 *Continuous Disclosure Obligations* as if the venture issuer were a senior unlisted issuer to which that instrument

applies;

- (b) a method to which the registered securityholder consents;
- (c) a method that satisfies all of the following:
 - (i) the venture issuer must issue a news release disclosing the filing of each annual report and mid-year report as soon as reasonably practicable, and in any event within 3 business days of the filing,
 - (ii) the news release must do each of the following
 - (A) provide the address of the SEDAR website and the specific address and/or a link to the specific page on another website, at which the annual report or mid-year report, as applicable, can be viewed electronically,
 - (B) disclose that a registered securityholder may request from the venture issuer a copy of the most recently filed annual report or mid-year report, as applicable, free of charge,
 - (C) disclose contact details including at least a toll-free phone number, which may be a number that permits collect calls, through which the request can be made,
 - (iii) if a registered securityholder of the venture issuer requests a copy of an annual report or mid-year report, the venture issuer must send the most recently filed annual report or mid-year report, as applicable, to the registered securityholder, without charge, as soon as reasonably practicable following the request and, in any event, within three business days of the request by either
 - (A) sending a paper copy by pre-paid mail, courier or another method that provides delivery within an equivalent time period,
 - (B) any other method to which the registered securityholder consents.

Guidance:

- (1) *Section 12 of this instrument permits use of a notice and access system as an alternative to mailing the annual report or mid-year report. However, applicable corporate law or the legal documents creating or establishing the issuer may impose a requirement that the annual financial statements be placed before or sent to the securityholders.*
- (2) *This instrument only addresses the notification and delivery requirements for registered securityholders. National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer addresses delivery obligations with respect to beneficial securityholders.*

(3) *References to “interim financial report” and “interim MD&A” as used in section 4.6 of National Instrument 51-102 Continuous Disclosure Obligations mean, in the context of this instrument, the mid-year report.*

13. Interim Financial Reports for Optional Interim Periods

- (1) If the board of directors of a venture issuer decides to file an interim financial report for an optional interim period, the venture issuer must, on or before the end of the first optional interim period for which they intend to file an interim financial report, issue and file a news release disclosing the decision and indicating the first optional interim period for which an interim financial report will be filed.
- (2) If a venture issuer files an interim financial report for an optional interim period
 - (a) it must file it on or before the 60th day after the end of the optional interim period,
 - (b) the board of directors or the audit committee of the venture issuer must approve the interim financial report before it is filed,
 - (c) if an auditor has not performed a review of the interim financial report, the interim financial report must include a notice stating that fact,
 - (d) if an auditor was engaged to perform a review of the interim financial report and
 - (i) the auditor was unable to complete the review, a notice must be filed with the interim financial report disclosing that fact and the reasons for the inability to complete the review,
 - (ii) there was any reservation of opinion in the auditor’s interim review report, the interim review report must be filed with the interim financial report.
- (3) If a venture issuer has filed an interim financial report for an optional interim period the venture issuer must file the following additional interim financial reports for each of the following optional interim periods:
 - (a) if the first interim financial report filed was for the period commencing on the first day of the financial year ending 9 months before the venture issuer’s financial year end, the next 3 optional interim periods;
 - (b) if the first interim financial report filed was for the period commencing on the first day of the financial year and ending 3 months before the venture issuer’s financial year end, the next 4 optional interim periods.
- (4) If the board of directors of a venture issuer that has filed an interim financial report for an optional interim period decides to cease filing interim financial reports for optional interim periods then, on or before the last day of the financial year immediately preceding

the financial year that the venture issuer will cease filing interim financial reports for optional interim periods, the venture issuer must issue and file a news release disclosing its intention to cease filing interim financial reports for optional interim periods and indicating the last optional interim period for which an interim financial report will be filed.

- (5) Subsections (1) through (4) do not apply to a venture issuer if the only interim financial reports for optional interim periods that were filed were filed with either a prospectus, or an information circular prepared in connection with a restructuring transaction or major acquisition.

Guidance:

- (1) *National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards requires that, subject to certain exceptions, all financial statements (which is defined in that instrument to include interim financial reports) “filed” be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and disclose*
- (a) *in the case of annual financial statements, an unreserved statement of compliance with IFRS*
 - (b) *in the case of an interim financial report, an unreserved statement of compliance with International Accounting Standard 34 Interim Financial Reporting, as amended from time to time.*
- Annual financial statements and interim financial reports (including those filed for an optional interim period) must comply with that instrument.*
- (2) *This instrument does not require that interim financial reports prepared for an optional interim period be mailed to shareholders.*
- (3) *This instrument does not require that interim financial reports prepared for an optional interim period be accompanied by MD&A or a certificate of the CEO or CFO. However, the interim financial report and any accompanying discussion, analysis or other narrative are subject to the statutory prohibitions against misrepresentations.*
- (4) *The purpose of subsection (4) is to ensure that venture issuers announce the decision to cease filing interim financial reports for optional interim periods prior to the end of the financial year in which the venture issuer will file its last interim financial report for an optional interim period.*

PART 5 PROXY SOLICITATION AND INFORMATION CIRCULARS

14. Requirements for Proxy Form and Information Circular

- (1) If management of a venture issuer gives notice to registered securityholders of a meeting of securityholders, management must, at or before the time of giving that notice, send to each registered securityholder who is entitled to notice of the meeting
 - (a) a proxy form, and
 - (b) an information circular.
- (2) If a person or company, other than management of a venture issuer, solicits proxies from registered securityholders of a venture issuer, the person or company must, at or before the time of solicitation, send to each registered securityholder of the venture issuer, other than itself, whose proxy is solicited, an information circular.
- (3) A proxy form required to be filed or sent under this Part must comply with Form 51-103F3 *Proxy Form*.
- (4) An information circular required to be filed or sent under this Part must comply with Form 51-103F4 *Information Circular*.
- (5) A person or company required to send a document under this Part, must promptly file
 - (a) a copy of that document, and
 - (b) all other material sent to registered securityholders in connection with the applicable meeting.

15. Delivery Options for Proxy Form

A person or company required to send a proxy form to a registered securityholder under this Part must use one or any combination of the following methods:

- (a) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period,
- (b) any delivery method to which that registered securityholder consents.

16. Delivery Options for Information Circular and Proxy Related Material

- (1) A person or company required to send an information circular or any other proxy related material to a registered securityholder under this Part must use one or any combination of the following methods:

- (a) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period,
- (b) a method to which the registered securityholder consents,
- (c) a method that satisfies the following:
 - (i) at least 30 days before the date fixed for the meeting, send, at no cost to a registered securityholder, in one of the methods described in paragraphs (a) or (b), a document (the “access document”) containing all of the following information, and no other information:
 - A. the date, time and location of the venture issuer’s securityholder meeting,
 - B. a factual description of each matter or group of related matters identified in the form of proxy to be voted on,
 - C. the website address other than the address for SEDAR, where the proxy-related materials are located,
 - D. a reminder to review the information circular before voting,
 - E. an explanation of how to obtain a paper copy of the information circular from the person or company, and
 - F. a document in plain language that explains notice and access and includes the following information:
 - (I) why the venture issuer is using notice-and-access,
 - (II) if the venture issuer is using stratification, as defined in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, which registered holders or beneficial owners are receiving paper copies of the information circular,
 - (III) the date and time by which a request for a paper copy of the information circular should be received in order for the requester to receive the information circular in advance of any deadline for the submission of voting instructions and the date of the meeting,
 - (IV) an explanation of how to return voting instructions, including any deadline for return of such instructions,

- (V) the page numbers of the information circular where disclosure regarding each matter or group of related matters identified in the notice in clause (i)B can be found,
 - (VI) a toll-free telephone number the beneficial owner can call to ask questions about notice-and-access,
- (ii) in the case of a solicitation by or on behalf of management of the venture issuer, at least 30 days before the date fixed for the meeting, issue a news release containing all of the following:
 - A. the information required in the access document;
 - B. if management is using the procedures in this paragraph only in respect of certain registered securityholders, an explanation of this decision;
- (iii) from the day the person or company soliciting proxies sends the documents required by paragraph (a) until at least the date of the meeting for which proxies are being solicited
 - A. provide public electronic access, to the extent reasonably practicable, through a website, other than SEDAR, to the information circular and all other proxy-related material in a format that permits a person or company with a reasonable level of computer skill and knowledge to access, read, search, download and print the document,
 - B. maintain a toll-free telephone number that can be used by registered securityholders to request a paper copy of the information circular and other proxy-related materials;
- (iv) if a request is received by a registered securityholder for a paper copy of the information circular or other proxy-related materials, send the information circular or other proxy-related materials, as applicable, to the registered securityholder in a method described in paragraph (a) or (b) no later than three business days after the request is received;
- (v) in the case of a solicitation by or on behalf of management of a venture issuer, where management sends paper copies of the information circular to other registered securityholders, send the paper copies to those other registered securityholders on the same day as they are sent under paragraph (a).

- (2) A venture issuer that uses the notice and access procedures in subsection (1)(c) to send proxy-related materials to a registered securityholder must do the following not more than 6 months and not less than 3 months before the expected date for the first meeting for which proxy-related materials will be sent by notice and access:
 - (a) post on a website that is not SEDAR a document in plain language that explains the notice and access procedures,
 - (b) issue a news release stating that the venture issuer intends to use notice and access procedures to deliver proxy-related materials and providing the website address where the document in paragraph (i) is posted.

Guidance:

- (1) *Section 16 of this instrument permits use of a notice and access system as an alternative to mailing an information circular. However, applicable corporate law or constating documents may impose a mailing requirement.*
- (2) *This instrument only addresses the notification and delivery requirements for registered securityholders. National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer addresses delivery obligations with respect to beneficial securityholders.*

17. Dissident Proxy Solicitation Exemption

- (1) Despite subsection 14(2), a person or company, other than management of a venture issuer or a person or company acting on behalf of management, may solicit proxies from registered securityholders of a venture issuer without sending an information circular if
 - (a) the solicitation is made to the public by broadcast, speech or publication, in a manner legally permitted by the laws under which the venture issuer is incorporated, organized or continued,
 - (b) in the case of a solicitation that occurs in connection with a restructuring transaction,
 - (i) the following information is contained in the broadcast, speech or publication:
 - A. the name and address of the venture issuer to which the solicitation relates,
 - B. the information required by sections 7 and 21(2) and (4) of Form 51-103F4 *Information Circular*,

- C. whether the person or company giving a proxy has the right to revoke it and, if so, a description of any limitations on or conditions to the right to revoke,
 - D. a statement identifying the document referred to in paragraph (b)(ii)A and indicating that it is or will be available at www.sedar.com,
- (ii) all of the following documents are filed:
- A. a document containing the information required by subparagraphs (b)(i)A, B and C,
 - B. any information required to be disclosed or sent to securityholders by the laws under which the venture issuer is incorporated, organized or continued,
 - C. any communication to be published or sent to securityholders, or
- (c) in the case of a solicitation that occurs in connection with the nomination of a director,
- (i) a document containing the information required by Part 4 of Form 51-103F4 *Information Circular* is filed,
 - (ii) the broadcast, speech or publication indicates that the solicitation is made in connection with the nomination of a director, identifies the document in paragraph (c)(i) and indicates that it is or will be available at www.sedar.com.
- (2) A solicitation under section (1) will not be considered to be made to the public unless it is disseminated in a manner calculated to be reasonably effective in reaching the market for the venture issuer's voting securities by way of one or more of the following:
- (a) a speech in a public forum that is generally accessible;
 - (b) a news release, statement or advertisement provided through a news wire, broadcast medium, magazine or newspaper of general and widespread circulation, telephone conference call, webcast or similar communication facility that is generally accessible.
- (3) Subsection (1) does not apply to a person or company that is proposing, at the time of the solicitation, a transaction that would be a restructuring transaction or major acquisition, that would involve the venture issuer and the person or company or an affiliated entity of the person or company, if in relation to the transaction the securities of the person or

company, or securities of an affiliated entity of the person or company, are to be changed, exchanged, issued or distributed unless

- (a) the person or company has filed an information circular or other document containing the information required by Form 51-103F4 *Information Circular* in respect of either or both of the transactions, and
 - (b) the solicitation refers to that information circular or other document and discloses that the information circular or other document is available on SEDAR.
- (4) Subsection (1) does not apply to a person or company that is nominating or proposing to nominate, at the time of the solicitation, an individual, including him or herself, for election as a director of the venture issuer unless
- (a) the person or company has filed an information circular or other document containing the information required by of Form 51-103F4 *Information Circular* in respect of the proposed nominee, and
 - (b) the solicitation refers to that information circular or other document and discloses that the information circular or other document is available on SEDAR.

Guidance:

The definition of solicit and solicitation in this instrument may differ from applicable corporate law or the issuer's constating documents. For example, corporate law may impose additional obligations or restrictions on persons or companies soliciting proxies in connection with a dissident information circular.

18. Other Solicitation Exemptions

- (1) Section 14(2) does not apply if the total number of securityholders whose proxies are solicited is not more than 15 where joint registered securityholders are counted as a single registered securityholder.
- (2) Sections 14 to 17 do not apply to a venture issuer, or a person or company that solicits proxies from registered securityholders if
 - (a) the venture issuer or other person or company complies with the requirements of the laws relating to solicitation of proxies under which the venture issuer is incorporated, organized or continued,
 - (b) those requirements are substantially similar to the requirements of this Part, and
 - (c) the venture issuer or other person or company promptly files a copy of each form of proxy, information circular or other document that contains substantially similar disclosure, sent by the person or company in connection with the meeting.

PART 6 MATERIAL CHANGES, MATERIAL RELATED ENTITY TRANSACTIONS AND MAJOR ACQUISITIONS

19. Disclosure of Material Changes, Material Related Entity Transactions and Major Acquisitions

A venture issuer must immediately issue and file a news release authorized by an executive officer disclosing any of the following

- (a) a material change,
- (b) a material related entity transaction,
- (c) a decision to implement a material related entity transaction made either
 - (i) by the board of directors of the venture issuer,
 - (ii) by senior management of the venture issuer who believe that confirmation of the decision by the board of directors is probable,
- (d) the closing of a major acquisition.

20. Contents of Report of Material Change, Material Related Entity Transaction or Major Acquisition

- (1) Upon the occurrence of any of the events referred to in section 19, a venture issuer must prepare and file a report either
 - (a) in accordance with Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*, or
 - (b) as a news release that
 - (i) contains the information required by Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*, other than that relating to a prior news release, and
 - (ii) in the title of the news release identifies whether the report is a report of a material change, material related entity transaction or major acquisition.

Guidance:

If a report of material change, material related entity transaction or major acquisition is prepared in the form of a news release under paragraph 20(1)(b) and filed in the SEDAR category for reports of material change, material related entity transaction or major acquisition, it does not need to also be filed as a news release. However, the reverse is not true. If a report of material change, material related entity transaction or major acquisition is prepared in the form of a news release it is not sufficient to file it only in the SEDAR category for news releases. The

news release must also be filed in the SEDAR category for reports of material change, material related entity transaction or major acquisition.

- (2) A report filed pursuant to subsection (1) in respect of the closing of a major acquisition must include, or incorporate by reference, the financial statements and interim financial report for the business or related businesses required by section 22.

21. Filing Deadline for Report of Material Change, Material Related Entity Transaction or Major Acquisition

- (1) As soon as practicable but in any case by the 10th day after any of the events referred to in section 19, a venture issuer must file a report of material change, material related entity transaction or major acquisition, disclosing the event.
- (2) Despite subsection (1), the venture issuer may file the financial statements or interim financial report for a major acquisition either
 - (a) within 75 days after the acquisition date, or
 - (b) if the most recently completed financial year of the acquired business ended 45 days or less before the acquisition date, within 120 days after the acquisition date.

22. Financial Statement Requirements for a Major Acquisition

- (1) A report filed under section 20 in respect of the closing of a major acquisition must include, or incorporate by reference, each of the following for each business or related business:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the following periods
 - (i) if the business has completed one financial year
 - A. the most recently completed financial year ended on or before the acquisition date,
 - B. the financial year immediately preceding the most recently completed financial year, if any,
 - (ii) if the business has not completed one financial year, the financial period commencing on the date of formation and ending on a date not more than 45 days before the acquisition date;
 - (b) a statement of financial position as at the end of each of the periods specified in paragraph (a);

- (c) notes to the financial statements.
- (2) The most recently completed financial period referred to in subsection (1) must be audited.
- (3) A report filed under section 20 in respect of the closing of a major acquisition must include, or incorporate by reference, interim financial reports for each business or related business for each of the following:
 - (a) the most recently completed mid-year period, or other period, that started the day after the date of the statement of financial position specified in paragraph (1)(b) and ended
 - (i) in the case of a mid-year period, before the acquisition date, or
 - (ii) in the case of a period other than a mid-year period, after the mid-year period referred to in subparagraph (i) and on or before the acquisition date; and
 - (b) a comparable period in the preceding financial year of the business.
- (4) If a venture issuer relies on the exemption in subsection 21(2) to file annual financial statements required under subsection (1) or an interim financial report required under subsection (3), the financial statements and interim financial report, as applicable, must be accompanied by a notice that discloses each of the following
 - (a) a title stating “Addendum to Report of Material Change, Material Related Entity Transaction or Major Acquisition”;
 - (b) the fact that the annual financial statements or interim financial report relate to a major acquisition and the acquisition date;
 - (c) the date of the report of material change, material related entity transaction or major acquisition to which they relate.
- (5) This section does not apply to a restructuring transaction.

Guidance:

Section 5 of Form 51-103F2 Report of Material Change, Material Related Entity Transaction or Major Acquisition requires that if information is incorporated by reference into a report that information must be filed by the venture issuer under its filer profile for SEDAR.

23. Contents of Mid-Year Interim Financial Report - Canadian GAAP Applicable to Private Enterprises

If a venture issuer is required under subsection 22(3) to include an interim financial report in a report of material change, material related entity transaction or major acquisition and the interim

financial report for the business or related business acquired is prepared in accordance with Canadian GAAP applicable to private enterprises, as permitted under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, the interim financial report must include each of the following:

- (a) a balance sheet as at the end of the mid-year period and a balance sheet as at the end of the immediately preceding financial year, if any;
- (b) an income statement, a statement of retained earnings and a cash flow statement, all for the mid-year period, and comparative financial information for the corresponding mid-year period in the immediately preceding financial year, if any;
- (c) notes to the interim financial report.

24. Financial Statements for Related Businesses

If a venture issuer is required under section 22 to include financial statements for more than one business because a major acquisition involves an acquisition of related businesses, the financial statements required must be presented separately for each business, except for the periods during which the businesses have been under common control or management, in which case the venture issuer may present the financial statements of the businesses on a combined basis.

25. Exemption for Major Acquisitions Accounted for Using the Equity Method

A venture issuer is exempt from section 22 if

- (a) the acquisition is, or will be, of an equity investee;
- (b) the report of material change, material related entity transaction or major acquisition includes disclosure for the periods for which financial statements are otherwise required under subsection 22(1) that
 - (i) summarizes financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and
 - (ii) describes the venture issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the venture issuer's share of profit or loss;
- (c) the financial information provided under paragraph (b) for the most recently completed financial year
 - (i) has been derived from audited financial statements of the equity investee; or
 - (ii) has been audited; and
- (d) the report of material change, material related entity transaction or major acquisition

- (i) identifies the financial statements referred to in subparagraph (c)(i) from which the disclosure provided under paragraph (b) has been derived; or
- (ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and
- (iii) discloses that the auditor expressed an unmodified opinion with respect to the financial statements referred to in subparagraph (i) or the financial information referred to in subparagraph (ii).

26. Exemption for Major Acquisitions if Financial Year End Changed

If under section 22 a venture issuer is required to provide financial statements for a business acquired and the business changed its financial year end during either of the financial years required to be included, the venture issuer may include financial statements for the transition year in satisfaction of the financial statements for one of the years, provided that the transition year is at least 9 months.

27. Exemption from Comparatives if Mid-Year Interim Financial Report Not Previously Prepared

A venture issuer is not required to provide comparative information for an interim financial report required under subsection 22(3) for a business acquired if

- (a) to a reasonable person it is impracticable to present prior-period information on a basis consistent with the most recently completed mid-year period of the acquired business;
- (b) the prior-period information that is available is presented; and
- (c) the notes to the interim financial report disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent mid-year financial information.

Guidance:

Securities regulatory authorities are of the view that it is only “impracticable to present prior-period information” if the venture issuer has made every reasonable effort to present prior-period information on a basis consistent with the interim financial report. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not for reasons related solely to the cost or the time involved in preparing the financial statements or interim financial report.

28. Exemption for Multiple Investments in the Same Business

Despite section 22, a venture issuer is exempt from the requirements to include, or incorporate by reference, financial statements and interim financial reports, as applicable, for an acquired business in a report of material change, material related entity transaction or major acquisition if the venture issuer has made multiple investments in the same business and the acquired business has been consolidated in the venture issuer's most recent annual financial statements that have been filed.

29. Exemption for an Acquisition of an Interest in an Oil and Gas Property

- (1) A venture issuer is exempt from the requirements in section 22 if
 - (a) the major acquisition is an acquisition of a business that is an oil and gas property or related businesses that are interests in oil and gas properties and that is not of securities of another issuer;
 - (b) the venture issuer is unable to provide the financial statements or interim financial reports in respect of the major acquisition required under section 22, or as otherwise permitted by sections 23, 25, 26, 27 or 28 because those financial statements or interim financial reports, as applicable, do not exist or because the venture issuer does not have access to those financial statements or interim financial reports, as applicable;
 - (c) the acquisition does not constitute a reverse takeover;
 - (d) subject to subsection (2), in respect of the business or related businesses, for each of the financial periods for which financial statements or an interim financial report, as applicable, would, but for this section, be required under section 22, or as otherwise permitted by sections 23, 25, 26, 27 or 28, the report of material change, material related entity transaction or major acquisition includes each of the following
 - (i) an operating statement for the business or related businesses prepared in accordance with subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
 - (ii) a description of the property or properties and the interest acquired by the venture issuer;
 - (iii) disclosure of the annual oil and gas production volumes from the business or related businesses;
 - (e) the operating statement for the most recently completed financial period referred to in subsection 22(1) is audited; and

- (f) the report of material change, material related entity transaction or major acquisition discloses each of the following
 - (i) the estimated reserves and related future net revenue attributable to the business or related businesses, the material assumptions used in preparing the estimates and the identity and relationship to the venture issuer or to the seller of the person who prepared the estimates;
 - (ii) the estimated oil and gas production volumes from the business or related businesses for the first year reflected in the estimates disclosed under subparagraph (i).
- (2) A venture issuer is exempt from the requirements of subparagraphs (1)(d)(i) and (iii), if each of the following applies:
 - (a) production, gross revenue, royalty expenses, production costs and operating income were nil for the business or related businesses for each financial period;
 - (b) the report of material change, material related entity transaction or major acquisition discloses this fact.

30. Disclosure and Financial Statements for a Restructuring Transaction

- (1) If a material change, material related entity transaction or major acquisition involves the closing of a restructuring transaction include, or incorporate by reference, in the report of material change, material related entity transaction or major acquisition information, including annual financial statements and interim financial reports, if applicable, as prescribed by section 17 of Form 51-103F4 *Information Circular*.
- (2) If a venture issuer relies on the exemption in subsection 21(2) to file annual financial statements required under subsection 22(1) or an interim financial report required under subsection 22(3), the financial statements and interim financial report, as applicable, must be accompanied by a notice that discloses each of the following
 - (a) a title stating “Addendum to Report of Material Change, Material Related Entity Transaction or Major Acquisition”;
 - (b) the fact that they relate to a major acquisition and the acquisition date;
 - (c) the date of the report of material change, material related entity transaction or major acquisition to which they relate.
- (3) Despite subsection (1) if disclosure for the restructuring transaction has been included in an information circular, a prospectus, a securities exchange takeover bid circular or other filed document, a venture issuer may comply with the disclosure requirements of this section by stating the name and date of that other document and that it is available on

SEDAR at www.sedar.com. The venture issuer must also include a statement that the applicable disclosure is incorporated by reference into the report of material change, material related entity transaction or major acquisition. If the other document is lengthy, the venture issuer must indicate the location of the relevant information in the other document.

Guidance:

Section 5 of Form 51-103F2 Report of Material Change, Material Related Entity Transaction or Major Acquisition requires that if information is incorporated by reference into a report that information must be filed by the venture issuer under its filer profile for SEDAR.

31. Confidential Report of Material Change

- (1) Despite sections 19 and 20, a venture issuer may temporarily delay generally disclosing a material change that is not a material related entity transaction, if
 - (a) the venture issuer immediately delivers the report required under section 21 marked to indicate that it is confidential, and
 - (b) either,
 - (i) in the opinion of the venture issuer, and if that opinion is arrived at in a reasonable manner, the disclosure required by section 19 would be unduly detrimental to the interests of the venture issuer, or
 - (ii) the material change consists of a decision to implement a change made by senior management of the venture issuer who believe that confirmation of the decision by the board of directors is probable, and senior management has no reason to believe that a person or company with knowledge of the material change has made use of that knowledge to buy or sell a prescribed security of the venture issuer.
- (2) If a venture issuer has filed a report under paragraph (1)(a), and the venture issuer believes the report should continue to remain confidential, the venture issuer must advise the securities regulatory authority or, except in Ontario and Québec, the regulator, in writing of this within 10 days of the date of filing of the initial report and every 10 days after that until either of the following applies
 - (a) the material change is generally disclosed as required under paragraph 19(a),
 - (b) if the material change consists of a decision of the type referred to in subparagraph (1)(c)(ii), until that decision has been rejected by the board of directors of the venture issuer.
- (3) If a report has been filed under paragraph (1)(a) and the venture issuer becomes aware of or has reasonable grounds to believe that a person or company with knowledge of the material change that has not been generally disclosed has bought or sold or is buying or

selling a prescribed security of the venture issuer, the venture issuer must promptly generally disclose the material change as required by sections 19 and 21.

PART 7 OTHER REQUIRED DISCLOSURE

32. Disclosure Made in Other Jurisdictions or Sent to Securityholders

- (1) A venture issuer must concurrently file any disclosure document, other than one filed in connection with a distribution, that contains material information that has not previously been filed if any one or more of the following applies:
 - (a) it sends it to its securityholders,
 - (b) it files it with a securities regulatory authority or regulator, in another province or territory,
 - (c) in the case of an SEC issuer, it files it with or furnishes it to the SEC under the 1934 Act, including material information filed as an exhibit to another document, that has not been included in a document already filed by the SEC issuer in a jurisdiction, or
 - (d) it files it with a foreign securities regulatory authority.
- (2) Despite subsection (1) if a concurrent filing is not reasonably practicable, the venture issuer must file the disclosure document as soon as it is reasonably practicable.

Guidance:

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards requires that, subject to certain exceptions, all financial statements and interim financial reports “filed” be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and, if required by securities legislation to be audited, must be audited in accordance with Canadian GAAS. Accordingly, if a financial statement, interim financial report and/or auditors’ report is required to be filed because of section 32 it must comply with National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

33. Change of Reporting Issuer Status or Name

- (1) An issuer must file a notice after each of the following circumstances:
 - (a) it becomes a reporting issuer, other than by filing a prospectus;
 - (b) it changes its name;
 - (c) it becomes a venture issuer;
 - (d) it ceases to be a venture issuer.

- (2) The notice required under subsection (1) must be filed as soon as practicable, and in any event not later than the deadline for the first filing required under this instrument following the change in circumstances referred to in subsection (1).
- (3) The notice required under subsection (1) must disclose each of the following:
 - (a) each of the circumstances under subsection (1) that apply to the issuer and any other party to a transaction that occurred in connection with the change of status or change of name;
 - (b) the significant terms of any transaction that occurred in connection with the change of status or change of name, including the names of the parties and the effective date of the transaction;
 - (c) if paragraph (1)(a) applies, each of the following,
 - (i) the date of the first financial year-end for the reporting issuer after becoming a reporting issuer,
 - (ii) the periods, including comparative periods, if any of the interim financial reports and annual financial statements required to be filed for the venture issuer's first financial year after becoming a reporting issuer,
 - (iii) the documents that were filed under this instrument describing the transaction and where those documents can be found on SEDAR.
- (4) This section does not apply if the venture issuer has disclosed the change of status or change of name as a material change under Part 6 and files a copy of the report of material change, material related entity transaction or major acquisition in the SEDAR category for changes in status.

Guidance:

If an issuer ceases or intends to cease to be a reporting issuer refer to CSA Staff Notice 12-307 Applications for a Decision that an Issuer is not a Reporting Issuer. If an issuer fails to file the applicable notice, regulators will not receive notice to update their records and may continue to report the issuer on a list of defaulting issuers.

34. Securityholder Documents and Material Contracts

- (1) A venture issuer must file each of the following documents and any material amendment to these documents:
 - (a) the constating documents establishing the venture issuer, including any articles or memorandum of incorporation, association, amalgamation or continuation;
 - (b) the venture issuer's existing by-laws or similar instruments;

- (c) any material securityholder or voting trust agreement that the venture issuer has access to;
 - (d) any material securityholders' rights plan or similar plan or contract of the venture issuer or a subsidiary of the venture issuer that significantly affects the rights or obligations of securityholders;
 - (e) a material contract.
- (2) A venture issuer may omit or make a provision of a material contract unreadable if
- (a) an executive officer of the venture issuer reasonably believes that disclosure of the provision would be seriously prejudicial to the interests of the venture issuer or violate confidentiality provisions,
 - (b) the provision does not relate to
 - (i) debt covenants and ratios in a financing or credit agreement,
 - (ii) events of default or other terms relating to the termination of a material contract,
 - (iii) other terms necessary for understanding the impact of the material contract on the venture issuer's business; and
 - (c) the venture issuer includes a description of the type of information that has been omitted or made unreadable in the material contract, immediately below the omitted or unreadable provision.
- (3) The documents required to be filed under (1) must be filed no later than the earlier of:
- (a) when the venture issuer files a report in Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*, if the making of a document is a material change for the issuer;
 - (b) when the venture issuer's annual report is filed.

Guidance:

- (1) *Venture issuers should consider their securities law disclosure obligations when negotiating material contracts. Securities regulatory authorities or regulators will only consider exemptions from section 34(2)(b) in limited circumstances such as where it is reasonable for an executive officer of the venture issuer to consider that the disclosure would be seriously prejudicial to the venture issuer and the contract was negotiated before the issuer was a reporting issuer.*
- (2) *Disclosure that would violate applicable privacy legislation in Canada could be "seriously prejudicial"; however, generally when securities legislation requires*

disclosure of a particular type of information, applicable privacy legislation provides an exemption for the disclosure.

35. Change of Auditor

- (1) This section does not apply to a change of auditor required by legislation or resulting from a take-over, reorganization, merger or amalgamation unless one of the principal purposes of that transaction is to avoid making the disclosure required by this section.
- (2) A venture issuer that changes its auditor must, as soon as practicable following the change, and in any event not later than the deadline for the first filing required under this instrument following the change of auditor,
 - (a) prepare and deliver to its former and successor auditors a report describing the reasons for and circumstances surrounding the change, including details of any disagreement or reason related to the content or presentation of the venture issuer's annual financial statements or interim financial reports, any modified opinion or reservation of opinion related to the venture issuer's annual financial statements or interim financial reports, and the nature and extent of discussions between the venture issuer's former auditor and its audit committee or board of directors, and
 - (b) file a notice disclosing the change of auditor, including the report referred to in paragraph (a).
- (3) If a former or successor auditor concludes that the venture issuer's report fails to fairly and fully provide the information required by paragraph (2)(a), it must deliver a letter notifying the securities regulatory authority of the deficiency.

Guidance:

Form 51-103F4 Information Circular requires that the report referred to in paragraph 35(2)(a) be included in the next information circular that is sent and filed in connection with a meeting at which securityholders will be asked to appoint an auditor.

36. Financial News Release

If a venture issuer issues a news release disclosing information about its historical or prospective financial performance or financial condition, the venture issuer must promptly file that news release.

Guidance:

Subsection 5(2) requires that the news release be approved by the audit committee before it is issued.

37. Forward-Looking Information, FOFI and Financial Outlooks

- (1) A venture issuer that discloses material forward-looking information, other than in oral statements, must have a reasonable basis for that forward-looking information, and must do each of the following, in connection with disclosing the material forward-looking information:
 - (a) identify the statements that contain the material forward-looking information;
 - (b) caution users of the material forward-looking information that actual results may vary from the material forward-looking information and identify material known and reasonably foreseeable risk factors that could cause actual results to differ materially from the material forward-looking information;
 - (c) state the material factors or assumptions used to develop the material forward-looking information;
 - (d) describe any policy of the venture issuer for updating material forward-looking information, beyond that which is required by section 21 of Form 51-103F1 *Annual and Mid-Year Reports*.

- (2) A venture issuer may only disclose material forward-looking information about prospective financial performance, financial position or cash flows that is based on assumptions about future economic conditions and courses of action, (regardless of whether it is presented in the format of a historical statement of financial position, statement of comprehensive income or statement of cash flows, that is, as “future oriented financial information” or “FOFI”, or presented in some other manner as a “financial outlook”) if
 - (a) at the time of disclosure, the assumptions are reasonable in the circumstances,
 - (b) such information is limited to a period for which it can be reasonably estimated, and
 - (c) the venture issuer uses the accounting policies it expects to use to prepare its historical annual financial statements and interim financial reports for the period covered by such information.

- (3) A venture issuer that discloses information described in subsection (2) must, in addition to making the disclosure required by paragraph (1),
 - (a) state the date management approved the information unless the document in which the information is disclosed is dated, and
 - (b) explain the purpose of the information and provide a caution to readers that the information may not be appropriate for other purposes.

- (4) Subsections (2) and (3) do not apply to oral statements or to either of the following:
- (a) disclosure subject to the requirements of either or both of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;
 - (b) disclosure that has been made to comply with an exemption previously provided from the applicable requirements of paragraph (2)(a) if that exemption has not been removed.

Guidance:

- (1) *The provisions dealing with forward-looking information in section 37 would apply not only to documents filed by a venture issuer with securities regulatory authorities but also to its news releases, website and marketing materials.*
- (2) *In addition to the provisions in this instrument dealing with forward-looking information, the securities legislation in certain jurisdictions contains secondary market civil liability provisions which create a statutory right of action on the part of persons or companies who relied on the forward-looking information if the forward-looking information contains a misrepresentation.*

Securities legislation may provide a defence to liability where there was a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information and there is a statement proximate to the forward looking information which contains reasonable cautionary language identifying the forward-looking information and the material factors that could cause results to differ materially from it as well as a statement of material factors or assumptions that were applied in drawing the conclusion or making the forecast or project set out in the forward-looking information.

38. Change in Year End

- (1) A venture issuer that decides to change its financial year-end must, as soon as practicable, and in any event not later than the deadline for the first filing required under this instrument following such decision, file a notice disclosing
 - (a) that it has decided to change its year-end and the reason for the change,
 - (b) its old financial year-end and new financial year-end,
 - (c) the length and ending date of the periods and comparative periods of the mid-year interim financial report and annual financial statements to be filed for its transition year and new financial year, and
 - (d) the filing deadlines, respectively, for the mid-year report and annual report for its transition year.

- (2) For the purposes of this section,
 - (a) a transition year must not exceed 15 months; and
 - (b) the first mid-year period after an old financial year must not exceed 7 months.
- (3) Despite section 10, a venture issuer is not required to file a mid-year report for:
 - (a) any period in its transition year if the transition year is less than 9 months in length.
 - (b) any period in its transition year that ends not more than 3 months
 - (i) after the last day of its old financial year; or
 - (ii) before the first day of its new financial year.
- (4) If a transition year is less than 9 months in length, the venture issuer must include as comparative financial information to its annual financial statements for its new financial year
 - (a) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements for its transition year,
 - (b) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to its financial statements for its old financial year,
 - (c) a statement of financial position as at the beginning of the old financial year, in the case of a venture issuer that discloses in its annual financial statements an unreserved statement of compliance with IFRS and that
 - (i) applies an accounting policy retrospectively in its annual financial statements,
 - (ii) makes a retrospective restatement of items in its annual financial statements, or
 - (iii) reclassifies items in its annual financial statements.
- (5) If the mid-year period for the venture issuer's transition year ends 6 or 12 months after the end of its old financial year, the venture issuer must include as comparative financial information in its mid-year interim financial report
 - (a) during its transition year, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding mid-year period in the immediately preceding financial year, except if a mid-year period

during the transition year is 12 months in length and the venture issuer's transition year is longer than 13 months, the comparative financial information must be the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows for the 12 month period that constitutes its old financial year; and

- (b) during its new financial year
 - (i) a statement of financial position as at the end of its transition year, and
 - (ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the periods in its transition year or old financial year, for the same calendar months as, or as close as possible to, the calendar months in the mid-year period in the new financial year, and
- (c) a statement of financial position as at the beginning of the earliest comparative period in the case of a venture issuer that discloses in its mid-year interim financial report a statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* and that
 - (i) applies an accounting policy retrospectively in its annual financial statements,
 - (ii) makes a retrospective restatement of items in its annual financial statements, or
 - (iii) reclassifies items in its annual financial statements.
- (6) If the mid-year period for a venture issuer's transition year ends 6 or 12 months before the end of the transition year, the venture issuer must include
 - (a) as comparative financial information in its interim financial reports during its transition year
 - (i) a statement of financial position as at the end of its old financial year, and
 - (ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows for periods in its old financial year, for the same calendar months as, or as close as possible to, the calendar months in the mid-year period in the transition year; and
 - (b) as comparative financial information in its mid-year interim financial report during its new financial year
 - (i) a statement of financial position as at the end of its transition year, and
 - (ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows in its transition year or old financial year, or

both, as appropriate, for the same calendar months as, or as close as possible to, the calendar months in the Mid-Year period in the new financial year;

- (c) in the case of a venture issuer that discloses in its mid-year interim financial report a statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, a statement of financial position as at the beginning of the earliest comparative period if the venture issuer
 - (i) applies an accounting policy retrospectively in its mid-year interim financial report,
 - (ii) makes a retrospective restatement of items in its mid-year interim financial report, or
 - (iii) reclassifies items in its mid-year interim financial report.

39. Reverse Takeovers

- (1) A venture issuer that completes a reverse takeover, must file the following financial statements and interim financial reports for the reverse takeover acquirer, unless the financial statements or interim financial reports have already been filed:
 - (a) audited annual financial statements for all financial years and interim financial reports for each mid-year period ending before the date of the reverse takeover and after the date of the financial statements and interim financial reports, as applicable, included in either of the following documents if the document was prepared in connection with the reverse takeover
 - (i) an information circular or similar document;
 - (ii) under section 11 of Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*, or
 - (b) if the venture issuer did not file a document referred to in paragraph (a) or the document did not include the financial statements or interim financial reports of the reverse takeover acquirer that would be required to be included in a prospectus, the financial statements and each interim financial report that the reverse takeover acquirer would be required to provide in the prospectus the reverse takeover acquirer was eligible to file immediately before the reverse takeover.
- (2) The annual financial statements required by subsection (1) must be filed by the later of
 - (a) the 20th day after the date of the reverse takeover, and
 - (b) the 120th day after the end of the financial year.

- (3) The interim financial reports for mid-year periods required by subsection (1) must be filed by the later of
 - (a) the 10th day after the date of the reverse takeover,
 - (b) the 60th day after the end of the mid-year period, and
 - (c) the filing deadline in subsection (2).
- (4) A venture issuer is not required to provide comparative mid-year period financial information in the financial statements or interim financial reports of the reverse takeover acquirer for periods that ended before the date of a reverse takeover if it is impracticable. If applicable, the notes to the interim financial report must disclose that the prior period information was not prepared on the same basis as the most recent interim financial report.

Guidance:

- (1) *Following a reverse takeover, the venture issuer that legally acquired the business that is now its legal subsidiary remains the reporting issuer. From a legal perspective this issuer was the acquirer; however, for accounting purposes this issuer is referred to as the reverse takeover acquiree. The venture issuer's financial statements and interim financial reports for periods ended on or after the date of the reverse takeover will reflect the financial performance of the legal subsidiary, referred to, for accounting purposes, as the reverse takeover acquirer. Consequently, the venture issuer's financial statements for annual financial years and interim financial reports for interim periods that end on or after the date of the reverse takeover must be prepared and filed as if the reverse takeover acquirer had always been the reporting issuer.*
- (2) *The venture issuer must also file all annual reports and mid-year reports of the reverse takeover acquiree for each annual financial year and mid-year period ending before the date of the reverse takeover, even if the filing deadline for those financial statements and interim financial reports is after the date of the reverse takeover.*
- (3) *See the guidance following section 11 of this instrument regarding the meaning of the word "impracticable".*
- (4) *If a venture issuer changes its year end in connection with a reverse takeover, section 38 requires that it file a notice.*

40. Refiling of a Continuous Disclosure Document

A venture issuer must immediately issue and file a news release that describes the nature and substance of the change or proposed changes and that is authorized by an executive officer, if it makes a decision to re-file a document filed under either this instrument or National Instrument 51-102 *Continuous Disclosure Obligations* and the information in the re-filed document will differ materially from the information originally filed.

Guidance:

If any portion of an annual report or mid-year report differs materially from the information originally filed, the entire revised annual report or mid-year report must be re-filed and recertified.

PART 8 EXEMPTIONS

41. Discretionary Exemptions

- (1) The securities regulatory authority or regulator may grant an exemption from this instrument, in whole or in part, subject to such conditions and restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.
- (3) Except in Ontario, an exemption referred to in subsection (1) may be granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction or as otherwise permitted in the local jurisdiction.

42. SEC Issuers

- (1) A venture issuer that is an SEC issuer satisfies the requirements of section 8 with respect to the contents of an annual report for a financial year if it
 - (a) files an annual report or transition report prepared under the 1934 Act on Form 10-K or Form 20-F for that financial year,
 - (b) files concurrently with or as soon as reasonably practicable after the filing of the report referred to in (a), the information required by Item 402 “Executive Compensation” of Regulation S-K under the 1934 Act other than, as a foreign private issuer, by providing the information required by Items 6.B “Compensation” and 6.E.2 “Share Ownership” of Form 20-F under the 1934 Act, prepared for the financial year referred to in paragraph (a),
 - (c) is in compliance with the SOX 302 rules, and files the signed certificates required by the SOX 302 rules relating to the report referred to in paragraph (a) together or concurrently with the filing of that report,
 - (d) discloses in the report referred to in paragraph (a) or files together or concurrently with that report a document which includes the disclosure required by the following items of Form 51-103F1 *Annual and Mid-Year Reports*
 - (i) subsections 17(3) to (5) (MD&A disclosure for venture issuers without significant revenue),

- (ii) section 18 Business Objectives, Performance Targets and Milestones,
 - (iii) section 20 Significant Equity Investees,
 - (iv) section 21 Forward-Looking Information, FOFI and Financial Outlooks,
 - (v) section 25 Outstanding, Escrowed and Fully-Diluted Securities,
 - (vi) section 28 Trading Price and Volume,
 - (vii) section 29 Directors' and Executive Officers' Biographical Information and Securityholdings, but only as it relates to securityholdings,
- (e) if the disclosure required by either or both of paragraphs (b) and (d) is not included in the report referred to in (a), files together or concurrently with the report referred to in paragraph (a), the certificates required by subsection 8(4), modified as necessary to indicate that the certification applies to the disclosure required by paragraphs (b) and (d).
- (2) A venture issuer that is an SEC issuer satisfies the requirements of section 10 with respect to a mid-year report for a mid-year period if it
- (a) files each Form 6-K required under the 1934 Act that was prepared for an interim period ending during the mid-year period and containing the venture issuer's quarterly interim financial report and MD&A,
 - (b) is in compliance with the SOX 302 rules and files the signed certificates required by the SOX 302 rules relating to the report referred to in paragraph (a) together or concurrently with that report, and
 - (c) discloses in the report referred to in paragraph (a) prepared for an interim period ending at the end of the venture issuer's mid-year period, or files together with or concurrently with that report, a document which includes the disclosure required by the following items of Form 51-103F1 *Annual and Mid-Year Reports*
 - (i) subsections 17(3) to (5) (MD&A disclosure for venture issuers without significant revenue),
 - (ii) section 20 Significant Equity Investees,
 - (iii) section 21 Forward-Looking Information, FOFI and Financial Outlooks,
 - (iv) section 45 Mid-Year Interim Financial Report in Mid-Year Report,
 - (d) if the disclosure required by paragraph (c) is filed separately from the report referred to in (a), files together or concurrently with the report referred to in

paragraph (a) prepared for an interim period ending at the end of the venture issuer's mid-year period, the certificates required by subsection 10(3), modified as necessary to indicate that the certification applies to the disclosure required by paragraph (c).

- (3) Section 16(c) does not apply to an SEC issuer if it uses the procedures in Rule 14a-16 under the 1934 Act to deliver proxy-related materials to a registered securityholder.
- (4) An SEC issuer satisfies the requirements of section 38 if:
 - (a) it complies with the requirements of U.S. federal securities laws relating to a change of fiscal year; and
 - (b) it files a copy of all materials required by U.S. laws relating to a change of fiscal year at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC and, in the case of annual and mid-year reports, no later than the filing deadlines prescribed under sections 7 and 9.
- (5) Section 35 does not apply to an SEC issuer if it:
 - (a) complies with the requirements of U.S. laws relating to a change of auditor;
 - (b) files a copy of all materials required by U.S. laws relating to a change of auditor at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC; and
 - (c) includes the materials referred to in paragraph (b) with the next information circular that is sent and filed in connection with a meeting at which securityholders will be asked to appoint an auditor.

Guidance:

Paragraph 32(1)(c) of this instrument requires that the documents referred to in this section, if they are filed with or furnished to the SEC must be concurrently filed with the securities regulatory authority or regulator.

43. Exemptions for Exchangeable Security Issuers and Credit Support Issuers

- (1) An exchangeable security issuer satisfies the requirements of this instrument and the insider reporting and insider profile filing requirements under National Instrument 55-102 *System for Electronic Disclosure by Insiders* if it qualifies under and complies with section 13.3 of National Instrument 51-102 *Continuous Disclosure Obligations* as if it were a senior unlisted issuer to which that instrument applies.
- (2) A credit support issuer satisfies the requirements of this instrument and the insider reporting and insider profile filing requirements under National Instrument 55-102 *System for Electronic Disclosure by Insiders* if it qualifies under and complies with

section 13.4 of National Instrument 51-102 *Continuous Disclosure Obligations* as if it were a senior unlisted issuer to which that instrument applies.

44. Existing Exemptions

- (1) A venture issuer that was entitled to rely on an exemption, waiver or approval granted to it by a securities regulatory authority or regulator relating to continuous disclosure requirements of securities legislation or securities directions under one of the following instruments, is exempt from each substantially similar provision of this instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval:
 - (a) National Instrument 51-102 *Continuous Disclosure Obligations*;
 - (b) National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;
 - (c) National Instrument 52-110 *Audit Committees*; and
 - (d) National Instrument 58-101 *Disclosure of Corporate Governance Practices*.
- (2) The venture issuer must deliver a notice to the regulator advising of its intent to rely on an exemption, waiver or approval referred to in subsection (1) together with a copy of such exemption, waiver or approval.

PART 9 EFFECTIVE DATE AND TRANSITION

45. Effective Date

This instrument comes into force [●].

46. Transition

Despite section 45, Parts 4, 5 and 7 of this instrument do not apply to a venture issuer until the last day of a venture issuer's most recently completed financial year end which is on or after [●].

PART 10 LANGUAGE OF DOCUMENTS

47. Language of Documents

- (1) A document required to be filed under this instrument must be filed in English or French.
- (2) Despite subsection (1) if a person or company files a document only in English or French but delivers to securityholders a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

- (3) If a person or company files a document under this instrument that is a translation of a document prepared in a language other than English or French, the person or company must
 - (a) attach a certificate as to the accuracy of the translation to the filed document; and
 - (b) make a copy of the document in the original language available to a registered holder or beneficial owner of its securities, on request.

FORM 51-103F1
ANNUAL AND MID-YEAR REPORTS

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FORM 51-103F1
ANNUAL AND MID-YEAR REPORTS

PART 1 INSTRUCTIONS

1. Overview of Annual and Mid-Year Reports

Audited annual financial statements and associated MD&A are an integral part of a venture issuer's annual report. An annual report also describes the venture issuer's operations, prospects and risks and provides disclosure about its directors, executive officers, governance, executive compensation and material related entity transactions. A mid-year report consists primarily of the mid-year interim financial report, associated MD&A and disclosure of material related entity transactions. See Part 9 of this form.

The last part of this form includes a disclosure certificate that must be signed by the CEO and CFO and included in an annual report and a mid-year report. By signing the certificate, the CEO and CFO certify that there is no misrepresentation in the report and that the report as a whole fairly presents, in all material respects, the venture issuer's financial condition, financial performance and cash flows for the period covered.

2. Focus on Material Information

In preparing a report, focus the disclosure on information that is material. In determining whether or not a particular matter is material, consider whether disclosing, omitting or misstating the relationship, transaction, agreement, plan or other information would likely influence or change a reasonable investor's decision as to whether or not to buy, sell or hold a security in the capital of the venture issuer.

For purposes of item 16(2), venture issuers should refer to section 2.4 of Companion Policy 43-101CP *Standards of Disclosure for Mineral Projects* for a discussion of "materiality" in the mining context.

3. Guidelines for MD&A

MD&A should provide an explanation of the venture issuer's financial performance during the most recently completed financial year and a comparison to the prior financial year. MD&A must not be merely a repetition of the information provided in the financial statements or interim financial report or a summary of the financial statement or interim financial report changes as compared to the prior financial year. MD&A must explain the reasons for changes in the venture issuer's financial performance and financial condition.

The purpose of MD&A is to explain how management views the venture issuer's prospects and explain the methods by which management evaluates the venture issuer's business, including the key indicators it uses and the analysis performed. It should discuss information that may not be clearly or fully reflected in the financial statements or interim financial report, for example,

contingent liabilities, defaults under debt, off-balance sheet financing arrangements, and other contractual commitments.

If a venture issuer completed a reverse takeover in the last two completed financial years or subsequent to the completion of the most recently completed financial year, the disclosure required for the venture issuer by sections 16 to 20 should be based primarily on the reverse takeover acquirer's financial statements and interim financial reports.

4. Defined Terms

For terms used in this form that are not defined in the form, refer to National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and if not defined in that Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

This form also uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. See the Guidance following section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

5. Repetition and Incorporating Information by Reference

A venture issuer must include all of the disclosure prescribed in this form within its annual and mid-year reports. Incorporation by reference is not permitted, unless expressly stated.

Despite the above restriction, a capital pool company or CPC may incorporate by reference the disclosure required by sections 15 and 16 of this form from its initial public offering prospectus if that disclosure continues to provide all material facts in respect of the corporate structure and description of business for the CPC. To refer to previously disclosed information, provide a cross-reference, stating the name and date of that other document and that it is available on SEDAR at www.sedar.com. Also include a statement that the applicable disclosure is incorporated by reference into this report. If the other disclosure document is lengthy, indicate the location of the relevant information in the other document.

Guidance:

The annual report, in particular, should provide a complete annual disclosure record for the venture issuer with very limited information incorporated by reference. The goal is to provide investors with one disclosure document that is as complete as possible.

6. Plain Language

Use plain, easy to understand language in preparing a report. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

7. Format

Unless otherwise stated, the numbering, headings and ordering of the items included in this form are only guidelines and do not need to be used in the report. To make the report easier to understand, present information in tables and, where possible, state amounts in figures.

8. Omitting Information

Unless this form indicates otherwise, it is not necessary to respond to an item in this form if it does not apply to the venture issuer.

9. Date of Information

Unless this form indicates otherwise, present the information in the annual report as at the last day of the venture issuer's most recently completed financial year and the information in the mid-year report as at the last day of the most recently completed mid-year period.

If presenting information as at the end of the financial period creates a misleading picture of the venture issuer's business, operations or outstanding securities, the information must also be updated to the date it is filed. Section 49 of this form requires the certificate to be dated the date the report is filed.

10. Forward-Looking Information

Any forward-looking information provided in a report must comply with section 37 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

11. Available Prior Period Information

If comparative financial information is not presented in the venture issuer's annual financial statements or interim financial report, provide in the MD&A the prior period information relating to financial performance that is available.

12. Use of "Financial Condition"

This form uses the term "financial condition". Financial condition reflects the overall health of the venture issuer and includes the venture issuer's financial position (as shown on the statement of financial position) and other factors that may affect the venture issuer's liquidity, capital resources and solvency.

13. Table of Contents

Include a table of contents with an annual report.

PART 2 DISCLOSURE OF BUSINESS**14. Cover Page**

- (1) On or near the front or back of the annual report, disclose the following:
- (a) the venture issuer's full legal name and any other name under which it carries on business;
 - (b) the laws under which the venture issuer is incorporated, continued or otherwise created;
 - (c) the venture issuer's registered and head office address(es), and the venture issuer's website address, if one exists;
 - (d) the name and title of an executive officer of the venture issuer who can be contacted for inquiries regarding the report, including a current telephone number and, if available, an email address for that person;
 - (e) the name of the venture issuer's auditor;
 - (f) the name and address of the venture issuer's registrar and transfer agent(s); and
 - (g) the name of each marketplace on which, to the knowledge of the executive officers of the venture issuer, any of the venture issuer's securities trade or are listed or quoted and the stock or ticker symbol, if applicable, under which the securities trade on each such marketplace.
- (2) Include the following statement in bold type on the cover page of the report:

“[Insert name of venture issuer] is a venture issuer subject to the governance and disclosure regime applicable to venture issuers under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*. Consequently, it is not required to provide certain disclosure applicable to issuers that are not venture issuers, such as three and nine month interim financial reports and associated management's discussion and analysis. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, [insert name of venture issuer] is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting. [Insert name of venture issuer] will also be subject to certain other obligations not applicable to issuers that are not venture issuers.

The disclosure provided by [insert name of venture issuer] will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers.”

- (3) If the board of directors of the venture issuer has decided to file an interim financial report for an optional interim period, also include the following statement in bold type on the cover page of the report:

“[Insert name of venture issuer] intends to file 3 and 9 month interim financial reports”.

- (4) If the annual report or mid-year report, as applicable, is a revised report, identify it as a “Revised” report.

15. Corporate Structure

- (1) Disclose the relationship between the venture issuer and each subsidiary entity and each party with whom the venture issuer participates in a joint venture or partnership. If it would be useful to a reasonable investor in understanding the relationship, include a diagram.
- (2) For each subsidiary entity disclose each of the following:
- (a) the percentage of votes that the venture issuer beneficially owns, or directly or indirectly controls or directs;
 - (b) the percentage of each class of restricted securities that the venture issuer beneficially owns, or directly or indirectly controls or directs, if any;
 - (c) the laws under which it was incorporated, continued or otherwise created.
- (3) For each joint venture or partnership disclose the following:
- (a) a description of the voting control over the joint venture or partnership and the material decisions relating to management, operation and continuation of the joint venture or partnership that the venture issuer may directly or indirectly control or direct;
 - (b) for a joint venture, the nature of the joint venture, the agreement or agreements under which it operates and, if applicable, the laws under which it was incorporated, continued or otherwise created, and;
 - (c) for a partnership, the agreement or agreements under it operates and the laws under which it was created.

16. Business Description

(1) General

- (a) State the venture issuer’s industry and describe its current business.

- (b) Disclose the number of employees, and the number of consultants retained on an on-going basis, of the venture issuer.
- (c) Disclose the principal location(s) of the venture issuer's business.

Guidance:

Some examples of aspects of a venture issuer's business to disclose include:

- *the actual or proposed method of production or the actual or proposed method of providing services;*
- *any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to the venture issuer;*
- *the competitive conditions in the venture issuer's principal markets and geographic areas, including an assessment of the venture issuer's competitive position;*
- *the status of any new product that has been announced;*
- *the sources, pricing and availability of raw materials, component parts or finished products;*
- *the existence and importance of brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, to the venture issuer and its industry;*
- *the extent to which the business of a reportable segment of the venture issuer's business is cyclical or seasonal;*
- *contracts upon which the venture issuer's business is substantially dependent (refer to the guidance following the definition of "material contract");*
- *any reasonably anticipated changes in the business as a result of renegotiation or termination of contracts or sub-contracts, and the likely effect;*
- *financial and operational effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of the venture issuer in the current financial year and those expected in future years;*
- *dependence on foreign operations; and*
- *investment policies and lending and investment restrictions.*

(2) Venture Issuers with Mineral Projects

If the venture issuer had a mineral project, provide a summary of the following information for each project material to the venture issuer:

- (a) **Current Technical Report** - The title, author or authors, and date of the most recent technical report on the property, if any, filed in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.
- (b) **Project Description, Location, and Access**
 - (i) The location of the project and means of access.

- (ii) The nature and extent of the venture issuer's title to or interest in the project, including surface rights, obligations that must be met to retain the project, and the expiration date of claims, licences, and other property tenure rights.
- (iii) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the project is subject.
- (iv) To the extent known, any significant factors or risks that may affect access, title or the right or ability to perform work on the property, including permitting and environmental liabilities to which the project is subject.

(c) **History**

- (i) To the extent known, a summary of the prior exploration and development of the property, including the type, amount, and results of the exploration work undertaken by previous owners, any significant historical estimates, and any previous production on the property.
- (ii) If the venture issuer acquired a project within the three most recently completed financial years or during the current financial year from, or intends to acquire a project from, a related entity, the name of the vendor, the relationship of the vendor to the venture issuer, and the consideration paid or intended to be paid to the vendor.
- (iii) To the extent known, the name of every person or company that has received or is expected to receive a greater than 5% interest in the consideration received or to be received by the vendor referred to in paragraph (ii).

(d) **Geological Setting, Mineralization, and Deposit Types**

- (i) The regional, local, and property geology.
- (ii) The significant mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, and the length, width, depth, and continuity of the mineralization, together with a description of the type, character, and distribution of the mineralization.
- (iii) The mineral deposit type or geological model or concepts being applied.

(e) **Exploration** - The nature and extent of all relevant exploration work other than drilling, conducted by or on behalf of the venture issuer, including a summary and interpretation of the relevant results.

(f) **Drilling** - The type and extent of drilling and a summary and interpretation of all relevant results.

- (g) **Sampling, Analysis, and Data Verification** - The sampling and assaying including
- (i) sample preparation methods and quality control measures employed before dispatch of samples to an analytical or testing laboratory;
 - (ii) the security measures taken to ensure the validity and integrity of samples taken;
 - (iii) assaying and analytical procedures used and the relationship, if any, of the laboratory to the issuer; and
 - (iv) quality control measures and data verification procedures, and their results.
- (h) **Mineral Processing and Metallurgical Testing** - If mineral processing or metallurgical testing analyses have been carried out, discuss the nature and extent of the testing and analytical procedures, and provide a summary of the relevant results and, to the extent known, any processing factors or deleterious elements that could have a significant effect on potential economic extraction.
- (i) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including
- (i) the effective date of the estimates;
 - (ii) the quantity and grade or quality of each category of mineral resources and mineral reserves;
 - (iii) the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves; and
 - (iv) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues.
- (j) **Mining Operations** - For advanced properties, the current or proposed mining methods, including a summary of the relevant information used to establish the amenability or potential amenability of the mineral resources or mineral reserves to the proposed mining methods.
- (k) **Processing and Recovery Operations** – For advanced properties, a summary of current or proposed processing methods and reasonably available information on test or operating results relating to the recoverability of the valuable component or commodity.
- (l) **Infrastructure, Permitting, and Compliance Activities** – For advanced properties,
- (i) the infrastructure and logistic requirements for the project; and

- (ii) the reasonably available information on environmental, permitting, and social or community factors related to the project.
- (m) **Capital and Operating Costs** – For advanced properties,
 - (i) a summary of capital and operating cost estimates, with the major components set out in tabular form.
 - (ii) an economic analysis with forecasts of annual cash flow, net present value, internal rate of return, and payback period, unless exempted under Instruction (2) to Item 22 of Form 43-101F1.
- (n) **Exploration, Development, and Production** - A description of the venture issuer’s current and contemplated exploration, development or production activities.
- (3) To the extent a venture issuer has a technical report that supports the disclosure required under subsection 16(2), the venture issuer may satisfy the disclosure requirements in subsection 16(2) by reproducing the summary from the technical report on the material property, and incorporating the detailed disclosure in the technical report into the annual report by reference.

Guidance:

- (1) *Disclosure regarding mineral exploration, development or production activities on material projects must comply with, and is subject to the limitations set out in, National Instrument 43-101 Standards of Disclosure for Mineral Projects. A venture issuer must use the appropriate terminology to describe mineral reserves and mineral resources. A venture issuer must base its disclosure on information prepared by, under the supervision of, or approved by, a qualified person.*
- (2) *The disclosure required by this form will not trigger the filing of a technical report under National Instrument 43-101 Standards of Disclosure for Mineral Projects unless section 4.2(1)(j) of that instrument applies. However, if a technical report has not been prepared, the disclosure must still be prepared by or under the supervision of a “qualified person”, as defined in that instrument.*
- (3) *If a venture issuer intends to use the annual report as a base disclosure document for accessing the short form prospectus system under National Instrument 44-101 Short Form Prospectus Distributions then, subject to available exemptions in National Instrument 43-101 Standards of Disclosure for Mineral Projects, the filing of a preliminary short form prospectus under National Instrument 44-101 Short Form Prospectus Distributions will trigger a requirement to file a technical report.*
- (4) **Oil and Gas Activities** - If the venture issuer is engaged in oil and gas activities, or has entered an agreement to acquire an interest in a property that is reasonably expected to have oil and gas activities, disclose each of the following with respect to each such property or interest:

- (a) the resources that the venture issuer intends to explore for, develop or produce;
 - (b) whether the venture issuer is in the exploration, development or production phase;
 - (c) the nature of title or interest in the property (e.g., freehold, fee interest, leasehold, royalty) including each of the following,
 - the acquisition date,
 - method of acquisition,
 - party from whom title or interest acquired, and the nature of the relationship between the venture issuer such party and whether the other party is a related entity,
 - consideration paid or to be paid; and,
 - (d) any material restrictions or limitations on exploration, development or production.
- (5) **National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*** – A venture issuer subject to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* must
- (a) include in its annual report the disclosure required by section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*,
 - (b) comply with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* if any voluntary disclosure of resources is provided, and
 - (c) to the extent not reflected in the information required by section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, disclose the information contemplated by Part 6 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* in respect of material changes that occurred after the venture issuer’s most recently completed financial year end.

Guidance:

- (1) *Venture issuers with oil and gas activities must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and disclose reserves and resources using the appropriate terminology and categories as prescribed by the “COGE Handbook”, as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.*
- (2) *This form requires that the disclosure required by section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities be contained in a venture issuer’s annual report.*

- (6) **Issuers with Products and Services** – Describe each product or service, produced, distributed or provided by the venture issuer.

Guidance:

Some examples of information to disclose about products and services are

- *principal markets,*
- *distribution methods,*
- *the revenue for each category of product or service as percentage of total consolidated revenues, and the extent to which revenues are derived from sales or transfers to related entities, and*
- *the stage of development of the product or service and, if applicable, steps needed to reach commercial production, and an estimate of costs and timing.*

- (7) **Issuers Engaged in Research and Development** – Describe each of the venture issuer’s products or services that are in the research and development phase and are expected to form a significant part of the venture issuer’s business, including:

- (a) the stage of research or development;
- (b) who is conducting the research or development;
- (c) the estimated timeline and cost to completion;
- (d) the proposed markets and distribution channels;
- (e) the anticipated sources of competition; and
- (f) whether contracts exist with major suppliers or customers.

17. Two Year History and MD&A in an Annual Report

- (1) **Development of business** - Describe how the venture issuer’s business has developed over the last two completed financial years, including a discussion of changes and industry and economic conditions that have influenced the general development of the business whether favourably or unfavourably.
- (2) **Management’s Assessment of Performance** – Disclose management’s assessment of how the venture issuer performed during the most recently completed financial year and how it compares to the prior financial year. Discuss why the venture issuer performed as it did by reference to the principal influencing factors.
 - (a) Using financial measures from the issuer's GAAP, such as profit or loss, cash flows from operating activities, net assets and earnings per share, discuss the venture issuer’s financial condition, changes in financial condition and financial performance in the last financial year, comparing it to the previous financial year.
 - (b) Include in the discussion

- (i) significant elements of profit or loss that do not arise from the venture issuer's continuing operations and the effect on current or future operations,
 - (ii) causes for any significant changes from period to period in one or more line items of the venture issuer's annual financial statements,
 - (iii) any seasonal aspects that had or are reasonably expected to have an effect on the venture issuer's financial condition or financial performance,
 - (iv) the effect of changes in accounting policies.
- (c) Include a discussion of key operating statistics and performance measures that management and industry typically use to assess performance of the venture issuer's business and similar businesses.

Guidance

Examples of statistics might include, depending on the industry, revenues, gross margin, EBITDA (earnings before interest, tax, depreciation and amortization), levels of production, average price per barrel, netbacks, finding costs, and operating costs per unit of production.

- (d) To the extent that any of the statistics and performance measures required to be discussed in paragraph (c) are "non-GAAP financial measures" the venture issuer must comply with paragraph (e). For the purpose of this section, a "non-GAAP financial measure" is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not required, or permitted, by the issuer's GAAP and that either excludes an amount that is included in the most directly comparable measure calculated and presented in accordance with the issuer's GAAP, or includes an amount that is excluded from the most directly comparable measure calculated and presented in accordance with the issuer's GAAP.
- (e) A venture issuer disclosing a non-GAAP financial measure must do each of the following:
- (i) disclose how the venture issuer defines the non-GAAP financial measure and, if there have been any changes to how the venture issuer has defined the measure, describe and explain those changes;
 - (ii) disclose that the non-GAAP financial measure does not have a standardized meaning under the issuer's GAAP and is unlikely to be comparable to financial measures presented by other issuers;
 - (iii) present together with the non-GAAP financial measure, with at least equal prominence, the most directly comparable measure calculated in

accordance with the issuer's GAAP that is presented in its annual financial statements or an interim financial report;

- (iv) explain the purpose for which the non-GAAP financial measure is used by management and why management thinks it provides useful information for investors;
- (v) provide a quantitative reconciliation of the non-GAAP financial measure to the most directly comparable measure calculated in accordance with the issuer's GAAP that is presented in its annual financial statements or an interim financial report.

Guidance:

IFRS requires disclosure of certain line items and note disclosure beyond the minimum required line items for financial statements and interim financial reports if, for example, those are relevant to an understanding of an issuer's financial position and performance. Further, IFRS permits certain financial measures such as alternative earnings per share if certain conditions are met. The additional disclosures required or permitted by IFRS are not considered "non-GAAP financial measures" and consequently paragraph (e) would not apply. Refer to the CSA Staff Notice 52-306 Non-GAAP Financial Measures and Additional GAAP Measures for further guidance.

- (3) **Issuers without Significant Operating Revenue** - If the venture issuer has not had significant revenue from operations,
 - (a) disclose in table format, for each of the two most recently completed financial years (unless already disclosed in the annual financial statements), a breakdown of the significant components of
 - (i) exploration and evaluation assets or expenditures,
 - (ii) expensed research and development costs,
 - (iii) intangible assets arising from development,
 - (iv) general and administration expenses, and
 - (v) any material costs, whether expensed or recognized as assets, not referred to above;
 - (b) for a venture issuer whose primary business is mining exploration and development, present the information required by paragraph (a) on a property-by-property basis;
 - (c) disclose all components that exceed the greater of \$25,000 and 20% of the total amount of the class for each of (a)(i) to (v); and

- (d) for a venture issuer in the exploration, research or development stage, provide a comparison of the amount spent on executive compensation and general and administrative expenses, whether expensed or capitalized, to, as applicable,
 - (i) exploration and evaluation assets or expenditures, whether expensed or capitalized
 - (ii) research and development costs, whether expensed or capitalized.
- (4) **Actual Use of Financing Proceeds** - Unless previously disclosed, include a table comparing disclosure previously made by the venture issuer about how it was going to use financing proceeds to actual use of such funds, an explanation of any variances and a discussion of the impact of the variances, if any, on the venture issuer's ability to achieve its business objectives and performance targets.
- (5) **Liquidity and Capital Resources** - Disclose each of the following:
 - (a) internal and external sources of liquidity, including
 - (i) financing resources reasonably anticipated to be available to the venture issuer, including debt, equity and other financing resources,
 - (ii) working capital requirements and, if a working capital deficiency exists or is reasonably anticipated, the impact of that deficiency and how the deficiency is anticipated to be remedied,
 - (iii) whether the venture issuer reasonably expects to have sufficient funds to maintain activities and meet planned growth or development;
 - (b) material commitments for capital expenditures, including any exploration and development or research and development expenditures or contractual payments necessary to maintain properties or agreements in good standing and the expected sources of funds for such expenditures;
 - (c) defaults or arrears or anticipated defaults or arrears on debt covenants or payments required under contractual commitments such as lease payments and debt;
 - (d) any known trends, events or uncertainties that are reasonably likely to have a material impact on the venture issuer's
 - (i) short term or long-term liquidity,
 - (ii) revenue or profit or loss from continuing operations,

- (iii) debt, equity or other available financing resources.

18. Business Objectives, Performance Targets and Milestones

- (1) Describe in table format, if practicable, the venture issuer's short-term (next 12 months) business objectives, key performance targets and milestones, as applicable, and how it plans to meet those objectives, performance targets and milestones including each of the following:
 - (a) identification of each of the objectives, performance targets and milestones to be achieved;
 - (b) when the objective, performance target or milestone is anticipated to be achieved or, if not known, the estimated number of months to complete it;
 - (c) an estimate of the funds required to accomplish each objective, performance target or milestone;
 - (d) the anticipated source(s) of funds to accomplish the objective, performance target or milestone.

Guidance:

Examples of objectives, performance targets and milestones include the purchase or sale of significant property or equipment, as well as research, exploration or development work, expansion plans, productivity improvements and hiring of a significant number of new employees.

- (2) Despite subsection (1), a venture issuer must only disclose objectives, performance targets or milestones which are possible to achieve. If a venture issuer does not yet have achievable objectives, performance targets or milestones, the venture issuer must disclose this fact.

Guidance

Securities regulatory authorities are of the view that, in most instances, a venture issuer would have achievable objectives, performance targets or milestones.

- (3) If the venture issuer has not yet generated significant operating revenue and is developing a significant project or a product or service that, the development of which will extend beyond 12 months, describe
 - (a) objectives, performance targets and milestones, as applicable, for development,
 - (b) the status of development,
 - (c) expenditures made to date relative to those objectives, performance targets and milestones, and

- (d) further expenditures required to reach the next stage of the development plan.

If it would be useful to a reasonable investor, provide a graph or table to illustrate the performance targets or stages of development and the venture issuer's current status.

Guidance:

- (1) *When providing forward-looking information in response to the requirements of this section, it is necessary to comply with the requirements of section 37 of National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers.*
- (2) *Venture issuers should consider whether to include disclosure to investors advising of the risks and difficulties associated with providing forward-looking information and that despite the venture issuer's reasonable beliefs regarding its objectives, performance targets and milestones and its efforts to achieve those, there can be no assurance that it will achieve those objectives, performance targets or milestones in the time frames outlined, for the amounts estimated, or at all.*
- (3) *In disclosing forward-looking information, venture issuers should consider that*
- (a) *Securities legislation contains secondary market civil liability provisions which create a statutory right of action on the part of persons or companies who relied on the forward-looking information if the forward-looking information contains a misrepresentation; and*
- (b) *Securities legislation may provide a defence to liability where there was a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information and there is a statement proximate to the forward looking information which contains reasonable cautionary language identifying the forward-looking information and the material factors that could cause results to differ materially from it as well as a statement of material factors or assumptions that were applied in drawing the conclusion or making the forecast or project set out in the forward-looking information.*
- (4) *In an effort to develop a potential defence to a secondary market civil liability claim, venture issuers complying with this section should*
- *confirm that there appears to be a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information,*
 - *ensure that a statement proximate to the forward-looking information is made which contains reasonable cautionary language which*
 - *identifies the forward-looking information,*
 - *identifies the material factors that could cause actual results to differ materially from the forward-looking information,*

- *states the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection in the forward-looking information.*

19. Off-Balance Sheet Arrangements

- (1) If the venture issuer has any off-balance sheet arrangement that has or is reasonably likely to have, a current or future effect on the venture issuer's financial performance or financial condition, including, without limitation, liquidity and capital resources then provide the disclosure required for off-balance sheet arrangements under item 1.8 of Form 51-102F1 *Management's Discussion and Analysis* as if the issuer were a "senior unlisted issuer", as defined in National Instrument 51-102 *Continuous Disclosure Obligations* to which Form 51-102F1 *Management's Discussion and Analysis* applies.
- (2) For the purpose of this section, an off-balance sheet arrangement includes any contractual arrangement (with an entity) that is not reported on a consolidated basis by the venture issuer under which the venture issuer has any of the following:
 - (a) any obligation under certain guarantee contracts;
 - (b) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for the assets;
 - (c) any obligation under certain derivative instruments;
 - (d) any obligation held by the venture issuer in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the venture issuer, or engages in leasing, hedging activities or, research and development services with the venture issuer.

20. Significant Equity Investee

If a venture issuer has a significant equity investee, the venture issuer must disclose, for each of the two most recently completed financial years, summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss unless

- (a) this has already been disclosed in the annual financial statements of the venture issuer, or
- (b) the venture issuer has filed annual financial statements of the equity investee providing the disclosure.

Guidance:

Securities regulators will generally consider an equity investee to be significant to a venture issuer if, using the financial statements of the equity investee and the venture issuer as at their respective most recently completed financial year ends, the venture issuer's

- (a) *proportionate share of the consolidated assets of the equity investee exceeds 40% of the consolidated assets of the venture issuer, or*
- (b) *consolidated investments in and advances to the equity investee exceeds 40% of the consolidated assets of the venture issuer.*

21. Forward-Looking Information, FOFI and Financial Outlooks

- (1) If a venture issuer previously disclosed material forward-looking information to the public other than forward-looking information referred to in section 37(1) of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, it must update that disclosure either by
- (a) disclosing both
- (i) all events or circumstances that have occurred in the period to which the annual report or mid-year report relates that are reasonably likely to cause actual results to differ materially from the previously publicly disclosed material forward-looking information for a financial period that is not yet complete, and, if so, the expected differences of those events or circumstances,
- (ii) if the forward-looking information was a financial outlook or FOFI (as defined in section 37 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*) any material differences from actual results for the period to which the annual report or mid-year report relates, or
- (b) disclosing the date of a news release that has been filed that contains the information in paragraph (a), and stating that it is available at www.sedar.com.
- (2) If during the period to which an annual report or mid-year report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, it must either
- (a) disclose in its annual report or mid-year report, as applicable, the withdrawal and explain the reasons for the withdrawal, including the assumptions for the forward-looking information that are no longer valid,
- (b) disclose in its annual report or mid-year report the date of a news release that has been filed that contains the information in paragraph (a), and stating that it is available at www.sedar.com.
- (3) For the purpose of subsection (1), disclosure will be considered to be made to the public if it is filed, made in a speech in a public forum, made in a press release or by broadcast medium or by a telephonic, electronic or other communication facility, in a newspaper,

magazine or other publication generally available to the public or published on a website or in marketing material.

22. Risk Factors

Disclose the risk factors of the venture issuer. Identify first the risks that are most significant to the venture issuer and those that may not be common to other venture issuers in the same industry.

Guidance:

Examples of possible risk factors include:

- *lack of specific management, experience or technical knowledge required for the type of business,*
- *management's regulatory and business track record,*
- *environmental and health risks and related penalties, sanctions or required remediation,*
- *existing and anticipated litigation,*
- *legal issues or uncertainty with respect to property rights or ability to conduct business,*
- *need for regulatory or government permits or approvals and regulatory constraints,*
- *lack of or limited market for product or services or significant competition,*
- *economic or political conditions, including instability and uncertain political and legal regimes in area of operations,*
- *dependence on financial viability of a guarantor or principal suppliers, customers or other creditors,*
- *securityholders becoming liable to make additional contributions beyond the price of the security,*
- *cash flow and liquidity problems, including lack of or limited history of revenues or profits,*
- *need for additional financing and/or insufficiency of current funds to accomplish business objectives, and*
- *limited personnel and/or reliance on key personnel, suppliers, customers or agreements.*

23. Legal and Regulatory Proceedings

- (1) Disclose any legal proceedings involving the venture issuer or any of its properties that are known to exist, are reasonably contemplated, or existed during the most recently completed financial year. Include the nature of the claim, the principal parties involved, the court, agency or regulatory authority to hear the claim, the date of filing of the claim, the amount of the claim and the status of the claim.
- (2) Disclose all of the following:
 - (a) penalties or sanctions relating to securities legislation imposed against the venture issuer by a court or securities regulatory authority during the most recently completed financial year;

- (b) any other penalties or sanctions imposed by a court, regulatory body or SRO against the venture issuer during the most recently completed financial year that would likely be considered important to a reasonable investor in making an investment decision;
- (c) settlement agreements relating to securities legislation entered into by the venture issuer with a court or securities regulatory authority during the most recently completed financial year.

Guidance

The term "SRO" is defined in National Instrument 14-101 Definitions and includes self-regulatory organizations, self-regulatory bodies and exchanges.

24. Material Contracts

List each material contract to which either or both of the following apply:

- (a) it was entered into by the venture issuer since the start of the most recently completed financial year;
- (b) it is still in effect.

PART 3 OUTSTANDING SECURITIES AND TRADING INFORMATION

25. Outstanding, Escrowed and Fully-Diluted Securities

- (1) Using the following table format, provide as at the latest practicable date, all of the following information about voting or equity securities of the venture issuer (including convertible securities that may be converted into voting or equity securities):
 - (a) the number of each type of security outstanding;
 - (b) the number and type of each outstanding security subject to escrow, pooling, lock-up or similar agreement or arrangement and the percentage that number represents of the total number of such securities outstanding;
 - (c) the number of equity and voting securities that would be outstanding on a fully-diluted basis if all convertible securities that may be converted into voting or equity securities were converted.
 - (d) If the number of voting or equity securities that are issuable on conversion, is not determinable, disclose the maximum number of each type of voting or equity securities that are issuable on the conversion and, if that maximum number is not determinable, describe the conversion features and the manner in which the number of voting or equity securities will be determined.

Type of security	Number outstanding as at latest practicable date	Number and percentage subject to escrow, lock-up, pooling etc.	Number of equity and voting securities outstanding on a fully-diluted basis

- (2) Disclose the date at which the information in the table is provided.
- (3) Add notes to the table to describe the material terms of the securities, such as special voting rights, preference to dividends, retraction or redemption rights, conversion rights, option and warrant exercise prices, and expiry dates.
- (4) Add notes to the table to describe the material terms of any escrow, lock-up, pooling or similar arrangement or agreement, including the name of any escrow agent and the release terms and release date(s).
- (5) Despite paragraph (1)(b) and subsection (4), securities subject to contractual restrictions on transfer as a result of pledges made to lenders are not required to be disclosed.
- (6) If the venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exercisable into or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, provide the disclosure required by Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations* as if the issuer were a “senior unlisted issuer”, as defined in National Instrument 51-102 *Continuous Disclosure Obligations* to which that instrument applies.

26. Founders, Principal Holders and Control Persons

To the extent reasonably ascertainable, identify each founder who was a founder during the most recently completed financial year, each principal holder and each control person and disclose the number and type of securities of the venture issuer that are beneficially owned or directly or indirectly controlled by each.

27. Reporting Insiders

- (1) Identify each person or company, other than executive officers, that, to the venture issuer’s knowledge, is or was, during the most recently completed financial year a “reporting insider”, as that term is defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions* of the venture issuer.

- (2) If the “reporting insider” is a registered owner of the venture issuer’s securities but not the beneficial owner, disclose the beneficial owner if it is known to, or is reasonably ascertainable by, the venture issuer.

28. Trading Price and Volume

- (1) For each class of securities of the venture issuer that is traded or quoted on a published market:
 - (a) identify the market on which the largest volume of trading or quotation generally occurs,
 - (b) provide each of the following for the most recently completed financial year
 - (i) the price ranges (high and low) at which the securities traded,
 - (ii) the volume traded or quoted on that market.
- (2) If the securities do not trade on a market that has a published market disclose that and indicate how the securities are publicly traded.

PART 4 BIOGRAPHICAL, SECURITYHOLDINGS AND CONFLICTS OF INTEREST INFORMATION FOR DIRECTORS AND EXECUTIVE OFFICERS

29. Directors’ and Executive Officers’ Biographical Information, Securityholdings and Conflicts of Interest

- (1) Provide biographical and securityholdings information in the following tabular format for each director and executive officer.

Full name, municipality, province/state and country of residence	Principal position(s) held with venture issuer or subsidiary entity and date of first appointment or election	Principal occupation or business for last 5 years including name and description of business	Number and percentage of each type of security of the venture issuer beneficially owned or over which control or direction is directly or indirectly exercised	Director or executive officer positions in the last 5 years with other reporting issuers or issuers with reporting obligations in foreign jurisdictions	Orders, bankruptcies, penalties or sanctions
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- (2) Use notes to the table above to:
- (a) identify whether securities are held directly, indirectly or whether control or direction is exercised,
 - (b) for convertible securities, disclose the Conversion price, the expiry date and any vesting provisions, including the number that have already vested,
 - (c) specify the circumstances surrounding each order, bankruptcy, penalty or sanction and to provide any material details including whether the order, bankruptcy, penalty or sanction is still in effect,
 - (d) state the date at which information is provided.
- (3) For the purpose of this section “order” means an order that was in effect for a period of more than 30 consecutive days and that is a cease trade order, an order similar to a cease trade order (including a management cease trade order) or an order that denied the relevant individual access to any exemption under securities legislation.
- (4) Disclosure must be made of an order, bankruptcy, penalty or sanction if
- (a) a director or executive officer of the venture issuer is, as at the date of the annual report, or has been, within 10 years before the date of the annual report, a director, CEO or CFO of any entity (including the venture issuer) that
 - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity of director, CEO or CFO of the entity, or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO of the entity that resulted

from an event that occurred while that person was acting in the capacity of director, CEO or CFO, or

- (b) a director or executive officer of the venture issuer
 - (i) is, as of the date of the annual report, or has been, within 10 years before the date of the annual report, a director or executive officer of any entity (including the venture issuer) that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
 - (ii) has, within the 10 years before the date of the annual report, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer, or
- (c) a director or executive officer of the venture issuer has been subject to any penalties or sanctions, other than a late filing fee,
 - (i) imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
 - (ii) imposed by a court, regulatory body or SRO that would likely be considered important to a reasonable investor in making an investment decision.
- (5) Despite subsection (4) settlement agreements entered into before December 31, 2000 are not required to be disclosed unless the disclosure would likely be important to a reasonable investor in making an investment decision.
- (6) Disclose particulars of existing or potential material conflicts of interest between the issuer or a subsidiary of the issuer and a director or executive officer of the issuer or of a subsidiary of the issuer.

PART 5 COMPENSATION, OPTIONS AND INCENTIVE PLANS

30. Director and Executive Officer Compensation, excluding options

- (1) Use the following table, to the extent reasonably practicable, disclose all compensation for each of the two most recently completed financial years, other than compensation disclosed under section 32, paid, payable, awarded, granted, given, or otherwise

provided, directly or indirectly, by the venture issuer or any subsidiary entity of the venture issuer, to each “named executive officer” and each director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the named executive officer or director for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiary entities.

Guidance:

Compensation includes payments, grants, awards, gifts and benefits and would generally include,

- *salaries,*
- *consulting fees,*
- *retainer fees,*
- *bonuses,*
- *committee and meeting fees,*
- *special assignment fees,*
- *pensions and employer paid RRSP contributions,*
- *perquisites such as*
 - *car, car lease, car allowance or car loan,*
 - *personal insurance,*
 - *parking,*
 - *accommodation, including use of vacation accommodation,*
 - *financial assistance,*
 - *club memberships,*
 - *use of corporate motor vehicle or aircraft,*
 - *reimbursement for tax on perquisites or other benefits,*
 - *investment-related advice and expenses, and*
 - *gifts.*

- (2) For the purposes of this section a “named executive officer” or “NEO” means in respect of the venture issuer and its subsidiary entities each of the following individuals:
- (a) a CEO;
 - (b) a CFO;
 - (c) each of the three most highly compensated executive officers other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection (3), for that financial year;
 - (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the venture issuer, nor acting in a similar capacity, at the end of that financial year.

Guidance:

The \$150,000 threshold in paragraph (c) of the definition of NEO only applies when determining who is a NEO in a venture issuer's most recently completed financial year. If an individual is a NEO in the most recently completed financial year, disclosure of compensation in prior years must be provided if otherwise required by this form even if total compensation in a prior year is less than \$150,000 in that year.

- (3) To calculate total compensation awarded to, earned by, paid to, or payable to an individual under paragraph (2)(c),
 - (a) use the total compensation that would be reported for each executive officer using the summary compensation table below, as if that executive officer were a named executive officer for the venture issuer's most recently completed financial year,
 - (b) exclude each of the following from the calculation,
 - (i) any pension benefit compensation,
 - (ii) any incremental payments, payables, and benefits to an executive officer that are triggered by, or result from, termination, severance, constructive dismissal or a change of control that occurred during the most recently completed financial year,
 - (iii) any cash compensation that relates to foreign assignments that is specifically intended to offset the impact of a higher cost of living in the foreign location, and is not otherwise related to the duties the executive officer performs for the venture issuer.
- (4) Despite subsection (1), it is not necessary to disclose Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation plans that do not discriminate in scope, terms or operation that are generally available to all salaried employees.

Director and Executive Officer Compensation, excluding Stock Options, Compensation Securities and Instruments						
Name and position	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total

- (5) Use notes to the table to disclose:
- (a) compensation paid by any person or company other than the venture issuer, including the identity of that other person or company;
 - (b) compensation paid indirectly to the director or named executive officer and, in such case, the amount of compensation, to whom it is paid and the relationship between the director or named executive officer and such other person or company;
 - (c) the nature of each perquisite paid, that is, any amount the board of directors considers to be not integrally and directly related to the performance of the director or named executive officer's duties, and how the value of the perquisite was calculated; and
 - (d) the nature of each form of other compensation paid and how the value of such other compensation was calculated, if it is not paid in cash; and
 - (e) the nature of each perquisite or other compensation paid or payable that equals or exceeds 25% of the total value of perquisites or other compensation, as applicable, paid or payable to that director or named executive officer.
- (6) If non-cash compensation, other than stock options, was provided or is payable, disclose the fair market value of the compensation at the time it is earned. If it is not possible to calculate the fair market value, disclose that fact and the reasons why.
- (7) If the venture issuer provides a pension to a director or a named executive officer provide for each such person the additional disclosure required by Item 5 of Form 51-102F6 *Executive Compensation*. For details and guidance regarding pension disclosure, see Form 51-102F6 *Executive Compensation*.

- (8) If a director or named executive officer has served in that capacity for only part of a year, indicate the number of months he or she has served. Do not annualize the compensation.

31. IFRS Compliance Exemption

- (1) A venture issuer is exempt from section 30 if it prepares its annual financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and complies with the requirements of this section.
- (2) To rely on the exemption in subsection (1), a venture issuer must disclose each of the following:
- (a) the compensation disclosure required by Canadian GAAP applicable to publicly accountable enterprises for “key management personnel” (as defined in Canadian GAAP applicable to publicly accountable enterprises) separately for each director and named executive officer;
 - (b) the amount of compensation paid for services provided by a director or named executive officer to the venture issuer, by any person or company other than the venture issuer, and identify the person or company providing the compensation;
 - (c) the amount of compensation paid indirectly to a director or named executive officer and, in such case, to whom it is paid and the relationship between the director or named executive officer and such other person or company;
 - (d) the nature of each perquisite paid to a director or named executive officer, that is, any amount the board of directors considers to be not integrally and directly related to the performance of the director’s or named executive officer’s duties, and how the value of the perquisite was calculated;
 - (e) the nature of each perquisite or other compensation paid or payable that equals or exceeds 25% of the total value of perquisites or other compensation, as applicable, paid or payable to that director or named executive officer.

Guidance:

The disclosure required by subsection 31(2) may be provided in the venture issuer’s annual financial statements.

32. Stock Options, Compensation Securities and Instruments

- (1) Using the following table, modified as necessary, disclose all securities, convertible securities and similar instruments including stock appreciation rights (“SARs”), deferred share units (“DSUs”), restricted stock units (“RSUs”) and phantom securities granted or issued by the venture issuer or one of its subsidiary entities for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiary entities in the most recently completed financial year.

- (a) Disclose on an individual basis, each grant or issuance made to a director or named executive officer.
- (b) Disclose grants or issuances to persons or companies other than directors and named executive officers. This disclosure may be aggregated.
- (c) If disclosure is provided on an aggregate basis, disclose each issue or grant price (and for convertible securities the price at which they convert) and the number of securities, convertible securities or similar instruments issued or granted at each such price.

Stock Options, Compensation Securities and Instruments							
Name and position	Type of security or other instrument	Number of securities or instruments or for convertible securities, the number of underlying securities and percentage of class	Date of issue or grant	Issue or Conversion price	Closing price of security or underlying security on date of grant	Closing price of security or underlying security at year end	Expiry date

(2) Position the tables prescribed in (1) and (5) directly after the table prescribed in subsection 30(1).

(3) Use notes to the table to disclose:

- (a) the material terms of the class of security, convertible security or instrument or a cross-reference to such description provided elsewhere in the annual report;
- (b) vesting provisions; and
- (c) restrictions or conditions with respect to converting convertible securities.

(4) Use notes to the table to disclose any security, convertible security or instrument that has been re-priced, cancelled and replaced, had its term extended or otherwise been

materially modified in the most recently completed financial year, including, the original and modified terms, the effective date, the reason for the modification, and if the holder was a director or executive officer, the name of the holder.

- (5) Using the following table, modified as necessary, disclose on an individual basis, all exercises by directors and named executive officers of securities referred to in subsection (1) during the most recently completed financial year.

Exercise of Securities by Directors and Named Executive Officers						
Name and position	Type of security or other instrument	Number of securities exercised	Exercise price per security	Date of exercise	Closing price per security on date of exercise	Difference between exercise price and closing price on date of exercise

33. Employment, Consulting and Management Agreements

- (1) Disclose the terms of each agreement or arrangement under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the venture issuer or any of its subsidiary entities that were
- (a) performed by a director or named executive officer,
 - (b) performed by any other party but are services typically provided by a director or a person who would typically be a named executive officer.
- (2) For each agreement or arrangement referred to in subsection (1), disclose each of the following:
- (a) the provisions, if any, with respect to change of control, severance, termination or constructive dismissal;
 - (b) the total compensation paid or provided in the most recently completed financial year or that is payable or to be provided by the venture issuer or any of its subsidiary entities,

- (c) any relationship between the other party to the agreement and a director or named executive officer of the venture issuer or any of its subsidiary entities.

34. Oversight and Description of Director and Executive Officer Compensation

- (1) Disclose who determines director compensation and how and when it is determined.
- (2) Disclose who determines the compensation of the named executive officers and how and when it is determined.
- (3) For each named executive officer, all of the following must be disclosed:
 - (a) describe and explain all significant elements of compensation awarded to, earned by, paid or payable to the NEO for the most recently completed financial year, including at a minimum each element of compensation that accounts for 10% or more of the NEO's total compensation,
 - (b) disclose whether or not total compensation or any significant element of compensation is tied to one or more performance criteria or goals, including for example, milestones, agreements or transactions and, if so,
 - (i) describe the performance criterion or criteria and goals, and
 - (ii) indicate the weight assigned to each performance criterion or goal,
 - (c) disclose any significant events that have occurred during the most recently completed financial year that have significantly affected compensation including whether any performance criterion or goal was waived or changed and, if so, why,
 - (d) disclose how the venture issuer determines the amount to be paid for each significant element of compensation referred to in paragraph (a), including whether the process is based on objective, identifiable measures or a subjective decision,
 - (e) disclose whether a peer group is used to determine compensation and, if so, describe the peer group and why it is considered appropriate,
 - (f) disclose any significant changes to the venture issuer's compensation policies that were made during or after the most recently completed financial year that could or will have an effect on director or NEO compensation.
- (4) Despite subsection (3) if a reasonable person would consider disclosure of a previously undisclosed specific performance criterion or goal to seriously prejudice the venture issuer's interests, the venture issuer is not required to disclose it if the venture issuer does each of the following:
 - (a) discloses the percentage of the NEO's total compensation that relates to the

undisclosed criterion or goal,

- (b) discloses the anticipated difficulty in achieving the performance criterion or goal,
- (c) states that it is relying on this exemption,
- (d) explains why disclosing the performance criterion or goal would seriously prejudice its interests.

For the purposes of this exemption, a venture issuer's interests are not considered to be seriously prejudiced solely by disclosing performance goals or criteria if those criteria or goals are based on broad corporate-level financial performance metrics such as earnings per share, revenue growth, and earnings before interest, taxes, depreciation and amortization (EBITDA).

35. Stock Option Plans and Other Incentive Plans

- (1) Describe the material terms of each stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units, restricted stock units or phantom securities and any other incentive plan or portion of a plan under which awards are granted.

Guidance

Examples of material terms are: vesting provisions, maximum term of options granted, whether a stock option plan is a rolling plan, the maximum number or percentage of options that can be granted, method of settlement.

- (2) Indicate for each such plan or agreement whether it has been approved by shareholders.
- (3) Disclosure is not required of plans, such as shareholder rights plans, that involve issuance of securities to all securityholders.

PART 6 MATERIAL RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS

36. Related Entity Indebtedness

- (1) Use the following table, modified as necessary, to disclose each director, executive officer or other related entity of the venture issuer that
 - (a) during the most recently completed financial year, owed a debt to the venture issuer or any of its subsidiary entities, or
 - (b) was the beneficiary of a guarantee to a third party, a support agreement, letter of credit or similar arrangement or understanding provided by the venture issuer or any of its subsidiary entities to such person or company during the most recently completed financial year.

Name and position (e.g., title or description of related entity relationship)	Role of venture issuer (e.g., lender or guarantor)	Amount outstanding at financial year end / Largest amount outstanding in financial year	Interest rate	Secured debt?	Amount, if any, of debt forgiven in last financial year

- (2) Add notes to the table to include material terms of the debt, agreement or other arrangement including,
- (a) the terms of repayment,
 - (b) the date of the agreement or other arrangement,
 - (c) the due date for repayment of the debt,
 - (d) a description of any security provided for the debt,
 - (e) the business purpose for the transaction, and
 - (f) whether the debt was for the purpose of purchasing securities of the venture issuer.

37. Other Material Related Entity Transactions

- (1) Except to the extent disclosed previously in Part 5 or section 36, disclose the terms of each material related entity transaction that has occurred during the most recently completed financial year and each material related entity transaction that senior management has proposed and that it is probable the board of directors will approve. Include the disclosure required by section 10 of Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition* for each of the material related entity transactions required to be disclosed.
- (2) If the disclosure required by this section in respect of any material related entity transaction will be disclosed in the notes to the financial statements or mid-year interim financial report of the venture issuer which form part of the annual report or mid-year report, it is not necessary to restate the disclosure here if the venture issuer states that and identifies the note or notes to where the disclosure is located.

Guidance:

A series of material related entity transactions might not be individually material but collectively might be considered material where they are all with the same related entity or with a related entity and other persons or companies with whom the related entity has a family relationship or a significant business or other relationship.

PART 7 INTERESTS OF EXPERTS**38. Names of Experts**

- (1) Disclose the name of each person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* or National Instrument 51-102 *Continuous Disclosure Obligations* during, or relating to, the venture issuer's most recently completed financial year if that person's or company's profession or business gives authority to the report, valuation, statement or opinion made by the person or company.
- (2) Identify the report, valuation, statement or opinion and the filing or filings in which it was referred to.
- (3) For the purpose of this Part, a person or company referred to in subsection (1) is an "expert".
- (4) Despite subsection (1), disclosure is not required for the auditor of a business acquired by the venture issuer or one of its subsidiary entities if the auditors are not the auditors of the venture issuer and management of the venture issuer does not intend to recommend that they be appointed as auditors of the venture issuer.

39. Interests of Experts

- (1) Disclose all securities, other than securities held through mutual funds, or other property of the venture issuer, its subsidiary entities or affiliates that
 - (a) were beneficially owned, or that were directly or indirectly controlled or directed by an expert required to be named in section 38 and, if the expert is not an individual, by the designated professionals of that expert,
 - (i) when that expert prepared the report, valuation, statement or opinion referred to in section 38,
 - (ii) at any time since the time specified in paragraph (i), or
 - (b) are to be directly or indirectly received by an expert named in section 38 and, if the expert is not an individual, by the "designated professionals" of that expert.

- (2) For the purposes of subsection (1), a designated professional means, in relation to an expert named in section 38
- (a) each partner, employee or consultant of the expert who participated in and who was in a position to directly influence the preparation of the report, valuation, statement or opinion referred to in section 38, and
 - (b) each partner, employee or consultant of the expert who was, at any time during the preparation of the report, valuation, statement or opinion referred to in section 38, in a position to directly influence the outcome of the preparation of the report, valuation, statement or opinion, including, without limitation,
 - (i) any person who recommends the compensation of, or who provides direct supervisory, management or other oversight of, the partner, employee or consultant in the performance of the preparation of the report, valuation, statement or opinion referred to in section 38, including those at all successively senior levels through to the expert's chief executive officer,
 - (ii) any person who provides consultation regarding technical or industry-specific issues, transactions or events for the preparation of the report, valuation, statement or opinion referred to in section 38, and
 - (iii) any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in section 38.
- (3) For the purposes of subsection (1), if a person's or company's interest in the securities of the venture issuer represents less than one per cent of the venture issuer's outstanding securities of the same class, a general statement to that effect is sufficient.
- (4) Despite subsection (1), an auditor who is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or who has performed an audit in accordance with U.S. PCAOB GAAS or U.S. AICPA GAAS is not required to provide the disclosure in subsection (1) if there is disclosure that the auditor is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or that the auditor has complied with the SEC' rules on auditor independence.
- (5) If a person or a director, officer or employee of a person or company referred to in subsection (1) is or is expected to be elected, appointed or employed as a director, executive officer or employee of the venture issuer, one of its subsidiary entities or an affiliate disclose the fact or expectation.

Guidance:

- (1) *In some cases securities legislation requires that the consent of an expert be obtained before referring to the expert's report, valuation, statement or opinion. See for example National Instrument 43-101 Standards of Disclosure for Mineral Projects and National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.*
- (2) *A consent may also be required at a future date if the filing in which the expert's report, valuation, statement or opinion is included or referred to is incorporated by reference into a short form prospectus.*

PART 8 BOARD AND GOVERNANCE MATTERS

40. Board Committees

- (1) Identify each of the committees of the venture issuer's board of directors and briefly describe the powers and responsibilities of each of the committees.
- (2) Using the following table, modified as necessary,
- (a) identify each director,
 - (b) disclose each of the board committees upon which the director serves, and
 - (c) identify each of the directors who are executive officers or employees of the venture issuer.
- (3) In respect of the members of the audit committee, indicate whether or not the board of directors considers the director to be financially literate.
- (4) In assessing financial literacy of an audit committee member, the board of directors must consider the individual's
- (a) ability to understand the accounting principles used by the venture issuer to prepare its annual financial statements and interim financial reports,
 - (b) ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves, and
 - (c) experience preparing, auditing, analyzing or evaluating annual financial statements and interim financial reports that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the venture issuer's annual financial statements and interim financial reports, or experience actively supervising one or more individuals engaged in such activities.

Name of director	Board committees on which director serves	Executive officer or	Financially literate? (Audit
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		employee?	committee only)

- (5) Disclose each relationship of each of the directors that the board of directors considers could reasonably be expected to affect the director's ability to exercise independent judgement in a particular circumstance.
- (6) Disclose the number of board meetings held since the date of the last annual report and indicate for each director the number of meetings attended.
- (7) Disclose for each board committee, the number of meetings held since the date of the last annual report and indicate for each committee member, the number of meetings attended.

41. Governance and Ethical Conduct

- (1) Disclose whether or not the venture issuer's directors and officers are subject to any statutory or contractual obligations that require them, in performing their services as directors and officers of the venture issuer, to
 - (a) act honestly and in good faith,
 - (b) exercise care, skill or diligence.

If any such requirements apply, briefly describe them.

Guidance:

It is not necessary to provide a lengthy description. If, for example, the issuer is subject to similar requirements under an incorporating statute it is sufficient to refer to the name of the statute, indicate to whom the obligations are owed, and quote the provisions of that statute. It is not necessary to summarize general common-law obligations.

- (2) Disclose whether the board takes any steps to encourage and promote a culture of ethical business conduct and, if so, describe those steps.
- (3) Disclose how the board of directors facilitates its exercise of independent supervision over management, including

- (a) steps taken by the directors of the venture issuer to identify, prevent and address material conflicts of interest between the venture issuer, any of its subsidiary entities and the directors and executive officer of the venture issuer,
 - (b) the board of director's process for identifying Related Entities, material related entity transactions and for reviewing and approving material related entity transactions.
- (4) Briefly describe the significant components of the venture issuer's review and approval process designed to ensure that disclosure contained in news releases, Annual Reports and Mid-Year Reports does not contain misrepresentations or misleading information as described in Part 2 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

Guidance:

When responding to subsection 41(4) focus on those aspects of the review and approval process in which the directors and executive officers are engaged, such as consultations with expert advisers or senior staff, meetings of directors and/or executive officers, and internal policies or procedures requiring reviews by various parties. It is not necessary to provide a lengthy review of the issuer's disclosure controls and procedures or internal controls over financial reporting.

- (5) Describe any steps taken by the venture issuer (including, for example, educational efforts, confidentiality agreements and the adoption of policies or procedures) to deter persons or companies with knowledge of an undisclosed material fact or material change in respect of the venture issuer from
- (a) buying or selling a security of the venture issuer or exercising or issuing any option or other convertible security, the underlying security of which is a security the value of which is derived by reference to a security of the venture issuer,
 - (b) recommending or encouraging any other person or company to do anything referred to in paragraph (a), or
 - (c) informing, other than as necessary in the ordinary course of business, any other person or company of that undisclosed material fact or material change.
- (6) Describe any steps taken to provide an orientation to new directors and to provide continuing education for directors.
- (7) Disclose what steps, if any, the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

42. Auditor Independence

- (1) If the auditor performed services during the most recently completed financial year, other than for audit fees, disclose whether those services were pre-approved by the audit committee. If not, state that in bold type. If they were pre-approved by a pre-approval policy, describe that policy.
- (2) Disclose whether the audit committee recommended the appointment and compensation of the external auditor for the most recently completed financial year. If not or if the recommendations were not adopted, state that in bold type and explain why not.
- (3) Using the following table, disclose the fees billed to the venture issuer or any of its subsidiary entities by its external auditor for professional services relating to each of the two most recently completed financial years. Add notes to the table to provide details of the services provided, if any, in each of the categories.

Category	[Most recently completed financial year] (\$)	[Preceding financial year] (\$)
Audit Fees		
Audit-Related Fees		
Tax Fees		
All Other Fees		

- (4) For the purpose of this section:
 - (a) “Audit Fees” are the aggregate fees billed by the external auditor in respect of the financial year for audit services;
 - (b) “Audit-Related Fees” are the aggregate fees billed by the external auditor in respect of the financial year for assurance and related services that are reasonably related to the performance of the audit or review of the venture issuer’s annual financial statements and interim financial reports and are not reported as “Audit Fees”;
 - (c) “Tax Fees” are the aggregate fees billed by the external auditor in respect of the financial year for professional services for tax compliance, tax advice and tax planning.
 - (d) “All Other Fees” are the aggregate fees billed by the external auditors in respect of the financial year for products and services not described in one of the three other categories.

PART 9 CONTENTS OF A MID-YEAR REPORT

43. Mid-Year Report Contents

A mid-year report must include cover page disclosure as specified by paragraphs (1)(a) and (d) and subsections (2) and (3) of section 14 – Cover Page, and any other items referenced in section 14, if they have changed since the date of the last annual report.

44. Mid-Year Report MD&A

A mid-year report must include MD&A disclosure in accordance with each of the following provisions, modified as necessary to refer to the most recently completed mid-year period and mid-year interim financial report and where applicable for comparative purposes, the most recent prior mid-year period and prior mid-year interim financial report:

- (a) subsection 17(2) – Management’s Assessment of Performance;
- (b) subsection 17(3) – Issuers without Significant Operating Revenue;
- (c) subsection 17(4) – Actual Use of Financing Proceeds;
- (d) subsection 17(5) – Liquidity and Capital Resources;
- (e) section 19 – Off Balance Sheet Arrangements;
- (f) section 20 – Significant Equity Investees;
- (g) section 37 - Other Material Related Entity Transactions.

45. Mid-Year Interim Financial Report in Mid-Year Report

- (1) A mid-year interim financial report must be included in and form part of a mid-year report.
- (2) If an auditor was not engaged to review the mid-year interim financial report
 - (a) state that fact;
 - (b) if the auditor was unable to complete a review, disclose that fact and the reasons for the inability to complete the review; and
 - (c) if there were any reservations in the review report, include the review report.

46. Certification of Mid-Year Report

A mid-year report must include the disclosure certificate required by Part 11.

PART 10 ANNUAL FINANCIAL STATEMENTS

47. Annual Financial Statements

The annual financial statements, including the accompanying auditor's report, must be included in and form part of the annual report.

Guidance:

Because the definition of annual financial statements in National Instrument 51-103 Ongoing Governance and Disclosure Requirements for venture issuers includes both the financial statements for the most recently completed financial year and the corresponding statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include audited annual financial statements for the two most recently completed financial years.

PART 11 DISCLOSURE CERTIFICATE

48. Required Certificate

- (1) The certificate in the form set out in section 50, must be attached to each annual report and mid-year report.
- (2) Despite subsection (1), a venture issuer may provide a certificate in the following form:
 - (a) for an annual report, Form 52-109F1 *Certification of Annual Filings Full Certificate*, as if each of the following applies:
 - (i) the venture issuer is a senior unlisted issuer;
 - (ii) references to "annual filings" are read as "annual report";
 - (iii) the certificate is modified, as necessary, to refer to the annual report.
 - (b) for a mid-year report, Form 52-109F2 *Certification of Interim Filings Full Certificate*, as if each of the following applies:
 - (i) the venture issuer is a senior unlisted issuer;
 - (ii) references to "interim filings" are read as "mid-year report";
 - (iii) references to "interim period" are read as "mid-year period";
 - (iv) the certificate is modified, as necessary, to refer to the mid-year report.

- (3) A venture issuer providing a certificate in accordance with subsection (2) must comply with Part 3 of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as if the venture issuer is a senior unlisted issuer.
- (4) The certificate must be dated and must be signed by the CEO and the CFO. If the individual signing in the capacity of CEO or CFO does not hold the title of CEO or CFO, indicate the individual's title.
- (5) If an annual report or mid-year report is revised, the certificate must be redated and resigned by the CEO and the CFO.

49. Date of Certificate

The Disclosure Certificate must be signed and dated as of the date that the annual report, mid-year report, or revised report as applicable, is filed.

50. CEO and CFO Certificate

As [CEO / CFO],

- (a) I acknowledge my responsibility for the disclosure of information in this [annual report/mid-year report] including the [annual financial statements/mid-year interim financial report] and management's discussion and analysis.
- (b) I confirm I have reviewed the [annual report/mid-year report] to which this certificate is attached, and for greater certainty, all documents and information incorporated by reference into the [annual report/mid-year report] and, based on my knowledge, having exercised reasonable diligence, the [annual report/mid-year report]
 - (i) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the [annual report/mid-year report], and
 - (ii) fairly presents in all material respects the financial condition, financial performance and cash flows of [insert name of venture issuer] as of the date of and for the periods presented in the [annual report/mid-year report].

[print name and title of CEO]

[print name and title of CFO]

[signature of CEO]

[signature of CFO]

Date: _____

Note to Reader: [insert name of venture issuer], as a venture issuer, is not required to establish and maintain disclosure controls and internal control over financial reporting (as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers Annual and Interim Filings*). This may result in additional risks to the quality, reliability, transparency and timeliness of annual reports, mid-year reports and other disclosures provided by it under securities legislation.

Guidance:

If a venture issuer provides a certificate in the form of section 50, it is not required to discuss in its annual report or mid-year report the design or operating effectiveness of disclosure controls and procedures or internal control over financial reporting. If a venture issuer provides a certificate in the form of section 50, but chooses to discuss in its annual report, mid-year report or other regulatory filings the design or operation of one or more components of its disclosure controls and procedures or internal control over financial reporting, it should also consider disclosing in the same document that:

(a) the venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures and internal control over financial reporting and has not completed such an evaluation; and

(b) inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis disclosure controls and procedures and internal control over financial reporting for the venture issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

A selective discussion in a venture issuer's MD&A about one or more components of a venture issuer's disclosure controls and procedures or internal control over financial reporting without these accompanying statements will not provide transparent disclosure of the state of the venture issuer's disclosure controls and procedures or internal control over financial reporting.

With respect to the content of certificates, Part 11 requires the annual and mid-year certificates to be filed in the exact wording prescribed by the required form (including the form number and form title) without any amendment. Failure to do so will be a breach of the Instrument.

FORM 51-103F2
REPORT OF MATERIAL CHANGE, MATERIAL RELATED ENTITY TRANSACTION OR
MAJOR ACQUISITION

PART 1 INSTRUCTIONS

1. Title of Form

Modify the title of this form to indicate whether the report is being filed to report a material change, a material related entity transaction or a major acquisition. If the transaction falls in more than one of these categories, modify the title of the report to reflect each of the applicable categories.

2. Format

The numbering, headings and ordering of the items included in this form are guidelines only.

3. Defined Terms

Refer to National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* for the definition of terms that are used in this form that are not defined in the form. If terms are not defined in that instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

4. Plain Language

Use plain, easy to understand language in preparing the report of material change, material related entity transaction or major acquisition. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

5. Incorporating Material by Reference

If the disclosure required by this form has previously been provided in another document filed by the venture issuer, a venture issuer may comply with the disclosure requirements of this form by stating the name and date of that other document and that it is available in the venture issuer's profile on SEDAR at www.sedar.com. The venture issuer must also include a statement that the applicable disclosure is incorporated by reference into this report. If the other document is lengthy, indicate the location of the relevant information in the other document.

PART 2 CONTENTS OF REPORT

6. Name and Address

State the venture issuer's full name and the address of its head office.

7. Date of Material Change, Material Related Entity Transaction or Major Acquisition

Disclose the following, as applicable:

- (a) the date of the material change;
- (b) the date of the decision to implement a material related entity transaction;
- (c) the date of the material related entity transaction;
- (d) the acquisition date for a major acquisition.

8. News Release

State the date of the news release issued under section 20 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and the news wire or service used to disseminate it.

9. Summary of Material Change, Material Related Entity Transaction or Major Acquisition

Briefly summarize the nature and substance of the material change, material related entity transaction or major acquisition being reported.

10. Full Description of Material Change, Material Related Entity Transaction or Major Acquisition

- (1) Describe the material change, material related entity transaction or major acquisition so that a reader can appreciate management's assessment of the reasonably anticipated significance and impact of the material change, material related entity transaction or major acquisition on the venture issuer's business, operations, financial performance, financial position, risks and prospects, whether positive or negative.

Guidance:

Specific financial forecasts are not normally required in connection with disclosure of a material change, material related entity transaction or major acquisition.

- (2) Disclose the purpose of and reasons for the material change, material related entity transaction or major acquisition.
- (3) Disclose in respect of the material change, material related entity transaction or major acquisition, each of the following that are applicable, if material:
 - (a) the date(s) of each applicable agreement;

- (b) in respect of an acquisition, the acquisition date or anticipated acquisition date, as determined in accordance with the issuer's GAAP and, in respect of a disposition, the closing date or anticipated closing date;
- (c) the parties to the agreement or transaction and if the event or transaction is a material related entity transaction, the nature of the relationship that causes each applicable entity to be considered a related entity of the venture issuer;
- (d) if the venture issuer is acquiring or has acquired an asset or business from a related entity, and the related entity acquired the asset or business within the prior three calendar years, the consideration paid by that related entity for the asset or business;
- (e) for each asset, business, related business or liability acquired, disposed of or leased, a description, including its location;
- (f) the consideration paid or to be paid for each asset, business or related business or liability acquired, disposed of or leased, including
 - (i) on-going commitments arising from the event or transaction,
 - (ii) an estimate of the aggregate consideration paid or received for all assets, businesses, related business or liabilities subject to the transaction (as reasonably anticipated to be recorded in the financial statements or interim financial reports of the venture issuer),
 - (iii) how the consideration was determined, including whether a valuation was obtained, and, if so, identify the valuator and summarize the material terms of the valuation,
 - (iv) how and when the consideration is to be paid, including a description of the number and type of securities that form all or part of the consideration,
 - (v) for acquisitions, where consideration includes a cash payment, the source of funds;
- (g) risks related to the material change, material related entity transaction or major acquisition;
- (h) any plans or proposals for a significant change in the venture issuer's business affairs or those of an acquired business or related business that may have a significant effect on its financial performance or financial position, for example, plans to liquidate, amalgamate or sell or lease all or substantially all of the assets of a business;

- (i) the identity of each person or company that has or will become or who has ceased or will cease to be a director, executive officer, principal holder or control person in connection with the material change, material related entity transaction or major acquisition.

11. Additional Disclosure, Financial Statements or other information for a Major Acquisition or Restructuring Transaction

Include the additional disclosure, financial statements or other information required by Part 6 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

12. Additional Disclosure for Material Changes to Prior Oil and Gas Activity Disclosure

If the report relates to a material change to the disclosure made in the most recently filed Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* made by the venture issuer under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the venture issuer must

- (a) identify the original disclosure to which the material change relates, and
- (b) discuss how the venture issuer reasonably expects the material change would have affected the most recently filed Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* if the material change had occurred before the effective date of such statement.

13. Confidential Reports of Material Change, Material Related Entity Transactions or Major Acquisitions

If this report is being delivered on a confidential basis in reliance on section 31 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, state the reasons for such reliance.

Guidance

Refer to section 31 of National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers concerning continuing obligations about confidential reports of material change, material related entity transactions or major acquisitions.

14. Omitted Information

State whether any information has been omitted on the basis that it is confidential information.

In a separate letter to the applicable regulator or securities regulatory authority marked "confidential" provide the reasons for your company's omission of confidential significant facts in the report in sufficient detail to permit the applicable regulator or securities regulatory authority to determine whether to exercise its discretion to allow the omission of these significant facts.

15. Contact Person

State the name, position and telephone number of an executive officer of the venture issuer who is knowledgeable about the material change, material related entity transaction or major acquisition reported and the contents of the report.

16. Date of Report

Date the report.

FORM 51-103F3
PROXY FORM

1. Definitions

Refer to National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* for terms used in this form that are not defined in the form. If terms are not defined in that instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

2. General Requirements

- (1) A proxy form must clearly identify the meeting in respect of which the proxy is solicited and each matter management (or other person or company making the solicitation) reasonably anticipates securityholders will be asked to vote upon at the meeting.
- (2) A proxy form must indicate in bold-face type whether or not the proxy is solicited by or on behalf of management and if not, by whom the proxy is solicited.
- (3) A proxy form must provide a specific blank space for each of the following:
 - (a) dating it,
 - (b) the printed name of the securityholder and any person authorized to sign on behalf of the securityholder,
 - (c) the signature of the securityholder or the securityholder's authorized signatory.

3. Authority of Securityholder

- (1) A proxy form must indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting, other than a person or company designated in the proxy form and that the person or company appointed does not need to be a securityholder. The proxy form must also provide instructions regarding how this right can be exercised.
- (2) A proxy form must provide an option for the securityholder to specify that the securities registered in the securityholder's name will be voted
 - (a) for or withheld from voting in respect of the appointment of an auditor or the election of directors, and
 - (b) for or against each other matter or group of related matters identified in the proxy form.

- (3) A proxy form must state that
 - (a) the securities represented by the proxy form will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for, and
 - (b) if the securityholder specifies a choice under subsection (2) with respect to any matter to be acted upon, the securities will be voted accordingly.
- (4) A proxy form must state whether the person or company giving the proxy has the right to revoke it and if there are any limitations on or conditions to the right to revoke, must describe those.
- (5) A proxy form may confer discretionary authority but only by way of a specific statement conferring such authority and only if
 - (a) the proxy form states in bold-face type how the securities represented by the proxy form will be voted in respect of each such matter or group of related matters if a securityholder does not specify a choice with respect to a matter referred to in paragraph 2(b),
 - (b) with respect to amendments or variations to matters identified in the notice of meeting or other matters properly coming before the meeting, the person or company by whom or on whose behalf the solicitation is made is not aware within a reasonable time before the time the solicitation is made that any of these amendments or variations or other matters are to be presented for action at the meeting.
- (6) Despite subsection (5) a proxy form must not confer discretionary authority to vote in either of the following two circumstances:
 - (a) for the election of any person as a director unless a *bona fide* proposed nominee for that election is named in the proxy form,
 - (b) at a meeting other than the meeting specified in the notice of meeting or any adjournment of that meeting.

4. Access to Information Regarding Matters to be Voted Upon

- (1) A proxy form must indicate in bold-face type that the information circular, annual report, mid-year report and any other disclosure relating to the matters to be acted upon at the meeting can be accessed electronically on the SEDAR website at www.sedar.com, and, if applicable, identify the specific location on another website where it can be accessed.
- (2) A proxy form must state whether management of the venture issuer is using the notice and access system permitted by section 15 of National Instrument 51-103 *Ongoing*

Governance and Disclosure Requirements for Venture Issuers for all or only certain securityholders and if it is being used for only certain securityholders, provide an explanation for this decision.

5. Securityholder Request for Documents

The proxy form must disclose that a securityholder may request, free of charge, a copy of the most recent information circular, annual report and mid-year report and must identify how that request can be made, including identifying a contact person with an address, toll-free telephone number and, if applicable, an email address.

FORM 51-103F4
INFORMATION CIRCULAR

PART 1 INSTRUCTIONS

1. Defined Terms

Refer to National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* for terms that are used in this form that are not defined in this form. If not defined in that instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

This form also uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. See the guidance at the end of Part 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

2. Incorporating Information by Reference

If the disclosure required by this form has previously been provided in another document filed by the venture issuer, the venture issuer may comply with the disclosure requirements of this form by stating the name and date of that other document and that it is available on the venture issuer's profile on SEDAR at www.sedar.com. The venture issuer must also include a statement that the applicable disclosure is incorporated by reference into the information circular. If the other document is lengthy, indicate the location of the relevant information in the other document.

3. Plain Language

Use plain, easy to understand language in drafting the information circular. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

4. Format

The numbering, headings and ordering of the items included in this form are guidelines only. To make the information circular easier to understand, present information in tables, where possible. State all amounts in figures.

5. Omitting Information

It is not necessary to respond to an item in this form if it is not applicable to the venture issuer. Information may be omitted if (a) it is not known to the person or company on whose behalf the solicitation is made, (b) it is not reasonably within the power of such person or company to obtain, and (c) the information circular briefly states the circumstances that make the information unavailable.

PART 2 INTRODUCTORY CONTENTS OF INFORMATION CIRCULAR

6. Date

Date the information circular with a date that is not more than thirty days before the date the information circular is first sent to any securityholder of the venture issuer. Unless otherwise required by this form, all information in the information circular must be current to that date.

7. Solicitation

- (1) Indicate who is making or on whose behalf the solicitation is being made. State who will pay the costs of solicitation.
- (2) If the solicitation is to be made other than by mail, describe the method to be used. If specially engaged employees or soliciting agents will make the solicitation describe the material terms of the engagement including the parties and the cost.

8. Opposition by a Director

If a director has informed management that he or she intends to oppose any action intended to be taken by management at the meeting, state this and indicate the action that he or she has indicated an intention to oppose.

9. Record Date Establishing Securityholders Who Can Vote

- (1) State the record date for determining which securityholders of record are entitled to vote at the meeting or, if applicable, the particulars as to the closing of the security transfer register.
- (2) If the right to vote is not limited to securityholders of record as of a specified record date, state the conditions under which securityholders are entitled to vote.

10. Outstanding Voting Securities

- (1) For each class of voting securities of the venture issuer entitled to be voted at the meeting, state the number of securities outstanding and describe the voting rights.
- (2) If the venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exercisable into or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, provide a cross-reference to the disclosure in the annual report that complies with Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 3 ADDITIONAL INFORMATION

11. Availability of Information

- (1) State that additional information relating to the venture issuer is available on SEDAR at www.sedar.com
- (2) State that information regarding the venture issuer can be found in the annual report for its most recently completed financial year and in the most recently filed mid-year report.
- (3) Identify and disclose in bold-face type the most recently filed annual report or other document in which disclosure was provided relating to
 - (a) director and executive officer compensation,
 - (b) indebtedness of directors and executive officers,
 - (c) governance of the venture issuer by the board of directors, and
 - (d) fees paid to the auditor.

State that information relating to each of those matters can be found in the applicable document and that the document is available on the SEDAR website at www.sedar.com.

- (4) If a venture issuer has not filed, prior to the date of the information circular, an annual report for its most recently completed financial year, the information circular must include the disclosure required to be included in an annual report under Parts 2, 3, 4, 5, 6, 7 and 8 of Form 51-103F1 *Annual and Mid-Year Reports*.
- (5) Disclose how a securityholder may contact the venture issuer to request a copy of the venture issuer's most recent annual report and mid-year report.

PART 4 ELECTION OF DIRECTORS

12. Biographies of and Securities Held by Proposed Directors

This section only applies if directors are to be elected at the meeting.

- (1) List each of the individuals who are to be nominated for election as a director and each other individual whose term as a director will continue following the meeting, including the expiry date of such individual's term.
- (2) If an individual, who is not currently a director, is to be nominated for election as a director (a "proposed new director"), provide the following information in respect of that individual:
 - (a) name, municipality and country of residence;

- (b) principal occupation, business or employment for the prior five years, including the name and principal business of any company in which any such employment is carried on;
 - (c) the number of securities of each class of the venture issuer and any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly;
 - (d) if an individual is or has been within the prior five years a director or executive officer of another reporting issuer or an entity that is subject to reporting obligations in a foreign jurisdiction, the name of that other reporting issuer or entity and the position held with that other reporting issuer or entity;
 - (e) if the proposed new director, alone or together with his or her associates or affiliated entities, is a principal holder of the venture issuer's securities,
 - (i) disclose the number of securities of each class beneficially owned, or controlled or directed, directly or indirectly, by the proposed new director and his or her associates or affiliated entities, and
 - (ii) state the name of each associate or affiliated entity of the proposed new director who is a principal holder; and
 - (f) if the proposed new director owes or since the start of the last completed financial year owed a debt to the venture issuer or a subsidiary entity of the venture issuer or is or was during the last completed financial year a beneficiary of a guarantee to a third party, a support agreement, letter of credit or similar arrangement or understanding provided by the venture issuer, provide the disclosure specified by section 36 of Form 51-103F1 *Annual and Mid-Year Reports*.
- (3) For each proposed director who is not a proposed new director, comply with either of the following
- (a) provide the disclosure for the proposed director that is required by subsection (2) for a proposed new director
 - (b) if disclosure comparable to that required by subsection (2) has been provided in the most recent annual report and the information has not changed materially since that date, provide a cross-reference to the disclosure in the most recent annual report and state that it is incorporated by reference into the information circular.

13. Special Voting Rights and Arrangements

- (1) If directors are to be elected and any class of securityholder has the right to elect a specified number of directors or has cumulative or similar voting rights, describe those rights and how they may be exercised.

- (2) If a proposed director is to be elected under any arrangement or understanding with any other person or company, name the other person or company and briefly describe the arrangement or understanding. It is not necessary to describe an arrangement with the directors or executive officers of the venture issuer acting on behalf of the venture issuer.

14. Cease Trade Orders, Penalties, Sanctions and Bankruptcies of Proposed New Directors

- (1) If a proposed new director of the venture issuer is, as at the date of the information circular, or has been, within 10 years before the date of the information circular, a director or executive officer of any entity (including the venture issuer) that, while that individual was acting in that capacity,
- (a) was the subject of a cease trade or similar order, including a management cease trade, or an order that denied the relevant entity access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect,
 - (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the entity being the subject of a cease trade or similar order, including a management cease trade, or an order that denied the relevant entity access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect, or
 - (c) within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.
- (2) If a proposed new director or a personal holding company of the proposed new director has, within the 10 years before the date of the information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed new director or personal holding company, as applicable, state the fact.
- (3) If a proposed new director or a personal holding company of a proposed new director has been subject to a penalty or sanction, other than a late filing fee, describe the penalty or sanction imposed and the grounds on which it was imposed, if any of the following apply
- (a) it was imposed by a court and relates to securities legislation,
 - (b) it was imposed by a securities regulatory authority,

- (c) it was imposed by a court, regulatory body or SRO and would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed new director.
- (4) If a proposed new director or a personal holding company of a proposed new director has entered into a settlement agreement with a securities regulatory authority, describe the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement.
- (5) Despite subsection (4), disclosure of a settlement agreement entered into before December 31, 2000 is not required unless it would likely be considered important to a reasonable investor in making an investment decision.
- (6) For each proposed director, other than a proposed new director, comply with either of the following:
 - (a) provide the disclosure required by this section for a proposed new director,
 - (b) if disclosure comparable to the disclosure required by this section was provided in the last annual report or another document filed in the prior 12 months and that disclosure continues to be accurate, provide a cross-reference to that disclosure and state that it is incorporated by reference into the information circular.

PART 5 APPOINTMENT OF AUDITOR

15. Current Auditor

- (1) Name the current auditor of the venture issuer and if the auditor was first appointed within the last five years, state the date when the auditor was first appointed.
- (2) Indicate who is recommending appointment of the auditor for the ensuing financial year.
- (3) If action is to be taken to replace an auditor, provide the information required under section 4.11 of National Instrument 51-102 *Continuous Disclosure Obligations* as if the issuer was a “senior unlisted issuer” as defined in National Instrument 51-102 *Continuous Disclosure Obligations* to which that instrument applies.

PART 6 PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

16. General Description

- (1) If securityholders will be asked to vote at the meeting on any matter other than the approval of financial statements, the election of directors or the appointment of the auditor, describe the matter they will be asked to vote on (and any related groups of matters) in sufficient detail to allow a reasonable securityholder to form a reasoned judgment on how to vote.

Guidance:

Examples of such matters include:

- *alterations of share capital, such as stock splits, consolidations and creation or amendment of classes of shares;*
- *amendments to constating documents and by-laws;*
- *adoption or amendment of equity compensation plans and shareholders' rights plans;*
- *major acquisitions or restructuring transactions related to material property acquisitions or dispositions;*
- *reverse takeovers;*
- *amalgamations, mergers, arrangements or reorganizations; and*
- *other similar transactions.*

- (2) If the venture issuer is not legally required to obtain securityholder approval of the matter, explain why the venture issuer is asking securityholders to vote on it. Also state what management intends to do if securityholders vote against the matter.

17. Additional Disclosure for Restructuring Transactions

- (1) If securityholders are asked to vote on a restructuring transaction under which securities are to be changed, exchanged, issued or distributed, include disclosure for each of the following:
- (a) the venture issuer if it has not filed all documents required under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for a Venture Issuer*,
 - (b) each entity, other than the venture issuer, whose securities are being changed, exchanged, issued or distributed, if the venture issuer's current securityholders will have an interest in that entity after the restructuring transaction is completed,
 - (c) each entity that would result from the restructuring transaction, if the venture issuer's securityholders will have an interest in that entity after the restructuring transaction is completed.
- (2) The disclosure required under subsection (1) for the venture issuer or entity must be the disclosure, including annual financial statements and interim financial reports, if any, prescribed under securities legislation and described in the form of prospectus that the venture issuer or entity, respectively, would be eligible to use immediately prior to the sending and filing of the information circular in respect of the restructuring transaction for a distribution of securities in the jurisdiction.

18. Additional Disclosure for Major Acquisitions

- (1) If securityholders are asked to vote on a major acquisition that is not a restructuring transaction, include in the information circular the disclosure, including annual financial statements and interim financial reports, if any, required by section 22 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.
- (2) If the acquisition date for the major acquisition has not occurred as at the date of the information circular, modify the disclosure required by subsection (1) to
 - (a) convey that the acquisition date has not occurred;
 - (b) provide annual financial statements and interim financial reports, if any, for the business or related business to be acquired as if the acquisition date were the date of the information circular.

19. Exemptions from Disclosure

- (1) If a person or company, other than management of a venture issuer, solicits proxies, the disclosure requirements of this Part do not apply to the information circular (a “dissident circular”), unless the sender of the dissident circular is proposing a restructuring transaction involving the venture issuer and the sender, under which securities of the sender, or an affiliated entity of the sender, are to be distributed or transferred to securityholders of the venture issuer.
- (2) An information circular or filing statement prepared by a venture issuer in connection with a “qualifying transaction” for a “CPC” or in connection with a “reverse take over” satisfies the disclosure requirements of this Part if the venture issuer complies with the policies and requirements of the TSX Venture Exchange in respect of that qualifying transaction or reverse take over, as applicable.
- (3) For the purpose of subsection (2) only, the terms “qualifying transaction”, “CPC” and “reverse take over” have the meanings provided in the TSX Venture Exchange Corporate Finance Manual.

20. Restricted Securities

In addition to the disclosure required by this Part, if securityholders will be asked to vote on a transaction that would have the effect of converting or subdividing, in whole or in part, existing securities into restricted securities, or creating new restricted securities, the information circular must also include a description of:

- (1) the rights, including voting rights, attached to the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;

- (2) the voting rights, if any, attached to the securities of any other class of securities of the venture issuer that are the same or greater on a per security basis than those attached to the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;
- (3) the percentage of the aggregate voting rights attached to the venture issuer's securities that are represented by the class of restricted securities;
- (4) any significant provisions under applicable corporate and securities law, in particular whether the restricted securities may or may not be tendered in any takeover bid for securities of the venture issuer having voting rights superior to those attached to the restricted securities, that do not apply to the holders of the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, but do apply to the holders of another class of equity securities, and the extent of any rights provided in the constating documents or otherwise for the protection of holders of the restricted securities; and
- (5) any rights under applicable corporate law, in the constating documents or otherwise, of holders of restricted securities that are the subject of the transaction either directly or following a conversion, exchange or exercise, to attend, in person or by proxy, meetings of holders of equity securities of the venture issuer and to speak at the meetings to the same extent that holders of equity securities are entitled.

PART 7 INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE VOTED ON

21. Disclosure of Material Interests

Briefly describe any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of each of the following persons or companies in any matter to be voted on, other than the election of directors or the appointment of auditors:

- (a) if the solicitation is made by or on behalf of the venture issuer's management, each individual who has been a director or executive officer of the venture issuer at any time since the beginning of the venture issuer's last financial year;
- (b) if the solicitation is made by or on behalf of anyone other than the venture issuer's management, each person or company by whom, or on whose behalf, directly or indirectly, the solicitation is made;
- (c) each proposed new director of the venture issuer; and
- (d) each associate or affiliated entity of any of the persons or companies listed in paragraphs (1) to (3).

22. Interpretation

- (1) For the purpose of section 21, each of the following persons and companies are deemed to be persons or companies by whom or on whose behalf the solicitation is made (collectively, “solicitors” or individually a “solicitor”):
 - (a) a member of a committee or group that solicits proxies, and any person or company whether or not named as a member who, acting alone or with one or more other persons or companies, directly or indirectly takes the initiative or engages in organizing, directing or financing any such committee or group;
 - (b) a person or company who contributes, or joins with another to contribute, more than \$250 to finance the solicitation of proxies;
 - (c) a person or company who lends money, provides credit, or enters into any other arrangements, under any contract or understanding with a solicitor, for the purpose of financing or otherwise inducing the purchase, sale, holding or voting of securities of the venture issuer but not including a bank or other lending institution or a dealer that, in the ordinary course of business, lends money or executes orders for the purchase or sale of securities.

- (2) The following persons and companies are deemed not to be solicitors:
 - (a) a person or company retained or employed by a solicitor to solicit proxies or a person or company who merely transmits proxy-soliciting material or performs ministerial or clerical duties;
 - (b) a person or company employed or retained by a solicitor in the capacity of lawyer, accountant, or advertising, public relations, investor relations or financial advisor and whose activities are limited to the performance of their duties in the course of the employment or retainer;
 - (c) a person or company regularly employed as an executive officer or employee of the venture issuer or any of its affiliated entities; or
 - (d) an executive officer or director of, or a person or company regularly employed by, a solicitor.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 GENERAL PROSPECTUS REQUIREMENTS**

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Section 1.1 is amended by

(a) replacing the definition of “equity investee” with the following:

“equity investee”

(a) for an issuer, other than a venture issuer, has the same meaning as in section 1.1 of NI 51-102,

(b) for a venture issuer has the same meaning as in section 1 of NI 51-103;

(b) inserting the following definition after the definition of “Form 41-101F2”:

“Form 41-101F4” means Form 41-101F4 *Information Required in a Venture Issuer Prospectus* of this Instrument;

(c) inserting the following definition after the definition of “Form 51-102F6”:

“Form 51-103F1” means Form 51-103F1 *Annual and Mid-Year Reports* of NI 51-103;

(d) replacing the definition of “Form 52-110F2” with the following:

“Form 52-110F2” means Form 52-110F2 *Disclosure by Senior Unlisted Issuers* of NI 52-110;

(e) replacing the definition of “Form 58-101F2” with the following:

“Form 58-101F2” means Form 58-101F2 *Corporate Governance Disclosure (Senior Unlisted Issuers)* of NI 58-101;

(f) replacing the definition of “information circular” with the following:

“information circular”

(a) for an issuer, other than a venture issuer, has the same meaning as in section 1.1 of NI 51-102,

(b) for a venture issuer has the same meaning as in section 1 of NI 51-103;

(g) inserting the following definition after the definition of “interim period”:

“IPO senior unlisted issuer” means an issuer that

- (a) files a long form prospectus,
- (b) is not a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus,
- (c) does not have any of its securities listed or quoted on any of the marketplaces listed in paragraph 3(1)(b) of NI 51-103, and
- (d) the only securities it has distributed by prospectus and the only securities it proposes to distribute by prospectus are any of the following:
 - (i) debt securities,
 - (ii) preferred shares,
 - (iii) “securitized products” which are any of the following
 - (A) a security that entitles the security holder to receive payments that primarily depend on the cash flow from self-liquidating financial assets collateralizing the security, such as loans, leases, mortgages, and secured or unsecured receivables, including:
 - (I) an asset-backed security;
 - (II) a collateralized mortgage obligation;
 - (III) a collateralized debt obligation;
 - (IV) a collateralized bond obligation;
 - (V) a collateralized debt obligation of asset-backed securities;
 - (VI) a collateralized debt obligation of collateralized debt obligations;
 - (B) a security that entitles the security holder to receive payments that substantially reference or replicate the payments made on one or more securities of the type described in paragraph (a) but that do not primarily depend on the cash flow from self-liquidating financial assets that collateralize the security, including:
 - (I) a synthetic asset-backed security;

- (II) a synthetic collateralized mortgage obligation;
- (III) a synthetic collateralized debt obligation;
- (IV) a synthetic collateralized bond obligation;
- (V) a synthetic collateralized debt obligation of asset-backed securities;
- (VI) a synthetic collateralized debt obligation of collateralized debt obligations;

(h) replacing the definition of “IPO venture issuer” with the following:

“IPO venture issuer” means an issuer

- (a) that files a long form prospectus,
 - (b) that is not a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus,
 - (c) that at the date of the long form prospectus, does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on
 - (i) the Toronto Stock Exchange,
 - (ii) a U.S. marketplace,
 - (iii) a marketplace outside of Canada or the United States, other than a designated venture market as defined in subsection 3(4) of NI 51-103,
 - (d) to which, at the date of the long form prospectus, BC Instrument 51-509 *Issuers Quoted in the U.S. Over-the-Counter Market* does not apply, and
 - (e) that at the date of the long form prospectus, is not a senior unlisted issuer or an IPO senior unlisted issuer,;
- (i) amending the definition of "junior issuer" in subsection (e) by**
- (a) **inserting** "or proposed restructuring transaction" **after the second occurrence of** "business";;

(b) *inserting* "or restructuring transaction" *after the second occurrence of* "acquisition", *and*

(c) *inserting* "or completed restructuring transaction" *after the fourth occurrence of* "business",

(j) *replacing the definition of* "long form prospectus" *with the following:*

"long form prospectus" means a prospectus filed in the form of Form 41-101F1, Form 41-101F2 or Form 41-101F4;

(k) *inserting the following definition after the definition of* "long form prospectus":

"major acquisition" means for an issuer that was not a reporting issuer in any jurisdiction on the acquisition date, an acquisition of a business or related businesses that would be determined to be a major acquisition under NI 51-103, if

(a) the issuer was a venture issuer on the acquisition date, and

(b) the references to a "venture issuer" were read as an "IPO venture issuer";

(l) *inserting the following definitions after the definition of* "material contract":

"material related entity transaction" has the same meaning as in section 1 of NI 51-103;

"mid-year interim financial report" has the same meaning as in section 1 of NI 51-103;

"mid-year period" has the same meaning as in section 1 of NI 51-103;

(m) *inserting the following definition after the definition of* "mineral project":

"NI 51-103" means National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

(n) *inserting the following definitions after the definition of* "publicly accountable enterprise":

"published market" has the same meaning as in section 1 of NI 51-103;

"related business" has the same meaning as in section 1 of NI 51-103;

(o) *inserting the following definition after the definition of* "related credit supporter":

"related entity" has the same meaning as in section 1 of NI 51-103;

(p) inserting the following definition after the definition of “SEC issuer”:

“senior unlisted issuer” has the same meaning as in section 1.1 of NI 51-102; **and**

(q) replacing the definition of “venture issuer” with the following:

“venture issuer” has the same meaning as in section 1 of NI 51-103;

3. Subsection 1.2(6) is amended by replacing “Form 41-101F1 and Form 41-101F2” with “Form 41-101F1, Form 41-101F2 and Form 41-101F4”.

4. Section 3.1 is amended by

(a) replacing subsection (1) with the following:

(1) Subject to subsections (2), (3) and (4) an issuer filing a prospectus must file the prospectus in the form of Form 41-101F1, **and**

(b) adding the following subsection:

(4) A venture issuer or IPO venture issuer filing a prospectus must file a prospectus in the form of Form 41-101F4..

5. Section 4.2 is amended by adding the following subsection after subsection (2):

(3) Any financial statements included in a long form prospectus filed in the form of Form 41-101F4 must be audited in accordance with NI 52-107 unless an exception in section 32.5 or subsection 35.2(3) of Form 41-101F4 applies..

6. Section 5.1 is amended by inserting

(a) the following after subparagraph (a)(ii):

(ii.1) section 37.2 of Form 41-101F4, **and**

(b) the following after subparagraph (b)(ii):

(ii.1) section 37.3 of Form 41-101F4,.

7. Form 41-101F1 is amended by

(a) in General Instruction (12) replacing the reference to “venture issuers with “senior unlisted issuers”,

(b) replacing the references to “venture issuer”, wherever it occurs, in each of the following with “senior unlisted issuer”:

- (i) *paragraph 8.1(2)(a);*
- (ii) *subparagraph 10.3(3)(a)(ii);*
- (iii) *subparagraph 10.3(3)(b)(ii);*
- (iv) *subparagraph 10.3(5)(b)(ii);*
- (v) *subsection 19.1(1);*
- (vi) *subsection 19.1(2);*
- (vii) *subsection 19.2(2);*
- (viii) *subparagraph 32.2(1)(a)(ii);*
- (ix) *subparagraph 32.2(2)(b);*
- (x) *subparagraph 32.2(6)(c)(ii);*
- (xi) *subparagraph 32.3(1)(b)(ii);*
- (xii) *subparagraph 32.4(b)(ii)(B);*
- (xiii) *subparagraph 35.1(4)(b)(ii);*
- (xiv) *paragraph 35.3(2)(c);*
- (xv) *subparagraph 38.1(1)(b)(ii);*
- (xvi) *subparagraph 38.2(1)(b)(ii), and*

(b) *replacing the references to “IPO venture issuer”, wherever it occurs, in each of the following with “IPO senior unlisted issuer”:*

- (i) *subsection 1.9(4);*
- (ii) *paragraph 8.1(2)(a);*
- (iii) *subsection 19.1(1);*
- (iv) *subsection 19.1(2);*
- (v) *subsection 19.2(1);*
- (vi) *subsection 19.2(2);*
- (vii) *section 20.11;*
- (viii) *both occurrences in subparagraph 35.1(4)(b)(ii);*
- (ix) *paragraph 35.3(2)(c).*

8. *Section 8.6(1) is amended by replacing "or an IPO venture issuer" with ", an IPO venture issuer or a senior unlisted issuer".*

9. *The following Form 41-101F4 is added after Form 41-101F3:*

FORM 41-101F4
INFORMATION REQUIRED IN A VENTURE ISSUER PROSPECTUS

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FORM 41-101F4
INFORMATION REQUIRED IN A VENTURE ISSUER PROSPECTUS

GENERAL INSTRUCTIONS

- (1) *The objective of the prospectus is to provide information concerning the issuer that an investor needs in order to make an informed investment decision. This form sets out specific disclosure requirements that are in addition to the general requirement under securities legislation to provide full, true and plain disclosure of all material facts relating to the securities to be distributed. Certain rules of specific application impose prospectus disclosure obligations in addition to those described in this form.*
- (2) *Terms used and not defined in this form that are defined or interpreted in the Instrument bear that definition or interpretation. Other definitions are set out in NI 14-101.*
- (3) *In determining the degree of detail required, a standard of materiality must be applied. Materiality is a matter of judgment in the particular circumstance, and is determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. The potential significance of items must be considered individually rather than on a net basis, if the items have an offsetting effect.*
- (4) *Unless an item specifically requires disclosure only in the preliminary prospectus, the disclosure requirements set out in this form apply to both the preliminary prospectus and the prospectus. Details concerning the price and other matters dependent upon or relating to price, such as the number of securities being distributed, may be left out of the preliminary prospectus, along with specifics concerning the plan of distribution, to the extent that these matters have not been decided.*
- (5) *The disclosure must be understandable to readers and presented in an easy-to-read format. The presentation of information should comply with the plain language principles listed in section 4.1 of Companion Policy 41-101CP General Prospectus Requirements. If technical terms are required, clear and concise explanations should be included.*
- (6) *No reference need be made to inapplicable items and, unless otherwise required in this form, negative answers to items may be omitted.*

- (7) *Where the term “issuer” is used, it may be necessary, in order to meet the requirement for full, true and plain disclosure of all material facts, to also include disclosure with respect to persons or companies that the issuer is required, under the issuer’s GAAP, to consolidate, proportionately consolidate or account for using the equity method (for example, including “subsidiaries” as that term is used in Canadian GAAP applicable to publicly accountable enterprises). If it is more likely than not that a person or company will become an entity that the issuer will be required, under the issuer’s GAAP, to consolidate, proportionately consolidate or account for using the equity method, it may be necessary to also include disclosure with respect to the person or company.*
- (8) *An issuer that is a special purpose entity may have to modify the disclosure items to reflect the special purpose nature of its business.*
- (9) *If disclosure is required as of a specific date and there has been a material change or change that is otherwise significant in the required information subsequent to that date, present the information as of the date of the change or a date subsequent to the change instead.*
- (10) *If an issuer discloses financial information in a preliminary prospectus or prospectus in a currency other than the Canadian dollar, prominently display the presentation currency.*
- (11) *Except as otherwise required or permitted, include information in a narrative form. The issuer may include graphs, photographs, maps, artwork or other forms of illustration, if relevant to the business of the issuer or the distribution and not misleading. Include descriptive headings. Except for information that appears in a summary, information required under more than one Item need not be repeated.*
- (12) *Certain requirements in this form make reference to requirements in another instrument or form. Unless this form states otherwise, issuers must also follow the instruction or requirement in the other instrument or form. These references include references to Form 51-103F1.*
- (13) *Wherever this form uses the word “subsidiary”, the term includes companies and other types of business organizations such as partnerships, trusts and other unincorporated business entities.*
- (14) *Where requirements in this form make reference to, or are substantially similar to, requirements in Form 51-103F1, issuers may apply the general provision in section 2 of Form 51-103F1. However, issuers must supplement this disclosure if the supplemented disclosure is necessary to ensure that the prospectus provides full, true and plain disclosure of all*

material facts related to the securities to be distributed as required under Item 29 of this form.

- (15) *Forward-looking information, as defined in NI 51-103, included in a prospectus must comply with section 36 of NI 51-103 and must include the disclosure described in subsection 36(2) of NI 51-103. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-103, included in a prospectus must comply with subsection 36(3) of NI 51-103. If the forward-looking information relates to an issuer or other entity that is not a reporting issuer in any jurisdiction, section 36 of NI 51-103 applies as if the issuer or other entity were a venture issuer in at least one jurisdiction.*

ITEM 1: Cover Page Disclosure

Required statement

- 1.1** State in italics at the top of the cover page the following:

“No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.”

Preliminary prospectus disclosure

- 1.2** Every preliminary prospectus must have printed in red ink and in italics at the top of the cover page immediately above the disclosure required under section 1.1 the following, with the bracketed information completed:

“A copy of this preliminary prospectus has been filed with the securities regulatory authority(ies) in [each of/certain of the provinces/provinces and territories of Canada] but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authority(ies).”

INSTRUCTION

Issuers must complete the bracketed information by

- (a) *inserting the names of each jurisdiction in which the issuer intends to offer securities under the prospectus,*
- (b) *stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada, or*

- (c) *identifying the filing jurisdictions by exception (i.e., every province of Canada or every province and territory of Canada, except [excluded jurisdictions]).*

Basic disclosure about the distribution

- 1.3** State the following immediately below the disclosure required under sections 1.1 and 1.2 with the bracketed information completed:

“[PRELIMINARY] PROSPECTUS

[INITIAL PUBLIC OFFERING OF AN IPO VENTURE ISSUER OR NEW ISSUE
AND/OR SECONDARY OFFERING OF A VENTURE ISSUER]

[(Date)]

[Name of Issuer]

[number and type of securities qualified for distribution under the prospectus, including any options or warrants, and the price per security]”

Distribution

- 1.4(1)** If the securities are being distributed for cash, provide the information called for below, in substantially the following tabular form or in a note to the table:

	Price to public (a)	Underwriting discounts or commission (b)	Proceeds to issuer or selling securityholders (c)
Per Security			
Total			

- (2) If there may be an over allocation position,
- (a) disclose that a purchaser who acquires securities forming part of the underwriters’ over-allocation position acquires those securities under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases, and

- (b) describe the terms of any over-allotment option or an option to increase the size of the distribution before closing.
- (3) If the distribution of the securities is to be on a best efforts basis, provide totals for both the minimum and maximum offering amount, if applicable.
- (4) If a minimum subscription amount is required from each subscriber, provide details of the minimum subscription requirements in the table required under subsection (1).
- (5) If debt securities are being distributed at a premium or a discount, state in boldface type the effective yield if held to maturity.
- (6) Disclose separately those securities that are underwritten, those under option and those to be sold on a best efforts basis, and, in the case of a best efforts distribution, the latest date that the distribution is to remain open.
- (7) In column (b) of the table, disclose only commissions paid or payable in cash by the issuer or selling securityholder and discounts granted. Set out in a note to the table
 - (a) commissions or other consideration paid or payable by persons or companies other than the issuer or selling securityholder,
 - (b) consideration other than discounts granted and cash paid or payable by the issuer or selling securityholder, including warrants and options, and
 - (c) any finder's fees or similar required payment.
- (8) If a security is being distributed for the account of a selling securityholder, state the name of the securityholder and a cross-reference to the applicable section in the prospectus where further information about the selling securityholder is provided. State the portion of the expenses of the distribution to be borne by the selling securityholder and, if none of the expenses of the distribution are being borne by the selling securityholder, include a statement to that effect and discuss the reason why this is the case.

INSTRUCTIONS

- (1) *Estimate amounts, if necessary. For non-fixed price distributions that are being made on a best efforts basis, disclosure of the information called for by the table may be set forth as a percentage or a range of percentages and need not be set forth in tabular form.*

- (2) *If debt securities are being distributed, also express the information in the table as a percentage.*

Offering price in currency other than Canadian dollar

- 1.5** If the offering price of the securities being distributed is disclosed in a currency other than the Canadian dollar, disclose in boldface type the currency.

Non-fixed price distributions

- 1.6** If the securities are being distributed at non-fixed prices, disclose
- (a) the discount allowed or commission payable to the underwriter,
 - (b) any other compensation payable to the underwriter and, if applicable, that the underwriter's compensation will be increased or decreased by the amount by which the aggregate price paid for the securities by the purchasers exceeds or is less than the gross proceeds paid by the underwriter to the issuer or selling securityholder,
 - (c) that the securities to be distributed under the prospectus will be distributed, as applicable, at
 - (i) prices determined by reference to the prevailing price of a specified security in a specified market,
 - (ii) market prices prevailing at the time of sale, or
 - (iii) prices to be negotiated with purchasers,
 - (d) that prices may vary from purchaser to purchaser and during the period of distribution,
 - (e) if the price of the securities is to be determined by reference to the prevailing price of a specified security in a specified market, the price of the specified security in the specified market at the latest practicable date,
 - (f) if the price of the securities will be the market price prevailing at the time of the sale, the market price at the latest practicable date, and

- (g) the net proceeds or, if the distribution is to be made on a best efforts basis, the minimum amount of net proceeds, if any, to be received by the issuer or selling securityholder.

Pricing disclosure

- 1.7** If the offering price or the number of securities being distributed, or an estimate of the range of the offering price or of the number of securities being distributed, has been publicly disclosed in a jurisdiction or a foreign jurisdiction as of the date of the preliminary prospectus, include this information in the preliminary prospectus.

Reduced price distributions

- 1.8** If an underwriter wishes to be able to decrease the price at which securities are distributed for cash from the initial offering price fixed in the prospectus, include in boldface type a cross-reference to the section in the prospectus where disclosure concerning the possible price decrease is provided.

Market for securities

- 1.9(1)** Identify the exchange(s) and quotation system(s), if any, on which securities of the issuer of the same class as the securities being distributed are traded or quoted and the market price of those securities as of the latest practicable date.
- (2)** Disclose any intention to stabilize the market. Provide a cross-reference to the section in the prospectus where further information about market stabilization is provided.
- (3)** If no market for the securities being distributed under the prospectus exists or is expected to exist upon completion of the distribution, state the following in boldface type:

“There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See ‘Risk Factors’.”

- (4)** If the issuer has complied with the requirements of the Instrument as an IPO venture issuer, include a statement, in substantially the following form, with bracketed information completed:

“As at the date of this prospectus, [name of issuer] does not have any of its securities listed or quoted, has not applied to list or quote any of its

securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than certain designated venture markets.”

- (5) Include a statement, in substantially the following form, with bracketed information completed:

“The issuer [is/will be] a venture issuer subject to the governance and disclosure regime applicable to venture issuers under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*. Consequently, it [is not/will not be] required to provide certain disclosure applicable to issuers that are not venture issuers, such as three and nine month interim financial reports and associated management’s discussion and analysis. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, the issuer [is not/will not be] required to establish and maintain disclosure controls and procedures and internal control over financial reporting. The issuer [is/will be] subject to certain other obligations not applicable to issuers that are not venture issuers.

The disclosure provided by the issuer will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers.”

Risk factors

- 1.10** Include a cross-reference to sections in the prospectus where information about the risks of an investment in the securities being distributed is provided.

Underwriter(s)

- 1.11(1)** State the name of each underwriter.

- (2) If applicable, comply with the requirements of NI 33-105 for front page prospectus disclosure.
- (3) If an underwriter has agreed to purchase all of the securities being distributed at a specified price and the underwriter’s obligations are subject to conditions, state the following, with bracketed information completed:

“We, as principals, conditionally offer these securities, subject to prior sale, if, as and when issued by [name of issuer] and accepted by us in

accordance with the conditions contained in the underwriting agreement referred to under Plan of Distribution”.

- (4) If an underwriter has agreed to purchase a specified number or principal amount of the securities at a specified price, state that the securities are to be taken up by the underwriter, if at all, on or before a date not later than 42 days after the date of the receipt for the final prospectus.
- (5) If there is no underwriter involved in the distribution, provide a statement in boldface type to the effect that no underwriter has been involved in the preparation of the prospectus or performed any review or independent due diligence of the contents of the prospectus.
- (6) Provide the following tabular information

Underwriter’s Position	Maximum size or number of securities available	Exercise period or Acquisition date	Exercise price or average acquisition price
Over-allotment option			
Compensation option			
Any other option granted by issuer or insider of issuer to underwriter			
Total securities under option issuable to underwriter			
Other compensation securities issuable to underwriter			

INSTRUCTION

If the underwriter has been granted compensation securities, state, in a footnote, whether the prospectus qualifies the grant of all or part of the compensation securities and provide a cross-reference to the applicable section in the prospectus where further information about the compensation securities is provided.

International issuers

- 1.12** If the issuer, a selling securityholder, or any person or company required to provide a certificate under Part 5 of the Instrument or other securities legislation, is incorporated, continued, or otherwise organized under the

laws of a foreign jurisdiction or resides outside of Canada, state the following on the cover page or under a separate heading elsewhere in the prospectus, with the bracketed information completed:

“The [issuer, selling securityholder, or person or company providing a certificate under Part 5 of the Instrument or other securities legislation] is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Although [the person or company described above] has appointed [name(s) and address(es) of agent(s) for service] as its agent(s) for service of process in [list jurisdictions] it may not be possible for investors to enforce judgements obtained in Canada against [the person or company described above].”

Restricted securities

- 1.13(1)** Describe the number and class or classes of restricted securities being distributed using the appropriate restricted security terms in the same type face and type size as the rest of the description.
- (2)** If the securities being distributed are restricted securities and the holders of the securities do not have the right to participate in a takeover bid made for other equity securities of the issuer, disclose that fact.

Earnings coverage

- 1.14** If any of the earnings coverage ratios required to be disclosed under Item 9 is less than one-to-one, disclose this fact in boldface type.

ITEM 2: Table of Contents

Table of contents

- 2.1** Include a table of contents.

ITEM 3: Summary of Prospectus

General

- 3.1(1)** Briefly summarize, near the beginning of the prospectus, information appearing elsewhere in the prospectus that, in the opinion of the issuer or selling securityholder, would be most likely to influence the investor’s decision to purchase the securities being distributed, including a description of each of the following
- (a)** the principal business of the issuer and its subsidiaries,

- (b) the securities to be distributed, including the offering price and expected net proceeds,
 - (c) use of proceeds,
 - (d) risk factors,
 - (e) financial information,
 - (f) if restricted securities, subject securities or securities that are directly or indirectly convertible into or exercisable or exchangeable for restricted securities or subject securities, are to be distributed under the prospectus
 - (i) include a summary of the information required by section 10.6, and
 - (ii) include, in boldface type, a statement of the rights the holders of restricted securities do not have, if the holders do not have all of the rights referred to in section 10.6.
- (2) For the financial information provided under paragraph (1)(e),
- (a) describe the type of information appearing elsewhere in the prospectus on which the financial information is based,
 - (b) disclose whether the information appearing elsewhere in the prospectus on which the financial information is based has been audited,
 - (c) disclose whether the financial information has been audited, and
 - (d) if neither the information appearing elsewhere in the prospectus on which the financial information is based nor the financial information has been audited, prominently disclose that fact.
- (3) For each item summarized under subsection (1), provide a cross-reference to the information in the prospectus.

Cautionary language

3.2 At the beginning of the summary, include a statement in italics in substantially the following form:

“The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.”

ITEM 4: Corporate Structure

Name, address and incorporation

- 4.1(1)** State the issuer’s full corporate name or, if the issuer is an unincorporated entity, the full name under which it exists and carries on business, and the address(es) of the issuer’s head and registered office.
- (2)** State the statute under which the issuer is incorporated, continued or organized or, if the issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists.
- (3)** Describe the substance of any material amendments to the articles or other constating or establishing documents of the issuer.

Intercorporate relationships

- 4.2(1)** Disclose the relationship between the issuer and each subsidiary and each party with whom the issuer participates in a joint venture or partnership. If it would be useful to a reasonable investor in understanding the relationship, include a diagram.
- (2)** For each subsidiary disclose each of the following:
 - (a)** the percentage of votes that the issuer beneficially owns, or directly or indirectly controls or directs;
 - (b)** the percentage of each class of restricted securities that the issuer beneficially owns, or directly or indirectly controls or directs, if any;
 - (c)** the laws under which it was incorporated, continued or otherwise created.
- (3)** For each joint venture or partnership disclose the following:
 - (a)** a description of the voting control over the joint venture or partnership and the material decisions relating to management, operation and continuation of the joint venture or partnership that the issuer may directly or indirectly control or direct;
 - (b)** for a joint venture, the nature of the joint venture, the agreement or agreements under which it operates and, if applicable, the laws

under which it was incorporated, continued or otherwise created, and;

- (c) for a partnership, the agreement or agreements under which it operates and the laws under which it was created.
- (4) If the securities distributed under the prospectus are being issued in connection with a restructuring transaction, describe by way of a diagram or otherwise the relationships both before and after the completion of the proposed transaction.

ITEM 5: Describe the Business

Describe the business

- 5.1 (1)**
- (a) State the issuer's industry and describe its current business.
 - (b) Disclose the number of employees and the number of consultants retained on an on-going basis, of the issuer.
 - (c) Disclose the principal location(s) of the issuer's business.
- (2) Disclose the nature and results of any bankruptcy, receivership or similar proceedings against the issuer or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the issuer or any of its subsidiaries, within the three most recently completed financial years or completed during or proposed for the current financial year.
- (3) Disclose the nature and results of any material restructuring transaction of the issuer or any of its subsidiaries within the three most recently completed financial years or completed during or proposed for the current financial year.

INSTRUCTION:

Some examples of aspects of an issuer's business to disclose include:

- *the actual or proposed method of production or the actual or proposed method of providing services;*
- *any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to the issuer;*

- *the competitive conditions in the issuer's principal markets and geographic areas, including, an assessment of the issuer's competitive position;*
- *the status of any new product that has been announced;*
- *the sources, pricing and availability of raw materials, component parts or finished products;*
- *the existence and importance of brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, to the issuer and its industry;*
- *the extent to which the business of a reportable segment of the issuer's business is cyclical or seasonal;*
- *contracts upon which the issuer's business is substantially dependent, (refer to the guidance following the definition of "Material Contract");*
- *any reasonably anticipated changes in the business as a result of renegotiation or termination of contracts or sub-contracts, and the likely effect;*
- *financial and operational effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of the issuer in the current financial year and those expected in future years;*
- *dependence on foreign operations;*
- *investment policies and lending and investment restrictions.*

Issuers with mineral projects

- 5.2** If the issuer has a mineral project, disclose information for the issuer in accordance with section • of Form 51-103F1.

Issuers with oil and gas operations.

- 5.3(1)** If the issuer is engaged in oil and gas activities as defined in NI 51-101 and any of the oil and gas information is material as contemplated under NI 51-101 in respect of the issuer, disclose that information in accordance with Form 51-101F1
- (a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited statement of financial position of the issuer,

- (b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited statement of financial position of the issuer, and for the most recent financial period for which the prospectus includes an audited statement of comprehensive income of the issuer, or
 - (c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.
- (2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).
 - (3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).
 - (4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable statement of financial position referred to in subsection (1).

INSTRUCTION:

Issuers with oil and gas activities must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and disclose reserves and resources using the appropriate terminology and categories as prescribed by the “COGE Handbook” (as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities).

Products and Services

- 5.4** Describe each product or service, produced, distributed or provided by the issuer.

INSTRUCTION:

Securities regulatory authorities are of the view that disclosure of products and services would include the following:

- *principal markets,*
- *distribution methods,*

- *the revenue for each category of product or service as percentage of total consolidated revenues, and the extent to which revenues are derived from sales or transfers to related entities, and*
- *the stage of development of the product or service and, if applicable, steps needed to reach commercial production, and an estimate of costs and timing.*

Research and Development

- 5.5** Describe each of the issuer's products or services that are in the research and development phase and are expected to form a significant part of the issuer's business, including:
- (a) the stage of research or development;
 - (b) who is conducting the research or development;
 - (c) the estimated timeline and cost to completion;
 - (d) the proposed markets and distribution channels;
 - (e) the anticipated sources of competition; and
 - (f) whether contracts exist with major suppliers or customers.

Two year history and MD&A

- 5.6 (1) *Development of Business*** - Describe how the issuer's business has developed over the last two completed financial years for which the prospectus includes annual financial statements and any subsequent period to the date of the prospectus. Include a discussion only of changes and industry and economic conditions that have influenced the general development of the business whether favourably or unfavourably.
- (2) ***Contemplated Changes*** – Discuss changes in the issuer's business that the issuer expects will occur during the current financial year.
- (3) ***Management's Assessment of Performance*** - Discuss management's assessment of how the issuer performed during the most recently completed financial year for which the prospectus includes annual financial statements and how it compares to the prior financial year. Discuss why the issuer performed as it did by reference to the principal influencing factors.

- (a) Using financial measures from the issuer's GAAP, such as profit or loss, cash flows from operating activities, net assets and earnings per share, discuss the issuer's financial condition, changes in financial condition and financial performance in the last financial year, comparing it to the previous financial year.
- (b) Include each of the following in the discussion
 - (i) significant elements of profit or loss that do not arise from the issuer's continuing operations and the effect on current or future operations,
 - (ii) causes for any significant changes from period to period in one or more line items of the issuer's annual financial statements,
 - (iii) any seasonal aspects that had or are reasonably expected to have an effect on the issuer's financial condition or financial performance,
 - (iv) the effect of changes in accounting policies.
- (c) Include a discussion of key operating statistics and performance measures that management and industry typically use to assess performance of the issuer's business and similar businesses.
- (d) To the extent that any of the statistics and performance measures required to be discussed in paragraph (c) are "non-GAAP financial measures" the issuer must comply with paragraph (e). For the purpose of this paragraph, a "non-GAAP financial measure" is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not required, or permitted, by the issuer's GAAP and that either excludes an amount that is included in the most directly comparable measure calculated and presented in accordance with the issuer's GAAP, or includes an amount that is excluded from the most directly comparable measure calculated and presented in accordance with the issuer's GAAP.
- (e) An issuer disclosing a non-GAAP financial measure must do each of the following:
 - (i) disclose how the issuer defines the non-GAAP financial measure and, if there have been any changes to how the issuer has previously defined the measure, describe and explain those changes;

- (ii) disclose that the non-GAAP financial measure does not have a standardized meaning under the issuer's GAAP and is unlikely to be comparable to financial measures presented by other issuers;
 - (iii) present together with the non-GAAP financial measure, with at least equal prominence, the most directly comparable measure calculated in accordance with the issuer's GAAP that is presented in its financial statements;
 - (iv) explain the purpose for which the non-GAAP financial measure is used by management and why management thinks it provides useful information for investors;
 - (v) provide a quantitative reconciliation of the non-GAAP financial measure to the most directly comparable measure calculated in accordance with the issuer's GAAP that is presented in its financial statements.
- (4) ***Liquidity and Capital Resources*** - Disclose each of the following:
- (a) any known trends, events or uncertainties that are reasonably likely to have a material impact on the issuer's
 - (i) short term or long-term liquidity,
 - (ii) revenue or profit or loss from continuing operations,
 - (iii) debt, equity or other available financing resources;
 - (b) internal and external sources of liquidity, including
 - (i) financing resources reasonably anticipated to be available to the issuer, including debt, equity and other financing resources,
 - (ii) working capital requirements and, if a working capital deficiency exists or is reasonably anticipated, the impact of that deficiency and how the deficiency is anticipated to be remedied,
 - (iii) whether the issuer reasonably expects to have sufficient funds to maintain activities and meet planned growth or development;

- (c) material commitments for capital expenditures, including any exploration and development or research and development expenditures or contractual payments necessary to maintain properties or agreements in good standing and the expected sources of funds for such expenditures;
 - (d) defaults or arrears or anticipated defaults or arrears on debt covenants or payments required under contractual commitments such as lease payments and debt.
- (5) ***MD&A for Mid-Year Period*** - Provide the disclosure required by subsections 5.6(3) and (4) for the most recent mid-year interim financial report of the issuer included in the prospectus under Item 32, modified as necessary to refer to the mid-year period.
- (6) **Off-Balance Sheet Arrangements**
- (a) If the issuer has any off-balance sheet arrangement that has or is reasonably likely to have, a current or future effect on the issuer's financial performance or financial condition, including, without limitation, liquidity and capital resources then provide the disclosure required for off-balance sheet arrangements under item 1.8 of Form 51-102F1 *Management's Discussion and Analysis* as if the issuer were a venture issuer, as defined in National Instrument 51-102 *Continuous Disclosure Obligations* to which Form 51-102F1 *Management's Discussion and Analysis* applies.
 - (b) For the purpose of this section, an off-balance sheet arrangement includes any contractual arrangement (with an entity) that is not reported on a consolidated basis by the issuer under which the issuer has any of the following:
 - (i) any obligation under certain guarantee contracts;
 - (ii) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for the assets;
 - (iii) any obligation under certain derivative instruments;
 - (iv) any obligation held by the Venture Issuer in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Venture Issuer, or engages in leasing, hedging activities or, research and development services with the Venture Issuer.

- (7) **SEC Issuer MD&A** - An SEC issuer satisfies the requirements of subsections 5.6(3), 5.6(4), 5.6(5) and 5.6(6) if it provides management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act for the most recent mid-year interim financial report and annual financial statements of the issuer included in the prospectus.

More recent financial information

- 5.7** If the issuer is required to include more recent historical financial information in the prospectus under subsection 32.6(1), the issuer is not required to update the MD&A already included in the prospectus under this Item.

5.8 Additional disclosure

- (1) If the issuer has not had significant revenue from operations, disclose in a table format a breakdown of significant components of
- (a) exploration and evaluation assets or expenditures,
 - (b) expensed research and development costs,
 - (c) intangible assets arising from development,
 - (d) general and administrative expenses, and
 - (e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d).
- (2) Present the analysis of exploration and evaluation assets or expenditures required by subsection (1) on a property-by-property basis, if the issuer's business primarily involves mining exploration and development.
- (3) Provide the disclosure in subsection (1) for the following periods:
- (a) the two most recently completed financial years for which annual financial statements are included in the prospectus; and
 - (b) the most recent year-to-date mid-year period and the comparative year-to-date period for which interim financial reports are included in the prospectus, if any.

- (4) Subsection (1) does not apply if the information required under that subsection has been disclosed in the financial statements included in the prospectus.
- (5) For an issuer in the exploration, research or development stage, provide a comparison of the amount spent on executive compensation and general and administrative expenses, whether expensed or capitalized, to, as applicable,
 - (a) exploration and evaluation expenditures or assets, whether expensed or capitalized,
 - (b) research and development costs, whether expensed or capitalized.

Additional disclosure for issuers with negative cash flows

- 5.9** For an issuer that had negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included in the prospectus, disclose each of the following:
- (a) the period of time the proceeds raised under the prospectus are expected to fund operations,
 - (b) the estimated total operating costs necessary for the issuer to achieve its stated business objectives during that period of time,
 - (c) the estimated amount of other material capital expenditures during that period of time.

In determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs.

Significant Equity Investees

- 5.10** If an issuer has a significant equity investee, the issuer must disclose, for each of the two most recently completed financial years, summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss unless
- (a) this has already been disclosed in the annual financial statements of the issuer, or

- (b) the issuer has filed annual financial statements of the equity investee providing the disclosure.

ITEM 6: Use of Proceeds

Proceeds

- 6.1(1)** State the estimated net proceeds to be received by the issuer or selling securityholder or, in the case of a non-fixed price distribution or a distribution to be made on a best efforts basis, the minimum amount, if any, of net proceeds to be received by the issuer or selling securityholder from the sale of the securities distributed.
- (2)** State the particulars of any provisions or arrangements made for holding any part of the net proceeds of the distribution in trust or escrow subject to the fulfillment of conditions.
- (3)** If the prospectus is used for a special warrant or similar transaction, state the amount that has been received by the issuer of the special warrants or similar securities on the sale of the special warrants or similar securities.

Funds Available

6.2 Disclose

- (a) the total funds available, and
- (b) the following breakdown of those funds:
 - (i) the estimated net proceeds from the sale of the securities offered under the prospectus;
 - (ii) the estimated consolidated working capital (deficiency) as at the most recent month end before filing the prospectus;
 - (iii) the total other funds available to be used to achieve the principal purposes identified pursuant to this Item.

Principal purposes – generally

- 6.3(1)** Describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available as disclosed under section 6.2 will be used by the issuer.

- (2) If the closing of the distribution is subject to a minimum subscription, provide disclosure of the use of proceeds for the minimum and maximum subscriptions.

Principal purposes – indebtedness

- 6.4(1) If more than 10% of the net proceeds will be used to reduce or retire indebtedness and the indebtedness was incurred within the two preceding years, describe the principal purposes for which the proceeds of the indebtedness were used.
- (2) If the creditor is an insider, associate or affiliate of the issuer, identify the creditor and the nature of the relationship to the issuer, and disclose the outstanding amount owed.

Principal purposes – asset acquisition

- 6.5(1) If more than 10% of the net proceeds are to be used to acquire assets, describe the assets.
- (2) If known, disclose the particulars of the purchase price being paid for or being allocated to the assets or categories of assets, including intangible assets.
- (3) If the vendor of the assets is an insider, associate or affiliate of the issuer, identify the vendor and the nature of the relationship to the issuer, and disclose the method used in determining the purchase price.
- (4) Describe the nature of the title to or interest in the assets to be acquired by the issuer.
- (5) If part of the consideration for the acquisition of the assets consists of securities of the issuer, give brief particulars of the class, number or amount, voting rights, if any, and other appropriate information relating to the securities, including particulars of the issuance of securities of the same class within the two preceding years.

Principal purposes – insiders, etc.

- 6.6 If an insider, associate or affiliate of the issuer will receive more than 10% of the net proceeds, identify the insider, associate or affiliate and the nature of the relationship to the issuer, and disclose the amount of net proceeds to be received.

Principal purposes – research and development

- 6.7** If more than 10% of the net proceeds from the distribution will be used for research and development of products or services, describe
- (a) the timing and stage of research and development programs that management anticipates will be reached using such proceeds,
 - (b) the major components of the proposed programs that will be funded using the proceeds from the distribution, including an estimate of anticipated costs,
 - (c) if the issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and
 - (d) the additional steps required to reach commercial production and an estimate of costs and timing.

Business objectives and milestones

- 6.8(1)** State the business objectives that the issuer expects to accomplish using the funds available disclosed under section 6.2.
- (2)** Describe each significant event that must occur for the business objectives described under subsection (1) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event.

Unallocated funds in trust or escrow

- 6.9(1)** Disclose that unallocated funds will be placed in a trust or escrow account, invested or added to the working capital of the issuer.
- (2)** Give details of the arrangements made for, and the persons or companies responsible for,
- (a) the supervision of the trust or escrow account or the investment of unallocated funds, and
 - (b) the investment policy to be followed.

Other sources of funding

- 6.10** If any material amounts of other funds are to be used in conjunction with the proceeds, state the amounts and sources of the other funds.

Financing by special warrants, etc.

- 6.11(1)** If the prospectus is used to qualify the distribution of securities issued upon the exercise of special warrants or the exercise of other securities acquired on a prospectus-exempt basis, describe the principal purposes for which the proceeds of the prospectus-exempt financing were used or are to be used.
- (2) If all or a portion of the funds have been spent, explain how the funds were spent.

ITEM 7: Dividends or Distributions

Dividends or distributions

- 7.1(1)** Disclose the amount of cash dividends or distributions declared per security for each class of the issuer's securities for each of the three most recently completed financial years and its current financial year.
- (2) Describe any restrictions that could prevent the issuer from paying dividends or distributions.
- (3) Disclose the issuer's dividend or distribution policy and any intended change in dividend or distribution policy.

ITEM 8: [Intentionally omitted]

ITEM 9: Earnings Coverage Ratios

Earnings coverage ratios

- 9.1(1)** If the securities being distributed are debt securities having a term to maturity in excess of one year or are preferred shares, disclose the following earnings coverage ratios adjusted in accordance with subsection (2):
- (a) the earnings coverage ratio based on the most recent 12-month period included in the issuer's annual financial statements included in the prospectus,
- (b) if there has been a change in year end and the issuer's most recent financial year is less than nine months in length, the earnings coverage calculation for its old financial year, and

- (c) the earnings coverage ratio based on the 12-month period ended on the last day of the most recently completed period for which an interim financial report of the issuer has been included in the prospectus.
- (2) Adjust the ratios referred to in subsection (1) to reflect
- (a) the issuance of the securities being distributed under the prospectus, based on the price at which these securities are expected to be distributed,
 - (b) in the case of a distribution of preferred shares,
 - (i) the issuance of all preferred shares since the date of the annual financial statements or interim financial report, and
 - (ii) the repurchase, redemption or other retirement of all preferred shares repurchased, redeemed, or otherwise retired since the date of the annual financial statements or interim financial report and of all preferred shares to be repurchased, redeemed, or otherwise retired from the proceeds to be realized from the sale of securities under the prospectus,
 - (c) the issuance of all financial liabilities, as defined in accordance with the issuer's GAAP, since the date of the annual financial statements or interim financial report, and
 - (d) the repayment, redemption or other retirement of all financial liabilities, as defined in accordance with the issuer's GAAP, since the date of the annual financial statements or interim financial report and all financial liabilities to be repaid or redeemed from the proceeds to be realized from the sale of securities distributed under the prospectus.
- (3) [Intentionally omitted]
- (4) If the earnings coverage ratio is less than one-to-one, disclose in the prospectus the dollar amount of the numerator required to achieve a ratio of one-to-one.
- (5) If the prospectus includes a pro forma income statement, calculate the pro forma earnings coverage ratios for the periods of the pro forma income statement, and disclose them in the prospectus.

INSTRUCTIONS

- (1) *Cash flow coverage may be disclosed but only as a supplement to earnings coverage and only if the method of calculation is fully disclosed.*
- (2) *Earnings coverage is calculated by dividing an entity's profit or loss attributable to owners of the parent (the numerator) by its borrowing costs and dividend obligations (the denominator).*
- (3) *For the earnings coverage calculation*
 - (a) *the numerator should be calculated using consolidated profit or loss attributable to owners of the parent before borrowing costs and income taxes;*
 - (b) *imputed interest income from the proceeds of a distribution should not be added to the numerator;*
 - (c) *[Intentionally omitted]*
 - (d) *for distributions of debt securities, the appropriate denominator is borrowing costs, after giving effect to the new debt securities issue and any retirement of obligations, plus the borrowing costs that have been capitalized during the period;*
 - (e) *for distributions of preferred shares*
 - (i) *the appropriate denominator is dividends declared during the period, together with undeclared dividends on cumulative preferred shares, after giving effect to the new preferred share issue, plus the issuer's annual borrowing cost requirements, including the borrowing costs that have been capitalized during the period, less any retirement of obligations, and*
 - (ii) *dividends should be grossed-up to a before-tax equivalent using the issuer's effective income tax rate; and*
 - (f) *for distributions of both debt securities and preferred shares, the appropriate denominator is the same as for a preferred share issue, except that the denominator should also reflect the effect of the debt securities being offered pursuant to the prospectus.*
- (4) *The denominator represents a pro forma calculation of the aggregate of an issuer's borrowing cost obligations on all financial liabilities and dividend obligations (including both dividends declared and undeclared*

dividends on cumulative preferred shares) with respect to all outstanding preferred shares, as adjusted to reflect

- (a) *the issuance of all financial liabilities and, in addition in the case of an issuance of preferred shares, all preferred shares issued, since the date of the annual financial statements or interim financial report;*
- (b) *the issuance of the securities that are to be distributed under the prospectus, based on a reasonable estimate of the price at which these securities will be distributed; and*
- (c) *the repayment or redemption of all financial liabilities since the date of the annual financial statements or interim financial report, all financial liabilities to be repaid or redeemed from the proceeds to be realized from the sale of securities under the prospectus and, in addition, in the case of an issuance of preferred shares, all preferred shares repaid or redeemed since the date of the annual financial statements or interim financial report and all preferred shares to be repaid or redeemed from the proceeds to be realized from the sale of securities under the prospectus.*

(5) *[Intentionally omitted]*

(6) *For debt securities, disclosure of earnings coverage shall include language similar to the following, with the bracketed and bulleted information completed:*

“[Name of the issuer]’s borrowing cost requirements, after giving effect to the issue of [the debt securities to be distributed under the prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]’s profit or loss attributable to owners of the parent before borrowing costs and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s borrowing cost requirements for this period.”

(7) *For preferred share issues, disclosure of earnings coverage shall include language similar to the following, with the bracketed and bulleted information completed:*

“[Name of the issuer]’s dividend requirements on all of its preferred shares, after giving effect to the issue of [the preferred shares to be distributed under the prospectus], and adjusted to a before-tax equivalent using an effective income tax rate of •%, amounted to \$• for the 12 months ended •. [Name of the issuer]’s borrowing cost requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s profit or loss attributable to owners of the parent before borrowing costs and income

tax for the 12 months ended • was \$•, which is • times [name of the issuer]'s aggregate dividend and borrowing cost requirements for this period."

- (8) *Other earnings coverage calculations may be included as supplementary disclosure to the required earnings coverage calculations outlined above as long as their derivation is disclosed and they are not given greater prominence than the required earnings coverage calculations.*

ITEM 10: Description of the Securities Distributed

Equity securities

10.1 If equity securities are being distributed, state the description or the designation of the class of the equity securities and describe all material attributes and characteristics, including

- (a) dividend rights,
- (b) voting rights,
- (c) rights upon dissolution or winding-up,
- (d) pre-emptive rights,
- (e) conversion or exchange rights,
- (f) redemption, retraction, purchase for cancellation or surrender provisions,
- (g) sinking or purchase fund provisions,
- (h) provisions permitting or restricting the issuance of additional securities and any other material restrictions, and
- (i) provisions requiring a securityholder to contribute additional capital.

Debt securities

10.2 If debt securities are being distributed, describe all material attributes and characteristics of the indebtedness and the security, if any, for the debt, including

- (a) provisions for interest rate, maturity and premium, if any,

- (b) conversion or exchange rights,
- (c) redemption, retraction, purchase for cancellation or surrender provisions,
- (d) sinking or purchase fund provisions,
- (e) the nature and priority of any security for the debt securities, briefly identifying the principal properties subject to lien or charge,
- (f) provisions permitting or restricting the issuance of additional securities, the incurring of additional indebtedness and other material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the issuer or its subsidiaries, and provisions as to the release or substitution of assets securing the debt securities,
- (g) the name of the trustee under any indenture relating to the debt securities and the nature of any material relationship between the trustee or any of its affiliates and the issuer or any of its affiliates, and
- (h) any financial arrangements between the issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.

10.3 [Intentionally omitted]

Derivatives

10.4 If derivatives are being distributed, describe fully the material attributes and characteristics of the derivatives, including

- (a) the calculation of the value or payment obligations under the derivatives,
- (b) the exercise of the derivatives,
- (c) settlements that are the result of the exercise of the derivatives,
- (d) the underlying interest of the derivatives,
- (e) the role of a calculation expert in connection with the derivatives,
- (f) the role of any credit supporter of the derivatives, and

- (g) the risk factors associated with the derivatives.

Special warrants, etc.

10.5 If the prospectus is used to qualify the distribution of securities issued upon the exercise of special warrants or other securities acquired on a prospectus-exempt basis, disclose that holders of such securities have been provided with a contractual right of rescission and provide the following disclosure in the prospectus, with the bracketed information completed:

“The issuer has granted to each holder of a special warrant a contractual right of rescission of the prospectus-exempt transaction under which the special warrant was initially acquired. The contractual right of rescission provides that if a holder of a special warrant who acquires another security of the issuer on exercise of the special warrant as provided for in the prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the prospectus or an amendment to the prospectus containing a misrepresentation,

- (a) the holder is entitled to rescission of both the holder’s exercise of its special warrant and the private placement transaction under which the special warrant was initially acquired,
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the underwriter or issuer, as the case may be, on the acquisition of the special warrant, and
- (c) if the holder is a permitted assignee of the interest of the original special warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.”

INSTRUCTION

If the prospectus is qualifying the distribution of securities issued upon the exercise of securities other than special warrants, replace the term “special warrant” with the type of the security being distributed.

Restricted securities

10.6(1) If the issuer has outstanding, or proposes to distribute under a prospectus restricted securities, subject securities or securities that are, directly or indirectly, convertible into or exercisable or exchangeable for restricted securities or subject securities, provide a detailed description of

(a) the voting rights attached to the restricted securities that are the subject of the distribution or that will result from the distribution, either directly or following a conversion, exchange or exercise, and the voting rights, if any, attached to the securities of any other class of securities of the issuer that are the same as or greater than, on a per security basis, those attached to the restricted securities,

(b) any significant provisions under applicable corporate and securities law that do not apply to the holders of the restricted securities that are the subject of the distribution or that will result from the distribution, either directly

or following a conversion, exchange or exercise, but do apply to the holders of another class of equity securities, and the extent of any rights provided in the constating documents or otherwise for the protection of holders of the restricted securities,

(c) any rights under applicable corporate law, in the constating documents or otherwise, of holders of restricted securities that are the subject of the distribution or that will result from the distribution, either directly or following a conversion, exchange or exercise, to attend, in person or by proxy, meetings of holders of equity securities of the issuer and to speak at the meetings to the same extent that holders of equity securities are entitled, and

(d) how the issuer complied with, or the basis upon which it was exempt from, the requirements of Part 12 of the Instrument.

(2) If holders of restricted securities do not have all of the rights referred to in subsection (1) the detailed description referred to in that subsection must include, in boldface type, a statement of the rights the holders do not have.

(3) If the issuer is required to include the disclosure referred to in subsection (1), state the percentage of the aggregate voting rights attached to the issuer's securities that will be represented by restricted securities after effect has been given to the issuance of the securities being offered.

Other securities

10.7 If securities other than equity securities, debt securities or derivatives are being distributed, describe fully the material attributes and characteristics of those securities.

Modification of terms

10.8(1) Describe provisions about the modification, amendment or variation of any rights attached to the securities being distributed.

(2) If the rights of holders of securities may be modified otherwise than in accordance with the provisions attached to the securities or the provisions of the governing statute relating to the securities, explain briefly.

Ratings

10.9 If the issuer has asked for and received a stability rating, or if the issuer is aware that it has received any other kind of rating, including a provisional rating, from one or more approved rating organizations for the securities being distributed and the rating or ratings continue in effect, disclose

- (a) each security rating, including a provisional rating or stability rating, received from an approved rating organization,
- (b) the name of each approved rating organization that has assigned a rating for the securities to be distributed,
- (c) a definition or description of the category in which each approved rating organization rated the securities to be distributed and the relative rank of each rating within the organization's overall classification system,
- (d) an explanation of what the rating addresses and what attributes, if any, of the securities to be distributed are not addressed by the rating,
- (e) any factors or considerations identified by the approved rating organization as giving rise to unusual risks associated with the securities to be distributed,
- (f) a statement that a security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization, and

- (g) any announcement made by, or any proposed announcement known to the issuer that is to be made by, an approved rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

INSTRUCTION

There may be factors relating to a security that are not addressed by a ratings agency when they give a rating. For example, in the case of cash settled derivative instruments, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by an approved rating organization by way of a superscript or other notation to a rating. Any such attributes must be discussed in the disclosure under this section.

Other attributes

- 10.10(1)** If the rights attaching to the securities being distributed are materially limited or qualified by the rights of any other class of securities, or if any other class of securities ranks ahead of or equally with the securities being distributed, include information about the other securities that will enable investors to understand the rights attaching to the securities being distributed.
- (2) If securities of the class being distributed may be partially redeemed or repurchased, state the manner of selecting the securities to be redeemed or repurchased.

INSTRUCTION

This section requires only a brief summary of the provisions that are material from an investment standpoint. The provisions attaching to the securities being distributed or any other class of securities do not need to be set out in full. They may, in the issuer's discretion, be attached as a schedule to the prospectus.

ITEM 11: Consolidated Capitalization and Outstanding and Fully-Diluted Securities

Consolidated capitalization

- 11.1** Describe any material change in, and the effect of the material change on, the share and loan capital of the issuer, on a consolidated basis, since the date of the issuer's financial statements for its most recently completed

financial period included in the prospectus, including any material change that will result from the issuance of the securities being distributed under the prospectus.

Outstanding and fully-diluted securities

11.2(1) Disclose in tabular form the designation and number or principal amount of

- (a) each class and series of voting or equity securities of the issuer for which there are securities outstanding,
- (b) each class and series of securities of the issuer for which there are securities outstanding if the securities are convertible into, or exercisable or exchangeable for, voting or equity securities of the issuer, and
- (c) subject to subsection (2), each class and series of voting or equity securities of the issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the issuer.

(2) If the exact number or principal amount of voting or equity securities of the issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the issuer is not determinable, the issuer must disclose the maximum number or principal amount of each class and series of voting or equity securities that are issuable on the conversion, exercise or exchange of outstanding securities of the issuer and, if that maximum number or principal amount is not determinable, the issuer must describe the exchange or conversion features and the manner in which the number or principal amount of voting or equity securities will be determined.

(3) Describe the material terms of voting or equity securities required to be disclosed under subsections (1) and (2), such as special voting rights, preference to dividends, retraction or redemption rights, conversion rights, option and warrant exercise prices, and expiry dates.

(4) The disclosure under subsections (1) and (2) must be both

- (a) prepared as of the latest practicable date;
- (b) prepared as if the minimum and maximum offering, as applicable, were completed.

ITEM 12: Options to Purchase Securities

Options to purchase securities

12.1(1) For an issuer that is not a reporting issuer in any jurisdiction immediately before filing the prospectus, state, in tabular form, as at a specified date within 30 days before the date of the prospectus, information about options to purchase securities of the issuer, or a subsidiary of the issuer, that are held or will be held upon completion of the distribution by

- (a) all executive officers and past executive officers of the issuer, as a group, and all directors and past directors of the issuer who are not also executive officers, as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies,
- (b) all executive officers and past executive officers of all subsidiaries of the issuer, as a group, and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary, as a group, excluding, in each case, individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies,
- (c) all other employees and past employees of the issuer as a group,
- (d) all other employees and past employees of subsidiaries of the issuer as a group,
- (e) all consultants of the issuer as a group, and
- (f) any other person or company, other than the underwriter(s), naming each person or company.

(2) Describe any material change to the information required to be included in the prospectus under subsection (1) to the date of the prospectus.

INSTRUCTIONS

- (1) *Describe the options, warrants, or other similar securities stating the material provisions of each class or type of option, including:*
 - (a) *the designation and number of the securities under option;*

- (b) *the purchase price of the securities under option or the formula by which the purchase price will be determined, and the expiration dates of the options;*
 - (c) *if reasonably ascertainable, the market value of the securities under option on the date of grant;*
 - (d) *if reasonably ascertainable, the market value of the securities under option on the specified date; and*
 - (e) *with respect to options referred to in paragraph (1)(f), the particulars of the grant including the consideration for the grant.*
- (2) *For the purposes of paragraph (1)(f), provide the information required for all options except warrants and special warrants.*

ITEM 13: Escrowed Securities

13.1(1) State as of a specified date within 30 days before the date of the prospectus, using substantially the following table format, all of the following information about voting or equity securities of the issuer (including securities that may be converted into, exercised into, or exchanged for voting or equity securities):

- (a) the name and municipality of residence of each securityholder that has any securities held in escrow;
- (b) the type and number of each security outstanding;
- (c) the type and number of each outstanding security subject to escrow, pooling, lock-up or similar agreement or arrangement and the percentage that number represents of the total number of such securities outstanding;
- (d) the type and number of each security that is reasonably anticipated to be subject to escrow, pooling, lock-up or similar agreement or arrangement after giving effect to the minimum and maximum offerings and the percentage those numbers represent of the total number of such securities that would then be outstanding;

Security holder name and municipality of residence	Type of security	Number outstanding as at latest practicable date	Number and percentage subject to escrow, lock-up, pooling etc. immediately prior the offering	Number and percentage subject to escrow, lock-up, pooling etc. after giving effect to the offering (min/max)

- (2) Disclose the date at which the information in the table is provided.
- (3) Add notes to the table to describe the material terms of any escrow, lock-up, pooling or similar arrangement or agreement, including the name of any trustee or escrow agent and the release terms and release date(s).
- (4) Describe any material change to the information required to be included in the prospectus under subsection (1) to the date of the prospectus.

INSTRUCTION:

For the purpose of this section, securities subject to contractual restrictions on transfer as a result of pledges made to lenders are not required to be disclosed.

ITEM 14: Prior Sales

Prior sales

- 14.1** For each class of securities of the issuer distributed under the prospectus and for securities that are convertible into those classes of securities, state, for the 12-month period before the date of the prospectus,
- (a) the price at which the securities have been issued or are to be issued by the issuer or sold by the selling securityholder,
 - (b) the number of securities issued or sold at that price, and
 - (c) the date on which the securities were issued or sold.

Trading price and volume

- 14.2(1)** For each class of securities of the issuer that is traded or quoted on a published market:
- (a) identify the market on which the largest volume of trading or quotation generally occurs,

- (b) provide each of the following for the most recently completed financial year
 - (i) the price ranges (high and low) at which the securities traded,
 - (ii) the volume traded or quoted on that market.
- (2) If the securities do not trade on a market that has a published market disclose that and indicate how the securities are publicly traded.

ITEM 15: Principal Securityholders and Selling Securityholders

Principal securityholders and selling securityholders

15.1(1) Provide the following information for each principal securityholder of the issuer and, if any securities are being distributed for the account of a securityholder, for each selling securityholder:

- (a) the name;
 - (b) the number or amount of securities owned, controlled or directed of the class being distributed;
 - (c) the number or amount of securities of the class being distributed for the account of the securityholder;
 - (d) the number or amount of securities of the issuer of any class to be owned, controlled or directed after the distribution, and the percentage that number or amount represents of the total outstanding;
 - (e) whether the securities referred to in paragraph (b), (c) or (d) are owned both of record and beneficially, of record only, or beneficially only.
- (2) If securities are being distributed in connection with a restructuring transaction, indicate, to the extent known, the holdings of each person or company described in paragraph (1)(a) that will exist after effect has been given to the transaction.
 - (3) If any of the securities being distributed are being distributed for the account of a securityholder and those securities were purchased by the selling securityholder within the two years preceding the date of the prospectus, state the date the selling securityholder acquired the securities and, if the securities were acquired in the 12 months preceding the date of

the prospectus, the cost to the securityholder in the aggregate and on an average cost-per-security basis.

- (4) If, to the knowledge of the issuer or the underwriter of the securities being distributed, more than 10% of any class of voting securities of the issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.
- (5) If, to the knowledge of the issuer or the underwriter of the securities being distributed, any principal securityholder or selling securityholder is an associate or affiliate of another person or company named as a principal securityholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the issuer held by the person or company other than the holding of voting securities of the issuer.
- (6) In addition to the above, include in a footnote to the table the required calculation(s) on a fully-diluted basis.
- (7) Describe any material change to the information required to be included in the prospectus under subsection (1) to the date of the prospectus.

INSTRUCTION

If a company, partnership, trust or other unincorporated entity is a principal securityholder of an issuer, disclose, to the extent known, the name of each individual who, through ownership of or control or direction over the securities of that company, trust or other unincorporated entity, or membership in the partnership, as the case may be, is a principal securityholder of that entity.

ITEM 16: Directors and Executive Officers

Name, occupation and security holding

- 16.1(1)** Provide information for directors and executive officers of the issuer in accordance with section 29 of Form 51-103F1 as at the date of the prospectus.
- (2) If information similar to the information required under subsection (1) is provided for any director or executive officer, who is not serving in such capacity as at the date of the prospectus, clearly indicate this fact and

explain whether the issuer believes that this director or executive officer is liable under the prospectus.

Conflicts of interest

16.2 Disclose particulars of existing or potential material conflicts of interest between the issuer or a subsidiary of the issuer and a director or officer of the issuer or of a subsidiary of the issuer.

Management

16.3 An issuer must provide the following information for each member of management:

- (a) state the individual's name, age, position and responsibilities with the issuer and relevant educational background;
- (b) state whether the individual works full time for the issuer or what proportion of the individual's time will be devoted to the issuer;
- (c) state whether the individual is an employee or independent contractor of the issuer;
- (d) with respect to the individual's principal occupations or employment during the five years before the date of the prospectus, disclose with respect to each organization as of the time such occupation or employment was carried on:
 - (i) if applicable, that the organization was an affiliate of the issuer;
 - (ii) whether it is still carrying on business, if known to the individual;
- (e) describe the individual's experience in the issuer's industry;
- (f) state whether the individual has entered into a non-competition or non-disclosure agreement with the issuer.

INSTRUCTION

For purposes of this section, "management" means all directors, officers, employees and contractors whose expertise is critical to the issuer, its subsidiaries and proposed subsidiaries in providing the issuer with a reasonable opportunity to achieve its stated business objectives.

ITEM 17: Director and Executive Officer Compensation

Disclosure

17.1 Include in the prospectus disclosure in accordance with each of the following sections of Part 5 of Form 51-103F1 and describe any intention to make any changes to that compensation:

- (a) section 30;
- (b) section 31,, if applicable;
- (c) section 33;
- (d) section 34.

ITEM 18: Related Entity Transactions and Indebtedness

Related entity transactions and indebtedness

18.1 Provide information for the issuer in accordance with section 36 [Related Entity Indebtedness] of Form 51-103F1 modified to also include information to the date of the prospectus.

Other related entity transactions

18.2 Provide information for the issuer for the two most recently completed financial years and interim periods for which financial statements are included in the prospectus, in accordance with section 37 [Other Material Related Entity Transactions] of Form 51-103F1 as if the references to Part 5 and section 36 of Form 51-103F1 referred to Item 17 and section 18.1 of this form.

ITEM 19: Audit Committees and Corporate Governance

Audit committees and corporate governance

19.1 Include in the prospectus the disclosure for the issuer in accordance with Part 8 [Board and Governance Matters] of Form 51-103F1, as applicable.

ITEM 20: Plan of Distribution

Name of underwriters

- 20.1(1)** If the securities are being distributed by an underwriter, state the name of the underwriter and describe briefly the nature of the underwriter's obligation to take up and pay for the securities.
- (2) Disclose the date by which the underwriter is obligated to purchase the securities.

Disclosure of conditions to underwriters' obligations

- 20.2** If securities are distributed by an underwriter that has agreed to purchase all of the securities at a specified price and the underwriter's obligations are subject to conditions,
- (a) include a statement in substantially the following form, with the bracketed information completed and with modifications necessary to reflect the terms of the distribution:
- “Under an agreement dated [insert date of agreement] between [insert name of issuer or selling securityholder] and [insert name(s) of underwriter(s)], as underwriter[s], [insert name of issuer or selling security shareholder] has agreed to sell and the underwriter[s] [has/have] agreed to purchase on [insert closing date] the securities at a price of [insert offering price], payable in cash to [insert name of issuer or selling securityholder] against delivery. The obligations of the underwriter[s] under the agreement may be terminated at [its/their] discretion on the basis of [its/their] assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The underwriter[s] [is/are], however, obligated to take up and pay for all of the securities if any of the securities are purchased under the agreement.”, and
- (b) describe any other conditions and indicate any information known that is relevant to whether such conditions will be satisfied.

Best efforts offering

- 20.3** Outline briefly the plan of distribution of any securities being distributed other than on the basis described in section 20.2.

Minimum distribution

- 20.4** If securities are being distributed on a best efforts basis and minimum funds are to be raised, state
- (a) the minimum funds to be raised,
 - (b) that the issuer must appoint a registered dealer authorized to make the distribution, a Canadian financial institution, or a lawyer who is a practicing member in good standing with a law society of a jurisdiction in which the securities are being distributed, or a notary in Québec, to hold in trust all funds received from subscriptions until the minimum amount of funds stipulated in paragraph (a) has been raised, and
 - (c) that if the minimum amount of funds is not raised within the distribution period, the trustee must return the funds to the subscribers without any deductions.

Determination of price

- 20.5** Disclose the method by which the distribution price has been or will be determined and, if estimates have been provided, explain the process of determining the estimates.

Stabilization

- 20.6** If the issuer, a selling securityholder or an underwriter knows or has reason to believe that there is an intention to over-allot or that the price of any security may be stabilized to facilitate the distribution of the securities, describe the nature of these transactions, including the anticipated size of any over-allocation position, and explain how the transactions are expected to affect the price of the securities.

Approvals

- 20.7** If the proceeds of the distribution will be used to substantially fund a material undertaking that would constitute a material departure from the business or operations of the issuer and the issuer has not obtained all material licences, registrations and approvals necessary for the stated principal use of proceeds, include a statement that
- (a) the issuer will appoint a registered dealer authorized to make the distribution, a Canadian financial institution, or a lawyer who is a practicing member in good standing with a law society of a jurisdiction in which the securities are being distributed, or a

notary in Québec, to hold in trust all funds received from subscriptions until all material licences, registrations and approvals necessary for the stated principal use of proceeds have been obtained, and

- (b) if all material licences, registrations and approvals necessary for the operation of the material undertaking have not been obtained within 90 days from the date of receipt of the final prospectus, the trustee will return the funds to subscribers.

Reduced price distributions

- 20.8** If the underwriter may decrease the offering price after the underwriter has made a reasonable effort to sell all of the securities at the initial offering price disclosed in the prospectus in accordance with the procedures permitted by the Instrument, disclose this fact and that the compensation realised by the underwriter will be decreased by the amount that the aggregate price paid by purchasers for the securities is less than the gross proceeds paid by the underwriter to the issuer or selling securityholder.

Listing application

- 20.9** If application has been made to list or quote the securities being distributed, include a statement, in substantially the following form, with bracketed information completed:

“The issuer has applied to [list/quote] the securities distributed under this prospectus on [name of exchange or other market]. [Listing/Quotation] will be subject to the issuer fulfilling all the listing requirements of [name of exchange or other market].”

Conditional listing approval

- 20.10** If application has been made to list or quote the securities being distributed on an exchange or marketplace and conditional listing approval has been received, include a statement, in substantially the following form, with the bracketed information completed:

“[name of exchange or marketplace] has conditionally approved the [listing/quotation] of these securities. [Listing/Quotation] is subject to the [name of issuer]’s fulfilling all of the requirements of the [name of exchange or marketplace] on or before [date], [including distribution of these securities to a minimum number of public securityholders].”

IPO venture issuer and venture issuer notices

- 20.11** (1) If the issuer has complied with the requirements of this Instrument as an IPO venture issuer include a statement, in substantially the following form, with bracketed information completed:

“As at the date of the prospectus, [name of issuer] does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than certain designated venture markets.

- (2) Include a statement in substantially the following form, with bracketed information completed:

“The issuer [is/will be] a venture issuer subject to the governance and disclosure regime applicable to venture issuers under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*. Consequently, it [is not/will not be] required to provide certain disclosure applicable to issuers that are not venture issuers, such as three and nine month interim financial reports and associated management’s discussion and analysis. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, the issuer [is not/will not be] required to establish and maintain disclosure controls and procedures and internal control over financial reporting. The issuer [is/will be] subject to certain other obligations not applicable to issuers that are not venture issuers.

The disclosure provided by the issuer will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers.”

- (3) If the board of directors of an issuer has decided to file an interim financial report for an Optional Interim Period, as defined under NI 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, also include the following statement:

“The issuer intends to file 3 and 9 month interim financial reports”.

Constraints

20.12 If there are constraints imposed on the ownership of securities of the issuer to ensure that the issuer has a required level of Canadian ownership, describe the mechanism, if any, by which the level of Canadian ownership of the securities of the issuer will be monitored and maintained.

Special warrants acquired by underwriters or agents

20.13 Disclose the number and dollar value of any special warrants acquired by any underwriter or agent and the percentage of the distribution represented by those special warrants.

ITEM 21: Risk Factors

Risk factors

21.1(1) Describe any risk factors of the issuer.

(2) If there is a risk that securityholders of the issuer may become liable to make an additional contribution beyond the price of the security, disclose that risk.

INSTRUCTIONS:

- (1) *Disclose risks in the order of seriousness from the most serious to the least serious.*
- (2) *A risk factor must not be de-emphasized by including excessive caveats or conditions.*
- (3) *Refer to item 22 of Form 51-103F1 for examples of possible risk factors.*

ITEM 22: Promoters

Promoters

22.1(1) For a person or company that is, or has been within the two years immediately preceding the date of the prospectus, a promoter of the issuer or subsidiary of the issuer, state

- (a) the person or company's name,
- (b) the number and percentage of each class of voting securities and equity securities of the issuer or any of its subsidiaries beneficially

owned, or controlled or directed, directly or indirectly, by the person or company,

- (c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the issuer or from a subsidiary of the issuer, and the nature and amount of any assets, services or other consideration received or to be received by the issuer or a subsidiary of the issuer in return, and
- (d) for an asset acquired within the two years before the date of the preliminary prospectus, or to be acquired, by the issuer or by a subsidiary of the issuer from a promoter,
 - (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,
 - (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the issuer or the promoter, or an affiliate of the issuer or the promoter, and
 - (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

(2) If a promoter referred to in subsection (1) is, as at the date of the preliminary prospectus, or was within 10 years before the date of the preliminary prospectus, a director, chief executive officer, or chief financial officer of any person or company, that

- (a) was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or chief financial officer,

state the fact and describe the basis on which the order was made and whether the order is still in effect.

(3) For the purposes of subsection (2), "order" means:

- (a) a cease trade order,

- (b) an order similar to a cease trade order, or
 - (c) an order that denied the relevant person or company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days.
- (4) If a promoter referred to in subsection (1)
- (a) is, as at the date of the preliminary prospectus, or has been within the 10 years before the date of the preliminary prospectus, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact, or
 - (b) has, within the 10 years before the date of the preliminary prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter, state the fact.
- (5) Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter referred to in subsection (1) has been subject to
- (a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement agreement with a provincial and territorial securities regulatory authority, or
 - (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.
- (6) Despite subsection (5), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be considered important to a reasonable investor in making an investment decision.

INSTRUCTIONS

- (1) *The disclosure required by subsections (2), (4) and (5) also applies to any personal holding companies of any of the persons referred to in subsections (2), (4), and (5).*
- (2) *A management cease trade order which applies to a promoter referred to in subsection (1) is an “order” for the purposes of paragraph (2)(a) and must be disclosed, whether or not the director, chief executive officer or chief financial officer was named in the order.*
- (3) *For the purposes of this section, a late filing fee, such as a filing fee that applies to the late filing of an insider report, is not a “penalty or sanction”.*
- (4) *The disclosure in paragraph (2)(a) only applies if the promoter was a director, chief executive officer or chief financial officer when the order was issued against the person or company. The issuer does not have to provide disclosure if the promoter became a director, chief executive officer or chief financial officer after the order was issued.*

ITEM 23: Legal Proceedings and Regulatory Actions

Legal proceedings

- 23.1(1)** Describe any legal proceedings the issuer is or was a party to or that any of its property is or was the subject of since the beginning of the most recently completed financial year for which financial statements of the issuer are included in the prospectus.
- (2) Describe any such legal proceedings the issuer knows to be contemplated.
 - (3) For each proceeding described in subsections (1) and (2), include the name of the court or agency, the date instituted, the principal parties to the proceeding, the nature of the claim, the amount claimed, if any, whether the proceeding is being contested, and the present status of the proceeding.

Regulatory actions

- 23.2** Describe any
- (a) penalties or sanctions imposed against the issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of the prospectus,

- (b) any other penalties or sanctions imposed by a court, regulatory body or SRO against the issuer necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed, and
- (c) settlement agreements the issuer entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of the prospectus.

ITEM 24: Underwriting Discounts

Underwriting discounts

- 24.1** Disclose any material underwriting discounts or commissions upon the sale of securities by the issuer if any related entity, as that term is defined in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* were or are to be an underwriter or are associates, affiliates or partners of a person or company that was or is to be an underwriter.

ITEM 25: Relationship Between Issuer or Selling Securityholder and Underwriter

Relationship between issuer or selling securityholder and underwriter

- 25.1(1)** If the issuer or selling securityholder is a connected issuer or related issuer of an underwriter of the distribution, or if the issuer or selling securityholder is also an underwriter of the distribution, comply with the requirements of NI 33-105.
- (2) For the purposes of subsection (1), “connected issuer” and “related issuer” have the same meanings as in NI 33-105.

ITEM 26: Auditors, Transfer Agents and Registrars

Auditors

- 26.1** State the name and address of the auditor of the issuer.

Transfer agents, registrars, trustees or other agents

- 26.2** For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the issuer to maintain the securities register and the register of transfers for such securities and indicate the location (by municipality) of each of the offices of the issuer or transfer

agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded.

ITEM 27: Material Contracts

Material contracts

27.1 Give particulars of any material contract

- (a) required to be filed under section 9.3 of the Instrument, or
- (b) that would be required to be filed under section 9.3 of the Instrument but for the fact that it was previously filed.

INSTRUCTIONS

- (1) *Set out a complete list of all contracts for which particulars must be given under this section, indicating those that are disclosed elsewhere in the prospectus. Particulars need only be provided for those contracts that do not have the particulars given elsewhere in the prospectus.*
- (2) *Particulars of contracts must include the dates of, parties to, consideration provided for in, and general nature and key terms of, the contracts.*

ITEM 28: Experts

Names of experts

28.1 Name each person or company

- (a) who is named as having prepared or certified a report, valuation, statement or opinion in the prospectus or an amendment to the prospectus, and
- (b) whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company.

Interest of experts

28.2 For each person or company referred to in section 28.1, provide the disclosure in accordance with sections 38 and 39 of Form 51-103F1.

ITEM 29: Other Material Facts

Other material facts

- 29.1** Give particulars of any material facts about the securities being distributed that are not disclosed under any other Items and are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.

ITEM 30: Rights of Withdrawal and Rescission

General

- 30.1** Include a statement in substantially the following form, with the bracketed information completed:

“Securities legislation in [certain of the provinces [and territories] of Canada/the Province of [insert name of local jurisdiction, if applicable]] provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. [In several of the provinces/provinces and territories,] [T/t]he securities legislation further provides a purchaser with remedies for rescission [or[, in some jurisdictions,] revisions of the price or damages] if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission[, revisions of the price or damages] are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province [or territory]. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province [or territory] for the particulars of these rights or consult with a legal adviser.”

Non-fixed price offerings

- 30.2** In the case of a non-fixed price offering, replace, if applicable in the jurisdiction in which the prospectus is filed, the second sentence in the legend in section 30.1 with a statement in substantially the following form:

“This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed.”

ITEM 31: List of Exemptions from Instrument

List of exemptions from Instrument

- 31.1** List all exemptions from the provisions of the Instrument, including this form, granted to the issuer applicable to the distribution or the prospectus, including all exemptions to be evidenced by the issuance of a receipt for the prospectus pursuant to section 19.3 of the Instrument.

ITEM 32: Financial Statement Disclosure for Issuers

Interpretation of “issuer”

- 32.1** The financial statements of an issuer required under this Item to be included in a prospectus must include
- (a) the financial statements of any predecessor entity that formed, or will form, the basis of the business of the issuer, even though the predecessor entity is, or may have been, a different legal entity, if the issuer has not existed for two years,
 - (b) the financial statements of a business or businesses acquired by the issuer within two years before the date of the prospectus or proposed to be acquired, if a reasonable investor reading the prospectus would regard the primary business of the issuer to be the business or businesses acquired, or proposed to be acquired, by the issuer, and
 - (c) the restated combined financial statements of the issuer and any other entity with which the issuer completed a transaction within two years before the date of the prospectus or proposes to complete a transaction, if the issuer accounted for or will account for the transaction as a combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not temporary.

INSTRUCTION:

A reasonable investor would generally regard the primary business of the issuer to be the acquired business or related businesses when the acquisition was a major acquisition.

Annual financial statements

- 32.2(1)** Subject to section 32.4, include annual financial statements of the issuer consisting of

- (a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for each of the two most recently completed financial years ended more than
 - (i) 90 days before the date of the prospectus, if the issuer is an IPO venture issuer,
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,
 - (b) a statement of financial position as at the end of the two most recently completed financial years described in paragraph (a),
 - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
 - (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its annual financial statements,
 - (B) makes a retrospective restatement of items in its annual financial statements, or
 - (C) reclassifies items in its annual financial statements,
 - (d) in the case of an issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (e) notes to the annual financial statements.
- (1.1)** If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (1).
- (2)** If the issuer has not completed two financial years, include the financial statements described under subsection (1) for each completed financial year ended more than

- (a) 90 days before the date of the prospectus, if the issuer is an IPO venture issuer.
 - (b) 120 days before the date of the prospectus, if the issuer is a venture issuer,
- (3) If the issuer has not included in the prospectus financial statements for a completed financial year, include the financial statements described under subsection (1) or (2) for a period from the date the issuer was formed to a date not more than 90 days before the date of the prospectus.
- (4) If an issuer changed its financial year end during any of the financial years referred to in this section and the transition year is less than nine months, the transition year is deemed not to be a financial year for the purposes of the requirement to provide financial statements for a specified number of financial years in this section.
- (5) Despite subsection (4), all financial statements of the issuer for a transition year referred to in subsection (4) must be included in the prospectus.
- (6) Subject to section 32.4, if financial statements of any predecessor entity, business or businesses acquired by the issuer, or of any other entity are required under this section, then include
- (a) statements of comprehensive income, statements of changes in equity, and statements of cash flow for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of comprehensive income, statements of changes in equity, and statements of cash flow are included in the prospectus, the results of the entities or businesses, either separately or on a consolidated basis, total two years,
 - (b) statements of financial position for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of financial position are included in the prospectus, the financial position of the entities or businesses, either separately or on a consolidated basis, total two years,
 - (c) if the entities or businesses have not completed two financial years, the financial statements described under paragraphs (a) and (b) for each completed financial year of the entities or businesses for which the issuer's financial statements in the prospectus do not include the financial statements of the entities or businesses, either separately or on a consolidated basis, and ended more than

- (i) 90 days before the date of the prospectus, if the issuer is an IPO venture issuer,
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,
- (d) if an entity's or business's first IFRS financial statements are included under paragraphs (a), (b) or (c), the opening IFRS statement of financial position at the date of transition to IFRS,
- (e) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
- (i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
 - (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its financial statements,
 - (B) makes a retrospective restatement of items in its financial statements, or
 - (C) reclassifies items in its financial statements,
- (f) notes to the annual financial statements.

Interim financial reports

32.3(1) Include a comparative interim financial report of the issuer for the most recent mid-year period, if any, ended

- (a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the prospectus, and
- (b) more than
 - (i) 45 days before the date of the prospectus, if the issuer is an IPO venture issuer,
 - (ii) 60 days before the date of the prospectus, if the issuer is a venture issuer.

- (2) Despite subsection (1), if under section 14 of NI 51-103, the board of directors of an issuer has decided to provide an interim financial report for an optional interim period (as defined in NI 51-103), include a comparative interim financial report of the issuer for the most recent interim period, if any, ended
 - (a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the prospectus, and
 - (b) more than
 - (i) 45 days before the date of the prospectus, if the issuer is an IPO venture issuer,
 - (ii) 60 days before the date of the prospectus, if the issuer is a venture issuer.
- (3) The interim financial report referred to in subsection (1) or, if applicable, the interim financial report referred to in subsection (2) must include
 - (a) a statement of financial position as at the end of interim period and a statement of financial position as at the end of the immediately preceding financial year, if any,
 - (b) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, all for the year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any,
 - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
 - (i) discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and
 - (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its interim financial report,

- (B) makes a retrospective restatement of items in its interim financial report, or
 - (C) reclassifies items in its interim financial report,
 - (d) in the case of the first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (e) notes to the interim financial report.
- (4) If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (3).
- (5) If the issuer includes in the prospectus an interim financial report for an interim period in the year of adopting IFRS that is not the issuer's first interim financial report in the year of adopting IFRS, include
- (a) the issuer's first interim financial report in the year of adopting IFRS, or
 - (b) both
 - (i) the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (ii) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows.
- (6) Subsection (5) does not apply to an issuer that was a reporting issuer in at least one jurisdiction immediately before filing the prospectus.

Exceptions to financial statement requirement

- 32.4** Despite section 32.2, an issuer is not required to include the following financial statements in a prospectus
- (a) financial statements for the second most recently completed financial year, if the issuer includes financial statements for a financial year ended less than

- (i) 90 days before the date of the prospectus, if the issuer is an IPO venture issuer, or
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,
- (b) the financial statements for the second most recently completed financial year, if
- (i) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,
 - (ii) the business of the issuer is not seasonal, and
 - (iii) none of the financial statements required under section 32.2 are for a financial year that is less than nine months,
- (c) the separate financial statements of the issuer and the other entity for periods prior to the date of the transaction, if the restated combined financial statements of the issuer and the other entity are included in the prospectus under paragraph 32.1(c).

Exceptions to audit requirement

32.5 The audit requirement in section 4.2 of the Instrument does not apply to each of the following financial statements

- (a) financial statements for the second most recently completed financial year required under section 32.2, if
 - (i) those financial statements were previously included in a final prospectus without an auditor's report pursuant to an exemption under applicable securities legislation, and
 - (ii) an auditor has not issued an auditor's report on those financial statements,
- (b) financial statements for the second most recently completed financial year required under section 32.2, if
 - (i) the issuer is a junior issuer, and

- (ii) the financial statements for the most recently completed financial year required under section 32.2 is not less than 12 months in length,
- (c) each interim financial report required under section 32.3,
- (d) each other interim financial report that is voluntarily included in the prospectus.

Additional financial statements or financial information filed or released

32.6(1) If the issuer files financial statements for a more recent period than required under section 32.2 or 32.3 before the prospectus is filed, the issuer must include in the prospectus those more recent financial statements.

- (2) If historical financial information about the issuer is publicly disseminated by, or on behalf of, the issuer through news release or otherwise for a more recent period than required under section 32.2, the issuer must include the content of the news release or public communication in the prospectus.

ITEM 33: Credit Supporter Disclosure, Including Financial Statements

Credit supporter disclosure, including financial statements-

- 33.1** If a credit supporter has provided a guarantee or alternative credit support for all or substantially all of the payments to be made under the securities being distributed, include statements by the credit supporter providing disclosure about the credit supporter that would be required under Items 4, 5, 9, 16, 18, 21, 23, 25, 26, and 32 if the credit supporter were the issuer of the securities to be distributed and such other information about the credit supporter as is necessary to provide full, true and plain disclosure of all material facts relating to the securities to be distributed.

ITEM 34: Exemptions for Certain Issues of Guaranteed Securities

Issuer is wholly-owned subsidiary of parent credit supporter

- 34.1** An issuer is not required to include the issuer disclosure required by Items 4, 5, 9, 18, 21, 23, 25, 26, and 32, if it complies with Item 34.2 of Form 41-101F1 *Information Required in a Prospectus*.

Issuer is wholly-owned subsidiary of, and one or more subsidiary credit supporters controlled by, parent credit supporter

34.2 An issuer is not required to include the issuer disclosure required by Items 4, 5, 9, 18, 21, 23, 25, 26, and 32, or the credit supporter disclosure of one or more subsidiary credit supporters required by Item 33, if it complies with Item 34.3 of Form 41-101F1 *Information Required in a Prospectus*.

One or more credit supporters controlled by issuer

34.3 An issuer is not required to include the credit supporter disclosure for one or more credit supporters required by Item 33, if it complies with Item 34.4 of Form 41-101F1 *Information Required in a Prospectus*.

ITEM 35: Major Acquisitions

Application and definitions

35.1 For purposes of this Item, use the definitions of "business" and "related business" in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

35.2(1) This Item does not apply to a completed or proposed transaction by the issuer that was or will be a reverse takeover or a transaction that is a proposed reverse takeover that has progressed to a state where a reasonable person would believe that the likelihood of the reverse takeover being completed is high.

(2) The requirements in sections 35.5 and 35.6 are not applicable to an initial distribution by prospectus by a Capital Pool Company, as that term is defined in TSX Venture Exchange Policy 2.4 entitled *Capital Pool Companies*, as amended from time to time.

(3) The audit requirement in section 4.2 of the Instrument does not apply to any financial statements or other information included in the prospectus under this Item, other than the financial statements or other information for the most recently completed financial year of a business or related businesses acquired, or proposed to be acquired, by the issuer.

Completed acquisitions for which issuer has filed a report of material change, material related entity transaction or major acquisition or business acquisition report

35.3 If since the beginning of an issuer's most recently completed financial year for which financial statements are included in the prospectus, the issuer has completed an acquisition of a business or related businesses that

is a major acquisition and it has filed either a report of material change, material related entity transaction or major acquisition under Part 6 of NI 51-103 or a business acquisition report under Part 8 of NI 51-102 for the transaction, include all of the disclosure included in, or incorporated by reference into, that report.

Completed acquisitions for which issuer has not filed a report of material change, material related entity transaction or major acquisition or business acquisition report because issuer was not reporting issuer on acquisition date

- 35.4(1)** An issuer must include the disclosure required under subsection (3), if
- (a) since the beginning of the issuer's most recently completed financial year for which financial statements of the issuer are included in the prospectus, the issuer has completed an acquisition of a business or related businesses that is a major acquisition
 - (b) the issuer was not a reporting issuer in any jurisdiction on the acquisition date,
 - (c) the acquisition is a major acquisition, and
 - (d) the acquisition was completed more than
 - (i) 90 days before the date of the prospectus, if the financial year of the acquired business ended 45 days or less before the acquisition, or
 - (ii) 75 days before the date of the prospectus.
- (2)** For a major acquisition to which subsection (1) applies, include all the disclosure that would be required to be included in, or incorporated by reference into, a report of material change, material related entity transaction or major acquisition filed under Part 6 of NI 51-103, as if
- (a) the issuer was a venture issuer on the acquisition date, and
 - (b) the report of material change, material related entity transaction or major acquisition was filed as at the date of the prospectus.

Financial performance consolidated in financial statements of issuer

- 35.5** Despite section 35.3 and subsection 35.4(1), an issuer may omit the financial statements or other information of a business required to be included in the prospectus, if at least nine months of the acquired business

or related businesses financial performance have been reflected in the issuer's most recent audited financial statements included in the prospectus.

Recently completed acquisitions

- 35.6(1)** Include the information required under subsection (2) for any acquisition of a business or related businesses that is a major acquisition that was completed by the issuer
- (a) since the beginning of the issuer's most recently completed financial year for which financial statements of the issuer are included in the prospectus, and
 - (b) for which the issuer has not included any disclosure under section 35.3 or subsection 35.4(2).
- (2)** For a major acquisition to which subsection (1) applies, include the following
- (a) the information required by, included in, or incorporated by reference into, a report of material change, material related entity transaction or major acquisition filed under Part 6 of NI 51-103, and
 - (b) the financial statements of or other information about the major acquisition under subsection (3) for the acquired business or related businesses, if
 - (i) the issuer was not a reporting issuer in any jurisdiction immediately before filing the prospectus, or
 - (ii) the issuer was a reporting issuer in at least one jurisdiction immediately before filing the prospectus, and the inclusion of the financial statements or other information is necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.
- (3)** The requirement to include financial statements or other information under paragraph (2)(b) must be satisfied by including
- (a) if the issuer was a reporting issuer in at least one jurisdiction on the acquisition date, the financial statements or other information that will be required to be included in, or incorporated by reference

into, a report of material change, material related entity transaction or major acquisition filed under Part 6 of NI 51-103,

- (b) if the issuer was not a reporting issuer in any jurisdiction on the acquisition date, the financial statements or other information that would be required by subsection 35.4(2), or
- (c) satisfactory alternative financial statements or other information.

Probable acquisitions

35.7(1) Include the information required under subsection (2) for any proposed acquisition of a business or related businesses by an issuer that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high, and that, if completed by the issuer at the date of the prospectus, would be a major acquisition.

- (2) For a proposed acquisition of a business or related businesses by the issuer that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high and to which subsection (1) applies, include
 - (a) the information required to be included in, or incorporated by reference into, a report of material change, material related entity transaction or major acquisition filed under Part 6 of NI 51-103, modified as necessary to convey that the acquisition has not been completed, and
 - (b) the financial statements or other information of the probable acquisition under subsection (3) for the acquired business or related businesses, if
 - (i) the issuer was not a reporting issuer in any jurisdiction immediately before filing the prospectus, or
 - (ii) the issuer was a reporting issuer in at least one jurisdiction immediately before filing the prospectus, and the inclusion of the financial statements or other information is necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.
- (3) For a proposed acquisition of a business or related businesses by the issuer that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high and to which

subsection (2) applies, the requirement to include financial statements or other information under subsection (2)(b) must be satisfied by including

- (a) if the issuer was a reporting issuer in at least one jurisdiction immediately before filing the prospectus, the financial statements or other information that would be required to be included in, or incorporated by reference into, a report of material change, material related entity transaction or major acquisition filed under Part 6 of NI 51-103, as if the acquisition date were the date of the prospectus,
- (b) if the issuer was not a reporting issuer in any jurisdiction immediately before filing the prospectus, the financial statements or other information that would be required to be included by subsection 35.4(2), as if the acquisition had been completed before the filing of the prospectus and the acquisition date were the date of the prospectus, or
- (c) satisfactory alternative financial statements or other information.

Pro forma financial statements for multiple acquisitions

35.8 Despite sections 35.3, 35.4, 35.6 and 35.7, an issuer is not required to include in its prospectus the pro forma financial statements otherwise required for each acquisition, if the issuer includes in its prospectus one set of pro forma financial statements that

- (a) reflects the results of each major acquisition since the beginning of the issuer's most recently completed financial year for which financial statements of the issuer are included in the prospectus,
- (b) is prepared as if each major acquisition had occurred at the beginning of the most recently completed financial year of the issuer for which financial statements of the issuer are included in the prospectus, and
- (c) is prepared in accordance with
 - (i) if no disclosure is otherwise required for a probable acquisition under section 35.7, the section in this Item that applies to the most recently completed acquisition, or

- (ii) section 35.7.

Additional financial statements or financial information of business filed or released

- 35.9(1)** An issuer must include in its prospectus annual financial statements and an interim financial report for a mid-year period of a business or related businesses for a financial period that ended before the acquisition date and is more recent than the periods for which financial statements are required under section 35.6 or 35.7 if, before the prospectus is filed, the financial statements of the business for the more recent period have been filed.
- (2)** If, before the prospectus is filed, historical financial information of a business or related businesses for a period more recent than the period for which financial statements are required under section 35.6 or 35.7, is publicly disseminated by news release or otherwise by or on behalf of the issuer, the issuer shall include in the prospectus the content of the news release or public communication.

ITEM 36: Probable Reverse Takeovers

Probable reverse takeovers

- 36.1** If the issuer is involved in a proposed reverse takeover that has progressed to a state where a reasonable person would believe that the likelihood of the reverse takeover being completed is high, include statements by the reverse takeover acquirer providing disclosure about the reverse takeover acquirer that would be required under this form, as applicable, if the reverse takeover acquirer were the issuer of the securities to be distributed, and such other information about the reverse takeover acquirer as is necessary to provide full, true and plain disclosure of all material facts relating to the securities to be distributed, including the disclosure required by Items 4, 5, 7, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 24, 25, 27, 28, and 32.

ITEM 37: Certificates

Certificates

37.1 Include the certificates required by Part 5 of the Instrument or by securities legislation.

Issuer certificate form

37.2 An issuer certificate form must state:

“This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of [insert the jurisdictions in which qualified].”

Underwriter certificate form

37.3 An underwriter certificate form must state:

“To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of [insert the jurisdictions in which qualified].”

Amendments

37.4(1) For an amendment to a prospectus that does not restate the prospectus, change “prospectus” to “prospectus dated [insert date] as amended by this amendment” wherever it appears in the statements in sections 37.2 and 37.3.

(2) For an amended and restated prospectus, change “prospectus” to “amended and restated prospectus” wherever it appears in the statements in sections 37.2 and 37.3.

Non-offering prospectuses

37.5 For a non-offering prospectus, change “securities offered by this prospectus” to “securities previously issued by the issuer” wherever it appears in the statements in sections 37.2 and 37.3.

10. This Instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS**

1. *National Instrument 44-101 Short Form Prospectus Distributions is amended by this Instrument.*

2. *Section 1.1 is amended by*

(a) *replacing the definition of “AIF” with the following:*

“AIF” means

- (a) for an issuer that at the applicable time
 - (i) was a reporting issuer but not a venture issuer, has the same meaning as in NI 51-102,
 - (ii) was a venture issuer, an annual report,
- (b) for an investment fund, an annual information form as that term is used in NI 81-106;

(b) *inserting the following definition after the definition of “AIF”:*

“annual report” has the same meaning as in section 1 of NI 51-103;

(c) *replacing the definition of “applicable CD rule” with the following:*

“applicable CD rule” means

- (a) for an issuer that at the applicable time
 - (i) was a reporting issuer but not a venture issuer, NI 51-102,
 - (ii) was a venture issuer, NI 51-103,
- (b) for an investment fund, NI 81-106;

(d) *inserting the following definition after the definition of “applicable CD rule”:*

“applicable time” has the same meaning as in section 3 of NI 51-103;

(e) *replacing the definition of “material change report” with the following:*

“material change report” means

- (a) for an issuer that at the applicable time
 - (i) was a reporting issuer but not a venture issuer, a completed Form 51-102F3 *Material Change Report*,
 - (ii) was a venture issuer, a completed Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*,
- (b) for an investment fund, a completed Form 51-102F3 *Material Change Report* adjusted as directed by NI 81-106;

(f) replacing the definition of “MD&A” with the following:

“MD&A”

- (a) for an issuer that at the applicable time
 - (i) was a reporting issuer but not a venture issuer, has the same meaning as in NI 51-102,
 - (ii) was a venture issuer, means the management’s discussion and analysis in a completed Form 51-103F1 *Annual and Mid-Year Reports* for an annual report or mid-year report, as applicable,
- (b) for an investment fund, means an annual or interim management report of fund performance as defined in NI 81-106;

(g) inserting the following definition after the definition of "MD&A":

"mid-year interim financial report" has the same meaning as in section 1 of NI 51-103;

3. Section 2.2 is amended by replacing paragraph (d) with the following:

- (d) the issuer has in at least one jurisdiction in which it is a reporting issuer,
 - (i) in the case of an issuer other than a venture issuer, current annual financial statements and a current AIF,
 - (ii) in the case of a venture issuer, a current AIF;

4. Section 2.3 is amended by replacing paragraph (1)(d) with the following:

- (d) the issuer has in at least one jurisdiction in which it is a reporting issuer,

- (i) in the case of an issuer other than a venture issuer, current annual financial statements and a current AIF,
- (ii) in the case of a venture issuer, a current AIF;

5. Section 2.7 is amended by

(a) replacing paragraph (1)(a) with the following:

- (a) the issuer is not exempt from the requirement in the applicable CD rule to file
 - (i) in the case of an issuer other than a venture issuer, annual financial statements within a prescribed period after its financial year end, but the issuer has not yet been required under the applicable CD rule to file annual financial statements,
 - (ii) in the case of a venture issuer, a completed Form 51-103F1 *Annual and Mid-Year Reports*, within the prescribed period after its financial year end, but the issuer has not yet been required under the applicable CD rule to file an annual report, and,

(b) replacing subsection (2) with the following:

- (2) Subsection 2.2(d), and paragraphs 2.3(1)(d) and 2.6(1)(b) do not apply to a successor issuer if
 - (a) the successor issuer is not exempt from the requirement in the applicable CD rule to file
 - (i) in the case of an issuer other than a venture issuer, annual financial statements within a prescribed period after its financial year end, but the successor issuer has not yet, since the completion of the restructuring transaction which resulted in the successor issuer, been required under the applicable CD rule to file annual financial statements,
 - (ii) in the case of a venture issuer, a completed Form 51-103F1 *Annual and Mid-Year Reports* within the prescribed period after its financial year end, but the successor issuer has not yet, since the completion of the restructuring transaction which resulted in the successor issuer, been required under the applicable CD rule to file an annual report, and
 - (b) an information circular relating to the restructuring transaction that resulted in the successor issuer was filed by the successor issuer or an

issuer that was a party to the restructuring transaction, and such information circular

- (i) complied with applicable securities legislation, and
- (ii) included disclosure for the successor issuer in accordance with
 - A. in the case of an issuer that was not a venture issuer at the applicable time, section 14.2 or 14.5 of Form 51-102F5.
 - B. in the case of an issuer that was a venture issuer at the applicable time, section 17 of Form 51-103F4 *Information Circular* of NI 51-103, unless exempted by section 19 of Form 51-103F4..

6. Section 4.1 is amended by

(a) replacing subparagraph (a)(iv) with the following:

- (iv) **Documents Affecting the Rights of Securityholders** – a copy of any document that relates to the securities being distributed, and that has not previously been filed that is required to be filed under
 - A. subsection 12.1(1) of NI 51-102,
 - B. section 16.4 of NI 81-106,
 - C. any of paragraph (a), (b), (c) or (d) of subsection 34(1) of NI 51-103;

(b) replacing subparagraph (a)(iv.1) with the following:

- (iv.1) **Material Contracts** – a copy of any material contract that has not previously been filed that is required to be filed under
 - A. section 12.2 of NI 51-102,
 - B. section 16.4 of NI 81-106,
 - C. paragraph 34(1)(d) of NI 51-103;

7. **Form 44-101F1 Short Form Prospectus is amended as follows**

(a) **Item 1 is amended by adding the following section:**

1.14 Cover Page -- A venture issuer must include in bold face type on the cover page of the prospectus the following statement:

"The issuer [is/will be] a venture issuer subject to the ongoing governance and disclosure requirements under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.”,

(b) **Section 9.1 is replaced with the following:**

9.1 Mineral Property – (1) If, for an issuer other than a venture issuer, a material part of the proceeds of the distribution is to be expended on a particular mineral property and if the current AIF does not contain the disclosure required under section 5.4 of Form 51-102F2 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under section 5.4 of Form 51-102F2.

(2) If, for a venture issuer, a material part of the proceeds of the distribution is to be expended on a particular mineral property and if the current AIF does not contain the disclosure required under subsection 16(2) or permitted under subsection 16(3) of Form 51-103F1 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under subsection 16(2) or subsection 16(3) of Form 51-103F1,

(c) **Section 10.2 is amended by:**

(i) **inserting the following subsection after subsection (1)**

(1.1) Subsection 10.2(1) does not apply to an issuer that was a venture issuer at the acquisition date, **and**

(ii) **inserting the following subsection after subsection (2)**

(2.1) Subsection 10.2(2) does not apply to a venture issuer.,

(d) **Item 10 is amended by adding the following section after section 10.2:**

10.3 Major Acquisitions

(1) For an issuer that was a venture issuer at the acquisition date, describe any major acquisition of a “business” or “related businesses” (as those terms are defined in NI 51-103)

- (a) that the issuer completed within 75 days prior to the date of the short form prospectus;
 - (b) for which the issuer has not yet filed a Form 51-103F2 or related financial statements.
- (2) Describe any proposed major acquisition of a “business” or “related businesses” (as those terms are defined in NI 51-103) by a venture issuer that
- (a) has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high; and
 - (b) would be a major acquisition if completed as of the date of the short form prospectus.
- (3) If disclosure about a major acquisition or proposed major acquisition is required under subsection (1) or (2), include financial statements or other information about the acquisition or proposed acquisition if the inclusion of the financial statements is necessary for the short form prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed.
- (4) The requirement to include financial statements or other information under subsection (3) must be satisfied by including
- (a) the financial statements or other information that will be required to be included in, or incorporated by reference into, a Form 51-103F2, or
 - (b) satisfactory alternative financial statements or other information.

INSTRUCTION

For the description of the major acquisition or proposed major acquisition, include the information required by Item 10 of Form 51-103F2. For a proposed major acquisition, modify this information as necessary to convey that the acquisition is not yet completed.,

(e) Subsection (1) of section 11.1 is replaced with the following:

- (1) In addition to any other document that an issuer may choose to incorporate by reference, an issuer must specifically incorporate by reference in the short form prospectus, by means of a statement in the short form prospectus to that effect, each of the documents set forth below, as applicable:
 - 1. The issuer’s current AIF, if it has one.

2. Except in the case of a venture issuer, the issuer's current annual financial statements, if any, and related MD&A.
3. Except in the case of a venture issuer, the issuer's interim financial report most recently filed or required to have been filed under the applicable CD rule in respect of an interim period, if any, subsequent to the financial year in respect of which the issuer has filed its current annual financial statements or has included annual financial statements in the short form prospectus, and the related interim MD&A.
 - 3.1 In the case of a venture issuer, the issuer's mid-year report in Form 51-103F1 *Annual and Mid-Year Reports* most recently filed or required to have been filed under the applicable CD rule in respect of a mid-year period, if any, subsequent to the financial year in respect of which the issuer has filed its annual report or has included annual financial statements in the short form prospectus.
 - 3.2 In the case of a venture issuer that has filed an interim financial report for an "optional interim period" (as that term is defined in NI 51-103), the issuer's interim financial report most recently filed in respect of an interim period, if any, subsequent to the financial year in respect of which the issuer has filed its current annual financial statements or has included annual financial statements in the short form prospectus and subsequent to any mid-year period for which the issuer has filed its current mid-year interim financial report or has included mid-year interim financial report in the short form prospectus, if applicable, and, if the venture issuer has filed related interim MD&A, the related MD&A.
4. Except in the case of a venture issuer, if, before the short form prospectus is filed, historical financial information about the issuer for a financial period more recent than the period for which financial statements are required under paragraphs 2 and 3 is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication.
 - 4.1 In the case of a venture issuer, if, before the short form prospectus is filed, historical financial information about the issuer is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication, if the historical financial information is for a financial period more recent than
 - (a) the period required to be covered by the financial statements required to be included in the current AIF under paragraph 1,
 - (b) the mid-year report required under paragraph 3.1., or

- (c) an interim financial report for an "optional interim period" (as that term is defined in NI 51-103) required under paragraph 3.2.
5. Each material change report, except a confidential material change report, filed under Part 7 of NI 51-102, Part 11 of NI 81-106 or Part 6 of NI 51-103, as applicable, and related financial statements since the end of the financial year in respect of which the issuer's current AIF is filed.
 6. Each business acquisition report filed by the issuer under Part 8 of NI 51-102 for acquisitions completed since the beginning of the financial year in respect of which the issuer's current AIF is filed, unless the issuer
 - (a) incorporated the BAR by reference into its current AIF, or
 - (b) incorporated at least 9 months of the acquired business or related businesses operations into the issuer's current annual financial statements.
 7. Each information circular filed by the issuer under Part 9 of NI 51-102, Part 12 of NI 81-106 or Part 5 of NI 51-103, as applicable, since the beginning of the financial year in respect of which the issuer's current AIF is filed, other than an information circular prepared in connection with an annual general meeting if the issuer has filed and incorporated by reference an information circular for a subsequent annual general meeting.
 8. The most recent Form 51-101F1, Form 51-101F2 and Form 51-101F3, filed by an SEC issuer, unless
 - (a) the issuer's current AIF is in the form of Form 51-102F2 or Form 51-103F1, as applicable, or
 - (b) the issuer is otherwise exempted from the requirements of NI 51-101.
 9. Each other disclosure document that the issuer has filed pursuant to an undertaking to a provincial or territorial securities regulatory authority since the beginning of the financial year in respect of which the issuer's current AIF is filed.
 10. Each other disclosure document of the type listed in paragraphs 1 through 8 that the issuer has filed pursuant to an exemption from a requirement under securities legislation since the beginning of the financial year in respect of which the issuer's current AIF is filed,

(f) Section 11.4 is amended by adding the following subsection:

(3) This section does not apply to a venture issuer that was a venture issuer at the acquisition date,

(g) *Item 11 is amended by inserting the following section after section 11.4, prior to the instruction:*

11.5 Major Acquisition for which no Report of Material Change, Material Related Entity Transaction or Major Acquisition has been filed

(1) If the issuer has,

(a) since the beginning of the most recently completed financial year in respect of which annual financial statements are included in the short form prospectus; and

(b) more than 75 days prior to the date of filing the preliminary short form prospectus;

completed an acquisition of a “business” or “related businesses” (as those terms are defined in NI 51-103) that would have been a major acquisition if the issuer had been a venture issuer at the time of the transaction, and the issuer has not filed a Form 51-103F2 in respect of the transaction, include the financial statements and other information in respect of the transaction that is prescribed by Form 51-103F2,

(h) *The instruction at the end of Item 11 is replaced with the following:*

INSTRUCTION

Disclosure required by section 11.3, 11.4 or 11.5 to be included in the short form prospectus may be incorporated by reference from another document or included directly in the short form prospectus..

8. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 45-106 PROSPECTUS AND
REGISTRATION EXEMPTIONS**

1. *National Instrument 45-106 Prospectus and Registration Exemptions is amended by this Instrument.*

2. *Section 1.1 is amended by*

(a) *replacing the definition of “AIF” with the following:*

"AIF" has the same meaning as in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*,

(b) *inserting the following definitions after the definition of “AIF”;*

"alternate AIF" means either:

(a) a prospectus filed in a jurisdiction, other than a prospectus filed under a CPC instrument, if the issuer has not filed or been required to file an AIF or annual financial statements under National Instrument 51-102 *Continuous Disclosure Obligations* or an annual report under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, as applicable;

(b) a QT circular if the issuer has not filed or been required to file annual financial statements under National Instrument 51-102 *Continuous Disclosure Obligations* or an annual report under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, as applicable, subsequent to filing a QT circular;

"annual report" has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

“applicable time” has the same meaning as in section 3 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

(c) *inserting the following definition after the definition of “marketplace”:*

“material change report” means for an issuer that at the applicable time,

(a) was a reporting issuer but not a venture issuer, a completed Form 51-102F3 *Material Change Report*,

(b) was a venture issuer, a completed Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*;

(d) replacing the definition of MD&A with the following:

“MD&A” means, for an issuer that at the applicable time,

- (a) was a reporting issuer but not a venture issuer, has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*,
- (b) was a venture issuer, means the management’s discussion and analysis in a completed Form 51-103F1 *Annual and Mid-Year Reports* for an annual report or mid-year report, as applicable;

(e) inserting the following definitions after the definition of "MD&A":

"mid-year period" has the same meaning as in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

"mid-year report" has the same meaning as in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

(f) replacing subsection (c) in the definition of "qualifying issuer" with the following:

- (c) if not required to file an AIF, annual report or alternate AIF, has filed in the jurisdiction,
 - (i) one of the following,
 - (A) an AIF for its most recently completed financial year for which annual statements are required to be filed,
 - (B) an annual report for its most recently completed financial year, or
 - (C) an alternate AIF, and
 - (ii) copies of all material incorporated by reference in the AIF not previously filed;

(g) adding the following definition after the definition of “TFSA”:

“venture issuer” has the same meaning as in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

3. Section 2.11(b)(i) is amended by inserting ", National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*" after "Obligations".

4. **Section 3.11(b)(i) is amended by inserting** ", National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*" **after** "Obligations".

5. **Part 5 is amended**

(a) **in subsection 5.2(a) and in subparagraphs 5.2(e)(i)A), 5.2(e)(i)C), 5.2(e)(i)D) and 5.2(e)(i)E) by inserting** ", annual report or alternate AIF" **after** "AIF",

(b) **in subparagraph 5.2(e)(i)B) by adding** ", if any" **after** "those financial statements",

(c) **in subparagraph 5.2(e)(i)C) by adding** ", if any" **after** "document",

(d) **by adding the following subparagraph after subparagraph 5.2(e)(i)E):**

F) a mid-year report, if any.,

(e) **by adding the following section:**

5.4 Cover page - A venture issuer must include in bold face type on the cover page of the offering document the following statement:

“[Insert name of venture issuer] is a venture issuer subject to the governance and disclosure regime applicable to venture issuers under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*. Consequently, it is not required to provide certain disclosure applicable to issuers that are not venture issuers, such as three and nine month interim financial reports and associated management’s discussion and analysis. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, [insert name of venture issuer] is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting. [Insert name of venture issuer] will also be subject to certain other obligations not applicable to issuers that are not venture issuers.

The disclosure provided by [insert name of venture issuer] will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers..

6. **Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended**

(a) **in Instruction A.12 by adding** "or NI 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, as applicable" **after** "as defined in NI 51-102 *Continuous Disclosure Obligations* (NI 51-102)",

(b) by replacing Instruction B.1 with the following:

1. All financial statements incorporated by reference into the offering memorandum must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* and either, for an issuer that at the applicable time was:
 - (a) a reporting issuer but not a venture issuer, NI 51-102,
 - (b) a venture issuer, National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers.*,

(c) by replacing Instruction B.2 with the following:

2. Forward-looking information included in an offering memorandum must
 - (a) in the case of an issuer that was not a venture issuer at the applicable time,
 - (i) comply with section 4A.2 of NI 51-102,
 - (ii) include the disclosure described in section 4A.3 of NI 51-102, and
 - (iii) in the case of FOFI or a financial outlook, as those terms are defined in NI 51-102, comply with Part 4B of NI 51-102,
 - (b) in the case of an issuer that was a venture issuer at the applicable time, comply with section 37 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers.*,

(d) by amending Instruction C.1 by inserting ", annual report or alternate AIF" after "AIF",

(e) in Instruction D.1 by

(i) replacing paragraph (a) with the following:

- (a) one of the following, as applicable:
 - (i) the issuer's AIF for the issuer's most recently completed financial year for which annual financial statements are either required to be filed or have been filed,
 - (ii) the issuer's annual report for the most recently completed financial year which is required to be filed or has been filed,
 - (iii) the issuer's alternate AIF.,

- (ii) **amending paragraph (b) by**
 - (A) **inserting** "and related financial statements" **after the first occurrence of** "material change reports", **and**
 - (B) **inserting** ", annual report or alternate AIF" **after** "AIF",
- (iii) **amending paragraph (c) by adding** "or mid-year report for the issuer's most recently completed mid-year period, as applicable, for the issuer's most recently completed interim period" **after the first occurrence of** "interim financial report" **and by adding** "or mid-year report" **after the second occurrence of** "interim financial report",
- (iv) **amending paragraph (d) by adding** "in the case of an issuer that was not a venture issuer at the applicable time," **before** "the comparative financial statements",
- (v) **amending paragraph (e) by adding** "in the case of an issuer that was not a venture issuer at the applicable time," **before** "if, before the offering memorandum is filed,",
- (vi) **by inserting the following after paragraph (e):**
 - (e.1) in the case of a venture issuer, if, before the offering memorandum is filed, financial information about the issuer is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication, if the financial information is for a financial period more recent than either
 - (i) the period required to be covered by the financial statements required to be included in the AIF, annual report or alternate AIF in (a),
 - (ii) the mid-year report required under (c),,
- (vii) **amending paragraph (f) by adding** "in the case of an issuer that was not a venture issuer at the applicable time," **before** "management's discussion and analysis (MD&A)",
- (viii) **replacing paragraph (g) with the following**
 - (g) each business acquisition report filed by the issuer under Part 8 of NI 51-102 for acquisitions completed since the beginning of the financial year in respect of which the issuer's current AIF, annual report or alternate AIF is filed, unless the issuer either

- (i) incorporated the business acquisition report by reference into its current AIF, annual report or alternate AIF,
 - (ii) incorporated at least 9 months of the acquired business or related businesses operations into the issuer's current annual financial statements,"
 - (ix) ***amending paragraph (h) by inserting "*, annual report or alternate AIF" *after "AIF",***
 - (x) ***replacing paragraph (i) with the following:***
 - (i) if the issuer has oil and gas activities, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the most recent Form 51-101F1, Form 51-101F2 and Form 51-101F3, filed by an SEC issuer, unless one of the following applies:
 - (i) the issuer's AIF is in the form of Form 51-102F2,
 - (ii) the issuer included in its annual report disclosure in accordance with subsection 16(4) of Form 51-103F1;
 - (iii) the issuer is otherwise exempted from the requirements of NI 51-101,,
 - (xi) ***amending paragraphs (j) and (k) by inserting "*, annual report or alternate AIF" *after "AIF",***
- (f) ***by inserting the following section after section 1:***
- 1.1 *Additional Documents Incorporated by Reference* – An issuer may incorporate any additional document provided that the document is available for viewing on the SEDAR website and that, on request by a purchaser, the issuer provides a copy of the document to the purchaser, without charge.,
- (g) ***by replacing Instruction D.2 with the following:***
2. *Mineral Property* – If a material part of the funds available as a result of the distribution is to be expended on a particular mineral property and if the issuer's most recent AIF, annual report or alternate AIF does not contain the disclosure required under section 5.4 of Form 51-102F2 or subsection 16(2) of Form 51-103F1 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under section 5.4 of Form 51-102F2 or under section subsection 16(2) of Form 51-103F1.,

(h) in Instruction D by adding the following sections:

3. A venture issuer must include in bold face type on the cover page of the offering memorandum the following statement:

“[Insert name of venture issuer] is a venture issuer subject to the governance and disclosure regime applicable to venture issuers under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*. Consequently, it is not required to provide certain disclosure applicable to issuers that are not venture issuers, such as three and nine month interim financial reports and associated management’s discussion and analysis. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, [insert name of venture issuer] is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting. [Insert name of venture issuer] will also be subject to certain other obligations not applicable to issuers that are not venture issuers.

The disclosure provided by [insert name of venture issuer] will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers.

4. If a venture issuer has decided to file interim financial reports for optional interim periods, also include the following statement in bold type on the cover page of the offering memorandum:

“[Insert name of venture issuer] intends to file 3 and 9 month interim financial reports”.

5. If a venture issuer incorporates any other documents by reference into the offering memorandum, the document must be available for viewing on the venture issuer's profile on the SEDAR website and, on request of a purchaser, the issuer must provide a copy of that document without charge..

7. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 51-102
CONTINUOUS DISCLOSURE OBLIGATIONS**

1. *National Instrument 51-102 Continuous Disclosure Obligations is amended by this Instrument.*

2. *Section 1.1 is amended as follows*

(a) *by inserting the following definition after the definition of “new financial year”:*

“NI 51-103” means National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

(b) *by inserting the following definition after the definition of “SEC issuer”:*

“senior unlisted issuer” means an issuer that

(a) does not have any of its securities listed or quoted on any of the marketplaces listed in paragraph 3(1)(b) of NI 51-103, and

(b) the only outstanding securities that it has distributed by prospectus are any of the following:

(i) debt securities,

(ii) preferred shares,

(iii) “securitized products” which are any of the following

(A) a security that entitles the security holder to receive payments that primarily depend on the cash flow from self-liquidating financial assets collateralizing the security, such as loans, leases, mortgages, and secured or unsecured receivables, including:

(I) an asset-backed security;

(II) a collateralized mortgage obligation;

(III) a collateralized debt obligation;

(IV) a collateralized bond obligation;

(V) a collateralized debt obligation of asset-backed securities;

(VI) a collateralized debt obligation of collateralized debt obligations;

(B) a security that entitles the security holder to receive payments that substantially reference or replicate the payments made on one or more securities of the type described in paragraph (a) but that do not primarily depend on the cash flow from self-liquidating financial assets that collateralize the security, including:

(I) a synthetic asset-backed security;

(II) a synthetic collateralized mortgage obligation;

(III) a synthetic collateralized debt obligation;

(IV) a synthetic collateralized bond obligation;

(V) a synthetic collateralized debt obligation of asset-backed securities;

(VI) a synthetic collateralized debt obligation of collateralized debt obligations; *and*

(c) *replacing the definition of “venture issuer” with the following:*

“venture issuer” has the same meaning as in section 1 of NI 51-103..

3. *Section 2.1 is replaced with the following:*

2.1 Application

(1) This Instrument does not apply to an investment fund.

(2) This Instrument does not apply to a venture issuer..

4. *In each of the following “venture issuer”, wherever it occurs, is replaced with “senior unlisted issuer”:*

(a) *paragraph 4.2(a);*

(b) *paragraph 4.2(b);*

(c) *paragraph 4.4(a);*

(d) *paragraph 4.4(b);*

(e) *paragraph 4.6(3)(a);*

(f) *paragraph 4.6(3)(b);*

(g) *subparagraph 4.10(2)(b)(iii);*

(h) *subparagraph 4.10(2)(c)(iii);*

- (i) *subsection 5.3(1);*
- (j) *section 6.1;*
- (k) *paragraph 8.2(2)(a);*
- (l) *paragraph 8.2(2)(b);*
- (m) *paragraph 8.3(1)(a);*
- (n) *paragraph 8.3(1)(b);*
- (o) *paragraph 8.3(3)(a);*
- (p) *paragraph 8.3(3)(b);*
- (q) *subsection 8.3(13.1);*
- (r) *clause 8.4(4)(c)(i)(A);*
- (s) *clause 8.4(4)(c)(i)(B);*
- (t) *paragraph 11.2(a);*
- (u) *paragraph 11.2(b);*
- (v) *section 11.3;*
- (w) *paragraph 14.3(1)(a);*
- (x) *paragraph 14.3(1)(b).*

5. *Form 51-102F1 Management's Discussion & Analysis is amended by replacing "venture issuer" in the following, wherever it occurs, with "senior unlisted issuer":*

- (a) *section (g) of Part 1;*
- (b) *Instruction (iv) after section 1.6;*
- (c) *section 1.12;*
- (d) *paragraph 1.15(b)(i);*
- (e) *Instruction (vii) after section 2.2.*

6. *Form 51-102F2 Annual Information Form is amended by replacing Item 5.4 with the following:*

“5.4 Companies with Mineral Projects

If your company had a mineral project, provide a summary of the following information for each project material to your company:

- (1) **Current Technical Report** – The title, author or authors, and date of the most recent technical report on the property filed in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.
- (2) **Project Description, Location, and Access**
 - (a) The location of the project and means of access.
 - (b) The nature and extent of your company’s title to or interest in the project, including surface rights, obligations that must be met to retain the project, and the expiration date of claims, licences, and other property tenure rights.

- (c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the project is subject.
- (d) To the extent known, any significant factors or risks that may affect access, title or the right or ability to perform work on the property, including permitting and environmental liabilities to which the project is subject.

(3) **History**

- (a) To the extent known, a summary of the prior exploration and development of the property, including the type, amount, and results of the exploration work undertaken by previous owners, any significant historical estimates, and any previous production on the property.
- (b) If your company acquired a project within the three most recently completed financial years or during the current financial year from, or intends to acquire a project from, an informed person or promoter of your company or an associate or affiliate of an informed person or promoter, the name of the vendor, the relationship of the vendor to your company, and the consideration paid or intended to be paid to the vendor.
- (c) To the extent known, the name of every person or company that has received or is expected to receive a greater than 5 % interest in the consideration received or to be received by the vendor referred to in paragraph (b).

(4) **Geological Setting, Mineralization, and Deposit Types**

- (a) The regional, local, and property geology.
- (b) The significant mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, and the length, width, depth, and continuity of the mineralization, together with a description of the type, character, and distribution of the mineralization.
- (c) The mineral deposit type or geological model or concepts being applied.

(5) **Exploration** - The nature and extent of all relevant exploration work other than drilling, conducted by or on behalf of your company, including a summary and interpretation of the relevant results.

(6) **Drilling** - The type and extent of drilling and a summary and interpretation of all relevant results.

(7) **Sampling, Analysis, and Data Verification** - The sampling and assaying including

- (a) sample preparation methods and quality control measures employed before dispatch of samples to an analytical or testing laboratory;

- (b) the security measures taken to ensure the validity and integrity of samples taken;
 - (c) assaying and analytical procedures used and the relationship, if any, of the laboratory to your company; and
 - (d) quality control measures and data verification procedures, and their results.
- (8) **Mineral Processing and Metallurgical Testing** - If mineral processing or metallurgical testing analyses have been carried out, discuss the nature and extent of the testing and analytical procedures, and provide a summary of the relevant results and, to the extent known, any processing factors or deleterious elements that could have a significant effect on potential economic extraction.
- (9) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including
- (a) the effective date of the estimates;
 - (b) the quantity and grade or quality of each category of mineral resources and mineral reserves;
 - (c) the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves; and
 - (d) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues.
- (10) **Mining Operations** - For advanced properties, the current or proposed mining methods, including a summary of the relevant information used to establish the amenability or potential amenability of the mineral resources or mineral reserves to the proposed mining methods.
- (11) **Processing and Recovery Operations** – For advanced properties, a summary of current or proposed processing methods and reasonably available information on test or operating results relating to the recoverability of the valuable component or commodity.
- (12) **Infrastructure, Permitting, and Compliance Activities** – For advanced properties,
- (a) the infrastructure and logistic requirements for the project; and
 - (b) the reasonably available information on environmental, permitting, and social or community factors related to the project.
- (13) **Capital and Operating Costs** – For advanced properties,

- (a) a summary of capital and operating cost estimates, with the major components set out in tabular form; and
 - (b) an economic analysis with forecasts of annual cash flow, net present value, internal rate of return, and payback period, unless exempted under Instruction (2) to Item 22 of Form 43-101F1.
- (14) **Exploration, Development, and Production** - A description of your company's current and contemplated exploration, development or production activities.

INSTRUCTIONS

- (i) *Disclosure regarding mineral exploration, development or production activities on material projects must comply with, and is subject to the limitations set out in, National Instrument 43-101 Standards of Disclosure for Mineral Projects. You must use the appropriate terminology to describe mineral reserves and mineral resources. You must base your disclosure on information prepared by, under the supervision of, or approved by, a qualified person.*
 - (ii) *You may satisfy the disclosure requirements in section 5.4 by reproducing the summary from the technical report on the material property, and incorporating the detailed disclosure in the technical report into the AIF by reference."*
7. ***Form 51-102F5 Information Circular is amended by repealing section 14.5.***
8. ***Form 51-102F6 Statement of Executive Compensation is amended by replacing "venture issuer" with "senior unlisted issuer" in paragraph 2.2(a)(i).***
9. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 52-109
CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND
INTERIM FILINGS**

1. *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings is amended by this Instrument.*

2. *Section 1.1 is amended by*

(a) *inserting the following definition after the definition of “NI 51-102”:*

“NI 51-103” means National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

(b) *deleting the definition of “non-venture issuer”,*

(c) *inserting the following definitions after the definition of “Sarbanes-Oxley Act”:*

“senior listed issuer” means a reporting issuer that is not a venture issuer or a senior unlisted issuer;

“senior unlisted issuer” has the same meaning as in section 1.1 of NI 51-102;

(d) *replacing the definition of “venture issuer” with the following:*

“venture issuer” has the same meaning as in section 1 of NI 51-103;

3. *Subsection 1.2(1) is replaced with the following:*

(1) This Instrument applies to a reporting issuer other than a venture issuer or an investment fund.

4. *In each of the following “non-venture issuer”, wherever it occurs, is replaced with “senior listed issuer”:*

(a) *section 3.1;*

(b) *section 3.2;*

(c) *subsection 3.3(1);*

(d) *subsection 3.4(1);*

(e) *paragraph 4.2(1)(a);*

(f) *section 4.5.;*

(g) *paragraph 5.2(1)(a);*

(h) *section 5.5.*

5. ***In each of the following “venture issuer” wherever it occurs is replaced with “senior unlisted issuer”:***
 - (a) *subsection 3.4(2);*
 - (b) *section 4.1(3);*
 - (c) *paragraph 4.2(1)(b);*
 - (d) *subsection 4.2(2);*
 - (e) *paragraph 5.2(1)(b);*
 - (f) *subsection 5.2(2).*

6. ***In each of the following "Form 52-109FV1" is replaced with "Form 52-109SU1":***
 - (a) *paragraph 4.2(1)(b);*
 - (b) *subsection 4.2(2).*

7. ***In each of the following "Form 52-109FV2" is replaced with "Form 52-109SU2":***
 - (a) *paragraph 5.2(1)(b),*
 - (b) *subsection 5.2(2).*

8. ***Form 52-109F1 – IPO/RTO Certification of Annual Filings following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer is amended by***
 - (a) *renaming the form "Form 52-109F1 – IPO/RTO Certification of Annual Filings following an Initial Public Offering, Reverse Takeover or becoming a Senior Listed Issuer", and*
 - (b) *in the Note to Reader replacing "non-venture issuer" wherever it occurs with "senior listed issuer".*

9. ***Form 52-109F2 – IPO/RTO Certification of Interim Filings following an Initial Public Offering, Reverse Takeover or becoming a Non-Venture Issuer is amended by***
 - (a) *renaming the form "Form 52-109F2 – IPO/RTO Certification of Interim Filings following an Initial Public Offering, Reverse Takeover or becoming a Senior Listed Issuer", and*
 - (b) *in the Note to Reader replacing "non-venture issuer" wherever it occurs with "senior listed issuer".*

10. ***Form 52-109FV1 Certification of Annual Filings Venture Issuer Basic Certificate is amended by***
 - (a) *renaming the form "Form 52-109SU1 Certification of Annual Filings Senior Unlisted Issuer Basic Certificate", and*

(b) *in the Note to Reader replacing:*

(i) "non-venture issuer" *with* "senior listed issuer";

(ii) "Venture Issuer Basic Certificate" *with* "Senior Unlisted Issuer Basic Certificate", *and*

(iii) "venture issuer" *with* "senior unlisted issuer".

11. *Form 52-109FV2 Certification of Interim Filings Venture Issuer Basic Certificate is amended by*

(a) *renaming the form* "Form 52-109SU2 Certification of Interim Filings Senior Unlisted Issuer Basic Certificate", *and*

(b) *in the Note to Reader replacing:*

(i) "non-venture issuer" *with* "senior listed issuer";

(ii) "Venture Issuer Basic Certificate" *with* "Senior Unlisted Issuer Basic Certificate"; *and*

(iii) "venture issuer" *with* "senior unlisted issuer".

12. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 52-110
AUDIT COMMITTEES**

1. *National Instrument 52-110 Audit Committees is amended by this Instrument.*
2. *Section 1.1 is amended by*
 - (a) *inserting the following definition after the definition of “NI 51-102”:*

“NI 51-103” means National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
 - (b) *inserting the following definition after the definition of “SEC foreign issuer”:*

“senior unlisted issuer” has the same meaning as in section 1.1 of NI 51-102;
 - (c) *replacing the definition of “venture issuer” with the following:*

“venture issuer” has the same meaning as in section 1 of NI 51-103;
3. *Section 1.2 is amended by inserting the following after subsection (a):*
 - (a.1) *venture issuers.*
4. *In each of the following replacing “venture issuer”, wherever it occurs, with “senior unlisted issuer”:*
 - (a) *section 6.1;*
 - (b) *section 6.2.*
5. *Form 52-110F2 Disclosure by Venture Issuers is amended by renaming the form “Form 52-110F2 Disclosure by Senior Unlisted Issuers”.*
6. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 58-101
DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES**

1. *National Instrument 58-101 Disclosure of Corporate Governance Practices is amended by this Instrument.*
2. *Section 1.1 is amended by*
 - (a) *inserting the following definition after the definition of “NI 51-102”:*

“NI 51-103” means National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
 - (b) *inserting the following definition after the definition of "SEDAR":*

"senior unlisted issuer" has the same meaning as in section 1.1 of NI 51-102;
 - (c) *replacing the definition of “venture issuer” with the following:*

“venture issuer” has the same meaning as in section 1 of NI 51-103;
3. *Section 1.3 is amended by inserting the following after subsection (a):*
 - (a.1) a venture issuer.
4. *In each of the following provisions “venture issuer” is replaced with “senior unlisted issuer”:*
 - (a) *subsection 2.1(1);*
 - (b) *subsection 2.1(2);*
 - (c) *all occurrences in section 2.2(1);*
 - (d) *subsection 2.2(2).*
5. *Form 58-101F2 Corporate Governance Disclosure (Venture Issuers) is amended by renaming the form "Form 58-101F2 Corporate Governance Disclosure (Senior Unlisted Issuers)".*
6. This instrument comes into force on ●..

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS**

1. *National Instrument 43-101 Standards of Disclosure for Mineral Projects is amended by this Instrument.*
2. *Section 1.1 is amended by inserting the following definition after the definition of “technical report”:*

“venture issuer” has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
3. *Subsection 4.2(1) is amended by*
 - (a) *in paragraph (b), adding “if the issuer is not a venture issuer,” before “a preliminary short form prospectus”, and*
 - (b) *inserting the following new paragraph (b.1):*

“(b.1) if the issuer is a venture issuer, a preliminary short form prospectus filed in accordance with National Instrument 44-101 *Short Form Prospectus Distributions*;
4. *Subsection 4.2(3) is amended by*
 - (a) *deleting “or” before “(b)” and substituting a comma, and*
 - (b) *adding “or (b.1)” after “(b)”.*
5. *Paragraph 5.3(1)(c) is amended by adding “(b.1),” after “(b),”.*
6. This Instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 51-101 STANDARDS OF
DISCLOSURE FOR OIL AND GAS ACTIVITIES**

1. *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.*
2. *Section 1.1 is amended by*
 - (a) *inserting the following definition after the definition of “annual information form”:*
 - (a.01) "annual report" has the same meaning as in section 1 of NI 51-103, **and**
 - (b) *inserting the following definition after the definition of “NI 51-102”:*
 - (r.2) "NI 51-103" means National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
4. *Section 2.3 is amended by inserting "or annual report" after "annual information form", wherever it occurs.*
5. This Instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 52-107 ACCEPTABLE ACCOUNTING PRINCIPLES AND
AUDITING STANDARDS**

1. *National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards is amended by this Instrument.*

2. *Section 1.1 is amended by*

(a) *inserting the following paragraph after subsection (a) of the definition of “acquisition statements”:*

(a.1) *required to be filed under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*,*

(b) *inserting the following paragraph after subsection (b) of the definition of “acquisition statements”:*

(b.1) *included in a prospectus pursuant to Item 35 of Form 41-101F4 *Information Required in a Venture Issuer Prospectus*,*

(c) *inserting the following definition after the definition of “inter-dealer bond broker”:*

“IPO senior unlisted issuer” has the same meaning as in section 1.1 of National Instrument 41-101 *General Prospectus Requirements*;

(d) *inserting the following definition after the definition of “SEC foreign issuer”:*

“senior unlisted issuer” has the same meaning as in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*; **and**

(e) *replacing the definition of “venture issuer” with the following:*

“venture issuer” has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

4. *Section 2.1 is amended*

(a) *in paragraph 2.1(2)(b) by inserting “, National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*” after “Obligations”,*

(b) *in subparagraphs 2.1(2)(d)(i), 2.1(2)(f)(i) and 2.1(2)(g)(i) by adding “or National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*” after “Obligations”, and*

- (c) *in subparagraph 2.1(2)(h)(i) by inserting "*, National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers" after "Obligations".*
- 5. *Section 3.2 is amended in paragraph 3.2(6)(a) by*
 - (a) *deleting "or" and inserting a comma after "Exemptions", and*
 - (b) *inserting "or National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers" after "Obligations,".*
- 6. *Section 3.11 is amended*
 - (a) *in subparagraph 3.11(1)(f)(iv) by deleting "and is not" after the second occurrence of "issuer" and by inserting "a senior unlisted issuer or an IPO senior unlisted issuer," after "IPO venture issuer," and*
 - (b) *in subparagraph 3.11(6)(d)(iii) by deleting "and is not" after the second occurrence of "issuer" and by inserting "a senior unlisted issuer or an IPO senior unlisted issuer," after "IPO venture issuer,".*
- 7. This Instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 44-102
SHELF DISTRIBUTIONS**

1. *National Instrument 44-102 Shelf Distributions is amended by this Instrument.*
2. *Section 5.8 is amended by*
 - (a) *in subsection (a) inserting "or report of material change, material related entity transaction or major acquisition, as applicable," after "report", and*
 - (b) *in subsection (b) adding "or report of material change, material related entity transaction or major acquisition, as applicable."*
3. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 45-101
RIGHTS OFFERINGS**

1. *National Instrument 45-101 Rights Offerings is amended by this Instrument.*
2. *Form 45-101F is amended by*
 - (a) *in section 17.1 replacing "Forward-looking information" with "Non-venture issuers - For an issuer other than a venture issuer, forward-looking information" and deleting the last sentence, and*
 - (b) *adding the following after section 17.1:*
 - 17.2 Venture issuers - For a venture issuer, forward-looking information, FOFI or a financial outlook, included in a rights offering circular must comply with section 37 of NI 51-103 and must include the disclosure described in that section.
 - 17.3 Non-reporting issuers - For an issuer or other entity that is not a reporting issuer, forward-looking information included in a rights offering circular must comply with section 4A.2, section 4A.3 and Part 4B of NI 51-102 as if the issuer or other entity were a reporting issuer..
3. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 55-104
*INSIDER REPORTING REQUIREMENTS AND EXEMPTIONS***

1. *National Instrument 55-104 Insider Reporting Requirements and Exemptions is amended by this Instrument.*
2. *Subsection 1.3(1) is amended by inserting "for issuers other than venture issuers, or in a report of material change, material related entity transaction or major acquisition or under section 25 of Form 51-103F1 Annual and Mid-Year Reports, for venture issuers," after "Obligations,".*
3. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS**

1. *National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers is amended by this Instrument.*
2. *Section 1.1 is amended by*
 - (a) *inserting the following definition after the definition of "AIF":*

“annual report” has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
 - (b) *replacing the definition of "financial statements" with the following:*

“financial statements” includes interim financial reports;
 - (c) *inserting the following definition after the definition of "MD&A":*

“mid-year report” has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*; **and**
 - (d) *inserting the following definition after the definition of “recognized quotation and trade reporting system”:*

"report of material change, material related entity transaction or major acquisition" means a completed Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition*;
3. *Paragraph 1.3(b)(i) is amended by replacing "statement and MD&A" with "statements, MD&A, annual report or mid-year report, as applicable," and replacing "or MD&A" with ", MD&A, annual report or mid-year report, as applicable".*
4. *Section 4.4 is amended by*
 - (a) *inserting "or annual reports and mid-year reports, if applicable," after "MD&A", and*
 - (b) *in subsection (d) inserting "and, for an annual report or mid-year report, section 4.3 of this Instrument" after "NI 52-107".*

5. *The following is inserted after section 4.5:*

4.5.1 Report of Material Change, Material Related Entity Transaction or Major Acquisition

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation and filing of a report of material change, material related entity transaction or major acquisition if it

- (a) for a material change, complies with section 4.2 of this Instrument;
- (b) for a major acquisition, complies with section 4.5 of this Instrument..

6. *Section 5.5 is amended by*

- (a) *inserting* "or annual reports and mid-year reports, if applicable," *after* "MD&A",
and
- (b) *in subsection (d) inserting* "and, for an annual report or mid-year report, section 5.4 of this Instrument" *after* "NI 52-107".

7. *The following is inserted after section 5.6:*

5.6.1 Report of Material Change, Material Related Entity Transaction or Major Acquisition

A designated foreign issuer satisfies securities legislation requirements relating to the preparation and filing of a report of material change, material related entity transaction or major acquisition if it

- (a) for a material change, complies with section 5.3 of this Instrument;
- (b) for a major acquisition, complies with section 5.6 of this Instrument..

8. This instrument comes into force on ●.

**PROPOSED AMENDMENTS TO
MULTILATERAL INSTRUMENT 11-102
PASSPORT SYSTEM**

1. *Multilateral Instrument 11-102 Passport System is amended by this Instrument.*
2. *Appendix D is amended by inserting the following row (see non-shaded row below) immediately under the row containing the words “Publication of material change”:*

Provision	BC	AB	SK	MB	Que	NS	NB	PEI	NL	YK	NW	Nu n	ON
Ongoing governance and disclosure requirements for venture issuers	NI 51-103												

3. This Instrument comes into force on [●].

Proposed Changes to Companion Policy 41-101CP

The following are proposed changes to Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements*

1. Proposed changes to subsection 1.2(3)

Continuous disclosure (~~NI 51-102~~NI 51-103 and NI 81-106)

- (3) NI 51-102, NI 51-103, NI 81-106 and other securities legislation imposes ongoing disclosure and filing obligations on reporting issuers. The regulator may consider issues raised in the context of a continuous disclosure review when determining whether it is in the public interest to refuse to issue a receipt for a prospectus. Consequently, unresolved issues may delay or prevent the issuance of a receipt.

Reporting issuers are generally required to file periodic and timely disclosure documents under applicable securities legislation. Reporting issuers may also be required to file periodic and timely disclosure documents pursuant to an order issued by the securities regulatory authority or an undertaking to the securities regulatory authority. Failure to comply with any requirement to file periodic and timely disclosure documents could cause the regulator to refuse a receipt for the prospectus.

2. Proposed changes to subsection 3.6(3)

Contract of employment

- (3) Paragraph 9.3(2)(a) of the Instrument provides that a material contract with certain individuals is not eligible for the ordinary course of business exemption, unless it is a “contract of employment”. One way for issuers to determine whether a contract is a contract of employment is to consider whether the contract contains payment or other provisions that are required disclosure under Form 51-102F6 or Form 51-103F1, as applicable, as if the individual were a named executive officer or director of the issuer.

3. Proposed changes to section 3.8

- 3.8 Under subparagraph 9.2(a)(x) of the Instrument, an issuer must file an undertaking to file the periodic and timely disclosure of a credit supporter. For credit supporters that are reporting issuers with a current AIF (as defined in NI 44-101), the undertaking will likely be to continue to file the documents it is required to file under ~~NI 51-102~~NI 51-103, as applicable. For credit supporters registered under the 1934 Act, the undertaking will likely be to file the types of documents that would be required to be incorporated by reference into a Form S-3 or Form F-3 registration statement. For other credit supporters, the types of documents to be filed pursuant to the undertaking will be determined through discussions with the regulators on a case-by-case basis.

If an issuer, a parent credit supporter, and a subsidiary credit supporter satisfy the conditions of the exemption in section 34.3 of Form 41-101F4, **1 or section 34.2 of Form 41-101F4, as applicable**, an undertaking may provide that the subsidiary credit supporter will file periodic and timely disclosure if the issuer and the credit supporters no longer satisfy the conditions of the exemption in that section.

If an issuer and a credit supporter satisfy the conditions the exemption in section 34.4 of Form 41-101F4, **1 or section 34.3 of Form 41-101F4, as applicable**, an undertaking may provide that the credit supporter will file periodic and timely disclosure if the issuer and the credit supporter no longer satisfy the conditions of the exemption in that section.

For the purposes of such an undertaking, references to disclosure included in the prospectus should be replaced with references to the issuer or parent credit supporter's continuous disclosure filings. For example, if an issuer and subsidiary credit supporter(s) plan to continue to satisfy the conditions of the exemption in section 34.4 of Form 41-101F4, **101F1 or section 34.3 of Form 41-101F4, as applicable**, for continuous disclosure filings, the undertaking should provide that the issuer will file with its consolidated financial statements,

- (a) a statement that the financial results of the credit supporter(s) are included in the consolidated financial results of the issuer if
 - (i) the issuer continues to have limited independent operations, and
 - (ii) the impact of any subsidiaries of the issuer on a combined basis, excluding the credit supporter(s) but including any subsidiaries of the credit supporter(s) that are not themselves credit supporters, on the consolidated financial statements of the issuer continues to be minor, or
- (b) for any periods covered by issuer's consolidated financial statements, consolidating summary financial information for the issuer presented in the format set out in subparagraph 34.4(e)(ii) of Form 41-101F4, **1 or section 34.3 of Form 41-101F4, as applicable**.

4. Proposed changes to section 3.11

Reduced price distributions

- 3.11** Subsection 7.2(3) of the Instrument permits an issuer to reduce the offering price of the securities being distributed without filing an amendment to the prospectus if certain conditions are satisfied. Satisfying the conditions in this subsection means the underwriter's compensation should decrease by the amount that the aggregate price paid by purchasers for the securities is less than the gross proceeds paid by the underwriter to the issuer or selling securityholder. Section 20.8 of Form 41-101F1 **or Form 41-101F4, as applicable**, requires disclosure of this fact.

5. Proposed changes to section 4.2

Pricing disclosure

- 4.2(1) If the offering price or the number of securities being distributed, or an estimate of the range of the offering price or the number of securities being distributed, has been publicly disclosed in a jurisdiction or a foreign jurisdiction as of the date of the preliminary long form prospectus, section 1.7 of Form 41-101F1 or Form 41-101F4, as applicable, requires the issuer to disclose that information in the preliminary long form prospectus. For example, if an issuer has previously disclosed this information in a public filing or a press release, in a foreign jurisdiction, the information must also be disclosed in the preliminary long form prospectus. If the issuer discloses this information in the preliminary long form prospectus, we will not consider a difference between this information and the actual offering price or number of securities being distributed to be, in itself, a material adverse change for which the issuer must file an amended preliminary long form prospectus.
- (2) No disclosure is required under section 1.7 of Form 41-101F1 or Form 41-101F4, as applicable, if the offering price or size of the offering has not been disclosed as of the date of the preliminary long form prospectus. However, given the materiality of pricing or offering size information, subsequent disclosure of this information on a selective basis could constitute conduct that is prejudicial to the public interest.

6. Proposed changes to section 4.3

Principal purposes – generally

- 4.3(1) Subsection 6.3(1) of Form 41-101F1 or Form 41-101F4, as applicable, requires disclosure of each of the principal purposes for which the issuer will use the net proceeds. If an issuer has negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included in the long form prospectus, the issuer should prominently disclose that fact in the use of proceeds section of the long form prospectus. The issuer should also disclose whether, and if so, to what extent, the issuer will use the proceeds of the distribution to fund any anticipated negative cash flow from operating activities in future periods. An issuer should disclose negative cash flow from operating activities as a risk factor under subsection 21.1(1) of Form 41-101F1 or Form 41-101F4, as applicable. For the purposes of this section, in determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs.
- (2) For the purposes of the disclosure required under section 6.3 of Form 41-101F1 or Form 41-101F4, as applicable, the phrase “for general corporate purposes” is not generally sufficient.

7. Proposed changes to section 4.4

MD&A

Additional information for senior unlisted issuers, IPO venture issuers and venture issuers without significant revenue

4.4(1) Section 8.6 of Form 41-101F1 or section 5.8 of 41-101F4, as applicable, requires certain senior unlisted issuers, IPO venture issuers and ~~IPO~~ venture issuers to disclose a breakdown of material costs whether expensed or recognized as assets. A component of cost is generally considered to be a material component if it exceeds the greater of

- (a) 20% of the total amount of the class, and
- (b) \$25,000.

Disclosure of outstanding security data

(2) Section 8.4 of Form 41-101F1 or section 11.2 of Form 41-101F4, as applicable, requires disclosure of information relating to the outstanding securities of the issuer as of the latest practicable date. The “latest practicable date” should be as close as possible to the date of the long form prospectus. Disclosing the number of securities outstanding at the most recently completed financial period is generally not sufficient to meet this requirement.

Additional disclosure for issuers with significant equity investees

(3) Section 8.8 of Form 41-101F1 or section 5.10 of Form 41-101F4, as applicable, requires issuers with significant equity investees to provide in their long form prospectuses summarized information about the equity investee. Generally, we will consider that an equity investee is significant if the equity investee would meet the thresholds for the significance tests in Item 35 of Form 41-101F1 or in the guidance provided under Item 20 in Form 51-103F1, as applicable, using the financial statements of the equity investee and the issuer as at the issuer’s financial year-end.

8. Proposed changes to subsection 4.6(1)

Distribution of derivatives and underlying securities

4.6(1) Section 10.4 of Form 41-101F1 or Form 41-101F4, as applicable, specifies additional disclosure applicable to distributions of derivatives. This prescribed disclosure is formulated in general terms for issuers to customize appropriately in particular circumstances.

9. Proposed changes to section 4.7

Restricted securities

- 4.7** Section 10.6 of Form 41-101F1 or Form 41-101F4, as applicable, specifies additional disclosure for restricted securities, including a detailed description of any significant provisions under applicable corporate and securities law that do not apply to the holders of the restricted securities but do apply to the holders of another class of equity securities. An example of such provisions would be rights under takeover bids.

10. Proposed changes to section 4.8

Credit supporter disclosure

- 4.8** A long form prospectus must include, under Item 33 of Form 41-101F1 or Form 41-101F4, as applicable, disclosure about any credit supporters that have provided a guarantee or alternative credit support for all or substantially all of the payments to be made under the securities being distributed. Disclosure about a credit supporter may be required even if the credit supporter has not provided full and unconditional credit support.

11. Proposed changes to section 4.9

Exemptions for certain issues of guaranteed securities

- 4.9** Requiring disclosure about the issuer and any applicable credit supporters in a long form prospectus may result in unnecessary disclosure in some instances. Item 34 of Form 41-101F1 or Form 41-101F4, as applicable, provides exemptions from the requirement to include both issuer and credit supporter disclosure where such disclosure is not necessary to ensure that the long form prospectus includes full, true and plain disclosure of all material facts concerning the securities to be distributed.

These exemptions are based on the principle that, in these instances, investors will generally require issuer disclosure or credit supporter disclosure to make an informed investment decision. These exemptions are not intended to be comprehensive and issuers may apply for exemptive relief from the requirement to provide both issuer and credit supporter disclosure, as appropriate.

12. Proposed changes to section 5.1.1

Presentation of Financial Results

- 5.1.1** Canadian GAAP applicable to publicly accountable enterprises provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed

to satisfy the requirements of this Instrument. (See subsections 32.2(1.1) and 32.3(3) of Form 41-101F1 or subsections 32.2(1.1) or 32.3(4) of Form 41-101F4, as applicable).

13. Proposed changes to section 5.2

General financial statement requirements

5.2 If an issuer has filed annual financial statements or an interim financial report for periods that are more recent than those that the issuer must otherwise include in a long form prospectus before it files the prospectus, sections 32.6 and 35.8 of Form 41-101F1 or sections 32.6 and 35.9 of Form 41-101F4, as applicable, require the issuer to include those financial statements in the long form prospectus. Issuers should update the disclosure in the prospectus accordingly in order to satisfy the requirement that the long form prospectus contain full, true and plain disclosure of all material facts relating to the securities being distributed. However, if historical financial information derived from more recent annual financial statements or interim financial report is released to the public by the issuer before the financial statements are filed, the prospectus should include the information included in the news release or public communication. There is no specific requirement in the Instrument to otherwise update the prospectus, or pro forma financial statements to reflect the more recent information.

We think the directors of an issuer should endeavor to consider and approve financial statements in a timely manner and should not delay the approval and filing of the financial statements for the purpose of avoiding their inclusion in a long form prospectus. Once the directors have approved an issuer's financial statements, the issuer should file them as soon as possible.

14. Proposed changes to subsection 5.3(1)

Interpretation of issuer – primary business

Interpretation of issuer – primary business

5.3(1) An issuer is required to provide historical financial statements under Item 32 of Form 41-101F1 or Form 41-101F4, as applicable, for a business or related businesses that a reasonable investor would regard as the primary business of the issuer. Examples of when a reasonable investor would regard the primary business of the issuer to be the acquired business or related businesses are when the acquisition(s) was

- (a) a reverse takeover,
- (b) a qualifying transaction for a Capital Pool Company, or
- (c) an acquisition that is a significant acquisition at over the 100% level under subsection 35.1(4) of Form 41-101F1 or a major acquisition, as applicable.

The issuer should consider the facts of each situation to determine whether a reasonable investor would regard the primary business of the issuer to be the acquired business or related businesses.

15. Proposed changes to section 5.4

Interpretation of issuer – predecessor entity

5.4(1) An issuer is required to provide historical financial statements under Item 32 of the Form 41-101F1 or Form 41-101F4, as applicable, for any predecessor entity. This includes financial statements of acquired businesses that are unrelated and not otherwise individually significant, but together form the basis of the business of the issuer. In these circumstances, the issuer should consider including pro forma financial statements in the prospectus giving effect to the recently completed or proposed acquisition of a predecessor entity.

16. Proposed changes to section 5.5

Sufficiency of financial history included in a long form prospectus

5.5(1) Item 32 of Form 41-101F1 or Form 41-101F4, as applicable, prescribes the issuer financial statements that must be included in a long form prospectus. We recognize that an issuer, at the time of filing a long form prospectus, may have been in existence for less than one year. We expect that in many situations the limited historical financial statement information that is available for such an issuer may be adequately supplemented by other relevant information disclosed in the long form prospectus. However, if the issuer cannot provide financial statements for a period of at least 12 months and the long form prospectus does not otherwise contain information concerning the business conducted or to be conducted by the issuer that is sufficient to enable an investor to make an informed investment decision, a securities regulatory authority or regulator may consider this a key factor when deciding whether it should refuse to issue a receipt for the long form prospectus.

(2) A reference to a prospectus includes a preliminary prospectus. Consequently, the time references in sections 32.2, 32.3, 35.5 and 35.6 of Form 41-101F1 or Form 41-101F4, as applicable, should be considered as at the date of the preliminary long form prospectus and again at the date of the final long form prospectus for both the issuer and any business acquired or to be acquired. Depending on the period of time between the dates of the preliminary and final long form prospectuses, an issuer may have to include more recent financial statements.

(3) An issuer is subject to certain additional disclosure requirements when it discloses an interim financial report for a period in the year of adopting IFRS, as set out in subparagraph 32.3(2)(e) and subsection 32.3(4) of Form 41-101F1 or subparagraph 32.3(2)(e) and subsection 32.3(5) of Form 41-101F4, as applicable. These

requirements only apply to interim financial reports relating to periods in the year of adopting IFRS and therefore do not apply if the prospectus includes annual financial statements prepared in accordance with IFRS.

An issuer is required to provide an opening IFRS statement of financial position at the date of transition to IFRS. An issuer with, for example, a year-end of December 31, 2010 that files a prospectus for which it must include its first interim financial report in the year of adopting IFRS for the period ended March 31, 2011, must generally provide an opening IFRS statement of financial position at January 1, 2010.

An issuer must also include various reconciliations required by IFRS 1 to explain how the transition from previous GAAP to IFRS has affected its reported financial position, financial performance and cash flows. In the first interim period IFRS 1 requires certain additional reconciliations which relate to annual periods and the date of transition to IFRS. Where an issuer that was not a reporting issuer in at least one jurisdiction immediately before filing the prospectus includes an interim financial report in respect of the second or third interim period in the year of adopting IFRS, subsection 32.3(4) of Form 41-101F1 **or subsection 32.3(5) of Form 41-101F4, as applicable**, requires these additional reconciliations to be included in the prospectus. Alternatively, pursuant to subsection 32.3(4) of Form 41-101F1, **or subsection 32.3(5) of Form 41-101F4, as applicable**, the issuer may include the first interim financial report in the year of adopting IFRS as this report includes the required reconciliations.

These additional reconciliations may be summarized as follows:

- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the date of transition to IFRS (January 1, 2010 in the above-noted example);
- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the end of the latest period presented in the issuer's most recent annual financial statements in accordance with previous GAAP (December 31, 2010 in the above-noted example); and
- a reconciliation of the issuer's total comprehensive income (or total profit or loss) presented in accordance with previous GAAP to its total comprehensive income in accordance with IFRS for the latest period in the issuer's most recent annual financial statements presented in the prospectus in accordance with previous GAAP (year ended December 31, 2010 in the above-noted example).

The reconciliations summarized above must give sufficient detail to enable investors to understand the material adjustments to the statement of financial position, statement of comprehensive income and statement of cash flows.

17. Proposed changes to section 5.6

Applications for exemption from requirement to include financial statements of the issuer

5.6(1) We believe investors should receive in a long form prospectus for an IPO under Form 41-101F1 no less than three years of audited historical financial statements and under Form 41-101F4 no less than two years of audited historical financial statements and that relief from the financial statements requirements should be granted only in unusual circumstances and generally not related solely to the cost or the time involved in preparing and auditing the financial statements.

18. Proposed changes to subsection 5.8(2)

(2) NI 52-107 requires that financial statements, other than acquisition statements, that are required to be audited by securities legislation, such as this Instrument, be accompanied by an auditor's report that expresses an unmodified opinion if they were audited in accordance with Canadian GAAS or International Standards on Auditing, or contain an unqualified opinion if they were audited in accordance with U.S. PCAOB GAAS. This requirement applies to all financial statements included in the long form prospectus under Item 32 of Form 41-101F1 or Form 41-101F4, as applicable, including financial statements from entities acquired or to be acquired that are the primary business or the predecessor of the issuer. For greater clarity, subsections 3.12(3) and 4.12(6) of NI 52-107 only apply to financial statements included in the long form prospectus pursuant to Item 35 of Form 41-101F1 or Form 41-101F4, as applicable. Relief may be granted to non-reporting issuers in appropriate circumstances to permit the auditor's report on financial statements to contain a qualified opinion relating to opening inventory if there is a subsequent audited period of at least six months on which the auditor's report expresses an unmodified opinion and the business is not seasonal. Issuers requesting this relief should be aware that NI 51-102 or NI 51-103, as applicable, requires an issuer's comparative financial statements be accompanied by an auditors' report that expresses an unmodified opinion.

19. Proposed changes to section 5.9

Financial statement disclosure for significant acquisitions and major acquisitions

Applicable principles in NI 51-102 and NI 51-103

5.9(1) Generally, it is intended that the disclosure requirements set out in Item 35 of Form 41-101F1 for significant acquisitions or Form 41-101F4 for major acquisitions, as applicable, follow the requirements in Part 8 of NI 51-102 or in section 22 of NI 51-103, as applicable.

(1.1) The guidance in Part 8 of the companion policy to NI 51-102 ("51-102CP") apply to any disclosure of a significant business acquisition in a long form prospectus required by Item 35 of Form 41-101F1, except

- (a) any headings in Part 8 of 51-102CP should be disregarded,
- (b) subsections 8.1(1), 8.1(5), 8.7(8), and 8.10(2) of 51-102CP do not apply,
- (c) other than in subsections 8.3(4) and 8.7(7) of 51-102CP, any references to a “reporting issuer” should be read as an “issuer”,
- (d) any references to the “Instrument” should be read as “NI 51-102”,
- (e) any references to a provision in NI 51-102 in 51-102CP should be read to include the following “as it applies to a long form prospectus pursuant to Item 35 of Form 41-101F1”,
- (f) any references to “business acquisition report” should be read as “long form prospectus”,
- (g) in subsection 8.1(2) of 51-102CP, the term “file a copy of the documents as its business acquisition report” should be read as “include that disclosure in its long form prospectus in lieu of the significant acquisition disclosure required under Item 35 of Form 41-101F1”,
- (h) in subsection 8.2(1) of 51-102CP,
 - (i) the term “The test” should be read as “For any completed acquisition, the test”,
 - (ii) the sentence “For any proposed acquisition of a business or related businesses by an issuer that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high, the test must be applied using the financial statements included in the long form prospectus.” should be added after “the business.”, and
 - (iii) the term “business acquisition report will be required to be filed” should be read as “disclosure regarding the significant acquisition is required to be included in the issuer’s long form prospectus”,
- (i) in subsection 8.3(1) of 51-102CP, the term “filing a business acquisition report” should be read as “the financial statements used for the optional tests”,
- (j) in section 8.5, and subsection 8.7(4), of 51-102CP, the term “filed” wherever it occurs, should be read as “included in the long form prospectus”,
- (k) in subsection 8.7(1) of 51-102CP, the term “as already filed” should be read as “included in the long form prospectus”,

- (l) in subsection 8.7(2) of 51-102CP, the term “filed under the Instrument” should be read as “included in the long form prospectus”,
- (m) in subsection 8.7(4) of 51-102CP, the term “presented” should be read as “for which financial statements are included in the prospectus”,
- (n) in subsection 8.7(6) of 51-102CP, the term “for which financial statements are included in the long form prospectus” should be added after “financial year”,
- (o) in paragraph 8.8(a) of 51-102CP, the term “prior to the deadline for filing the business acquisition report” should be read as “using the pre-filing procedures referred to in section 5.1 of this Policy”,
- (p) in subsection 8.9(1) of 51-102CP, the term “before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable. Reporting issuers are reminded that many securities regulatory authorities and regulators do not have the power to grant retroactive relief” should be read as “using the pre-filing procedures referred to in section 5.1 of this Policy”, ~~and~~
- (q) in subparagraphs 8.9(4)(a)(i) and 8.9(4)(b)(i) of 51-102CP, the term “no later than the time the business acquisition report is required to be filed” wherever it occurs should be read as “using the pre-filing procedures referred to in section 5.1 of this Policy”, ~~and~~
- (r) in subparagraph 8.10(1) of 51-102CP, the term “but must be reviewed” should be added after “may be unaudited”.

Completed significant acquisitions and major acquisitions and the obligation to provide business acquisition report or Report of Material Change, Material Related Entity Transaction or Major Acquisition level disclosure for a non-reporting issuer

- (2) For an issuer that is not a reporting issuer in any jurisdiction immediately before filing the long form prospectus (a “non-reporting issuer”), the long form prospectus disclosure requirements for a significant acquisition or a major acquisition, as applicable, are generally intended to mirror those for reporting issuers subject to Part 8 of NI 51-102, 102 or section 22 of NI 51-103, as applicable. To determine whether an acquisition is a significant acquisition or a major acquisition, as applicable, non-reporting issuers would first look to the guidance under section 8.3 of NI 51-102. ~~The~~102 or to the definition of "major acquisition" in NI 51-103, as applicable.

For other than venture issuers and IPO venture issuers, the initial test for significance would be calculated based on the financial statements of the issuer and acquired business or related businesses for the most recently completed financial year of each that ended before the acquisition date.

~~To~~**For other than venture issuers and IPO venture issuers, to** recognize the possible growth of a non-reporting issuer between the date of its most recently completed year end and the acquisition date and the corresponding potential decline in significance of the acquisition to the issuer, issuers should refer to the guidance in paragraph 35.1(4)(b) of Form 41-101F1 to perform the optional test. The applicable time period for this optional test for the issuer is the most recently completed interim period or financial year for which financial statements of the issuer are included in the prospectus and for the acquired business or related businesses is the most recently completed interim period or financial year ended before the date of the long form prospectus

The significance thresholds for IPO ~~ventures~~**senior unlisted** issuers are identical to the significance thresholds for ~~ventures~~**senior unlisted** issuers- **in the case of NI 51-102.**

The timing of the disclosure requirements set out in subsection 35.3(1) of Form 41-101F1 **or subsection 35.4(1) of Form 41-101F4, as applicable,** are based on the principles under section 8.2 of NI 51-102-~~102~~ **or section 21 of NI 51-103.** For reporting issuers, subsection 8.2(2) of NI 51-102 **or paragraph 21(2)(b) of NI 51-103, as applicable,** sets out the timing of disclosures for significant acquisitions **or major acquisitions, as applicable,** where the acquisition occurs within 45 days after the year end of the acquired business. However, for IPO **senior unlisted issuers and IPO** venture issuers, paragraph 35.3(1)(d) ~~imposes~~**of Form 41-101F1 and paragraph 35.4(1)(d) of Form 41-101F4, respectively, impose** a disclosure requirement for all significant acquisitions completed more than 90 days before the date of the long form prospectus, where the acquisition occurs within 45 days after the year end of the acquired business.

This differs from the **deadlines for filing a** business acquisition report ~~filing deadline for~~ **senior unlisted** issuers under paragraph 8.2(2)(b) of NI 51-102 ~~where their~~ **financial statements in a material change report for venture issuers under section 21 of NI 51-103, as applicable. The** business acquisition report deadline for any significant acquisition where the acquisition occurs within 45 days after the year end of the acquired business is within 120 days after the acquisition date. **For a venture issuer, the deadline for filing financial statements under a Report of Material Change, Material Related Entity Transaction or Major Acquisition is the same.**

Probable acquisitions

- (3) When interpreting the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high”, it is our view that the following factors may be relevant in determining whether the likelihood of an acquisition being completed is high:
 - (a) whether the acquisition has been publicly announced;
 - (b) whether the acquisition is the subject of an executed agreement;

- (c) the nature of conditions to the completion of the acquisition including any material third party consents required.

The test of whether a proposed acquisition “has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high” is an objective, rather than subjective, test in that the question turns on what a “reasonable person” would believe. It is not sufficient for an officer of an issuer to determine that he or she personally believes that the likelihood of the acquisition being completed is or is not high. The officer must form an opinion as to what a reasonable person would believe in the circumstances. In the event of a dispute, an objective test requires an adjudicator to decide whether a reasonable person would believe in the circumstances that the likelihood of an acquisition being completed was high. By contrast, if the disclosure requirement involved a subjective test, the adjudicator would assess an individual’s credibility and decide whether the personal opinion of the individual as to whether the likelihood of the acquisition being completed was high was an honestly held opinion. Formulating the disclosure requirement using an objective test rather than a subjective test strengthens the basis upon which the regulator may object to an issuer’s application of the test in particular circumstances.

We generally presume that the inclusion of financial statements or other information is required for all acquisitions that are, or would be, significant under Part 8 of NI 51-~~102-102~~ **or in the definition of "major acquisition" in NI 51-103, as applicable.** Reporting issuers can rebut this presumption if they can provide evidence that the financial statements or other information are not required for full, true and plain disclosure.

Satisfactory alternative financial statements or other information

- (4) Issuers must satisfy the disclosure requirements in section 35.5 or section 35.6 of Form 41-101F1 **or sections 35.6 and 35.7 of Form 41-101F4, as applicable,** by including either:
 - (i) the financial statements or other information that would be required by Part 8 of NI 51-102 **or section 22 of NI 51-103, as applicable;** or
 - (ii) satisfactory alternative financial statements or other information.

Satisfactory alternative financial statements or other information may be provided to satisfy the requirements of subsection 35.5(3) or subsection 35.6(3) of Form 41-101F1 **or subsection 35.6(3) or subsection 35.7(3) of Form 41-101F4, as applicable,** when the financial statements or other information that would be required by Part 8 of NI 51-102 **or section 22 of NI 51-103, as applicable,** relate to a financial year ended within 90 days before the date of the long form prospectus or an interim period ended within 60 days before the date of the long form prospectus for issuers that are **senior unlisted issuers or a mid-year period ended within 60 days before the date of the long form prospectus for issuers that are** venture issuers, and 45 days for issuers that are not **senior unlisted**

issuers or venture issuers. In these circumstances, we believe that satisfactory alternative financial statements or other information would not have to include any financial statements or other information for the acquisition or probable acquisition related to:

- (a) a financial year ended within 90 days before the date of the long form prospectus; or;
- (b) **for issuers that are senior unlisted issuers,** an interim period ended within 60 days before the date of the long form prospectus ~~for issuers that are venture issuers, and 45 days;~~
- (c) **for issuers that are venture issuers, a mid-year period ended within 60 days before the date of the long form prospectus,**
- (d) **for issuers that are IPO venture issuers, a mid-year period ended within 45 days before the date of the long form prospectus; or**
- (e) ~~for issuers that are not venture issuers.~~ **senior unlisted issuers, venture issuers or IPO venture issuers an interim period ended within 45 days before the date of the long form prospectus.**

An example of satisfactory alternative financial statements or other information that we will generally find acceptable would be:

- (e)f) comparative annual financial statements or other information for the acquisition or probable acquisition for at least the number of financial years as would be required under Part 8 of NI 51-102 **or section 22 of NI 51-103** that ended more than 90 days before the date of the long form prospectus, audited for the most recently completed financial period in accordance with section 4.2 of the Instrument, and reviewed for the comparative period in accordance with section 4.3 of the Instrument;
- (d)g) a comparative interim financial report or other information for the acquisition or probable acquisition for
 - (i) any interim period ended subsequent to the latest annual financial statements included in the long form prospectus and more than 60 days before the date of the long form prospectus for issuers that are ~~venture~~ **senior unlisted** issuers; and 45 days for issuers that are not **senior unlisted issuers, venture issuers or IPO** venture issuers reviewed in accordance with section 4.3 of the Instrument; ~~and~~ **or**
 - (ii) **any mid-year period ended subsequent to the latest annual financial statements included in the long form prospectus and more than 60 days before the date of the long form prospectus for issuers that are venture issuers and 45 days for issuers that are IPO venture issuers reviewed in accordance with section 4.3 of the Instrument; and**

- (e) — **h) for issuers that are not venture issuers or IPO venture issuers,** pro forma financial statements or other information required under Part 8 of NI 51-102.

If the issuer intends to include financial statements as set out in the example above as satisfactory alternative financial statements, we ask that this be highlighted in the cover letter to the long form prospectus. If the issuer does not intend to include financial statements or other information, or intends to file financial statements or other information that are different from those set out above, the issuer should use the pre-filing procedures in NP 11-202.

Acquired business has recently completed an acquisition

- (5) When an issuer acquires a business or related businesses that has itself recently acquired another business or related businesses (an “indirect acquisition”), the issuer should consider whether long form prospectus disclosure about the indirect acquisition, including historical financial statements, is necessary to satisfy the requirement that the long form prospectus contain full, true and plain disclosure of all material facts relating to the securities being distributed. In making this determination, the issuer should consider the following factors:
- if the indirect acquisition would meet any of the significance tests in section 35.1(4) of Form 41-101F1 **or in the definition of "major acquisition" in NI 51-103, as applicable,** when the issuer applies each of those tests to its proportionate interest in the indirect acquisition of the business;
 - if the amount of time between the separate acquisitions is such that the effect of the first acquisition is not adequately reflected in the results of the business or related businesses the issuer is acquiring.

Financial statements or other information

- (6) Paragraphs 35.5(2)(b) and 35.6(2)(b) **of Form 41-101F1 and paragraphs 35.6(2)(b) and 35.7(2)(b) of Form 41-101F4, as applicable,** discuss financial statements or other information for the acquired business or related businesses. This “other information” is intended to capture the financial information disclosures required under Part 8 of NI 51-~~102-102~~ **and section 22 of NI 51-103, as applicable,** other than financial statements. An example of “other information” would include the operating statements, property descriptions, production volumes and reserves disclosures described under section 8.10 of NI 51-~~102-102~~ **or section 29 of NI 51-103, as applicable.**
- (7) Section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report **under NI 51-102 or financial statements in a material change report under NI 51-103, as applicable,** or prospectus to be prepared in accordance with Canadian GAAP applicable private enterprises in certain circumstances. The ability to

present acquisition statements using Canadian GAAP applicable to private enterprises would not extend to a situation where an entity acquired or to be acquired is considered the primary business or the predecessor of the issuer.

Proposed Changes to Companion Policy 44-101CP

The following are proposed changes to Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions*

1. Proposed changes to section 1.3

1.3 Interrelationship with Continuous Disclosure (NI 51-102~~102~~, NI 51-103 and NI 81-106) – The short form prospectus distribution system established under NI 44-101 is based on the continuous disclosure filings of reporting issuers pursuant to NI 51-102~~102~~, **NI 51-103** or, in the case of an investment fund, NI 81-106. Issuers who wish to use the system should be mindful of their ongoing disclosure and filing obligations under the applicable CD rule. Issues raised in the context of a continuous disclosure review may be taken into consideration by the regulator when determining whether it is in the public interest to refuse to issue a receipt for a short form prospectus. Consequently, unresolved issues may delay or prevent the issuance of a receipt.

2. Proposed changes to subsection 1.7(3)

1.7 Definitions

(3) **Current AIF** – An issuer’s AIF filed under the applicable CD rule is a “current AIF” until the issuer files an AIF for the next financial year, or is required by the applicable CD rule to have filed its annual financial statements for the next financial year. **"Current AIF" for a venture issuer means its annual report filed in accordance with NI 51-103 which is required to include its annual financial statements, or, in the case of an SEC issuer, the alternative disclosure permitted by section 42 of NI 51-103.** If an issuer fails to file a new AIF by the filing deadline under the applicable CD rule for its annual financial statements, it will not have a current AIF and will not qualify under NI 44-101 to file a prospectus in the form of a short form prospectus. If an issuer files a revised or amended AIF for the same financial year as an AIF that has previously been filed, the most recently filed AIF will be the issuer’s current AIF.

An issuer that is a ~~venture~~**senior unlisted** issuer for the purpose of NI 51-102, and certain investment funds, may have no obligation under the applicable CD rule to file an AIF. However, to qualify under NI 44-101 to file a prospectus in the form of a short form prospectus, that issuer will be required to file an AIF in accordance with the applicable CD rule so as to have a “current AIF”. A current AIF filed by an issuer that is a ~~venture~~**senior unlisted** issuer for the purposes of NI 51-102 can be expected to expire later than a ~~non-venture issuer’s~~ **the AIF of an issuer that is not a venture issuer**, due to the fact that the deadlines for filing annual financial statements under NI 51-102 are later for ~~venture~~**senior unlisted** issuers than for other issuers.

3. Proposed changes to subsection 2.1(2)

2.1 Basic Qualification Criteria – Reporting Issuers with Equity Securities Listed on a Short Form Eligible Exchange (Section 2.2 of NI 44-101)

- (2) A new reporting issuer or a successor issuer may satisfy the criteria to have current annual financial statements or a current AIF by filing its comparative annual financial statements or an AIF, respectively, in accordance with NI 51-~~102~~**102, NI 51-103** or NI 81-106, as applicable, for its most recently completed financial year. It is not necessary that the issuer be required by the applicable CD rule to have filed such documents. An issuer may voluntarily choose to file either of these documents in accordance with the applicable CD rule for the purposes of satisfying the eligibility criteria under NI 44-101.

Alternatively, an issuer may rely on the exemption from the requirement to file such documents in section 2.7 of NI 44-101. That section provides an exemption from the current AIF and current annual financial statement requirements for new reporting issuers and successor issuers who have not yet been required to file such documents and who have filed a prospectus or information circular containing disclosure which would have been included in such documents had they been filed under the applicable CD rule.

4. Proposed changes to section 3.5

- 3.5 **Undertaking in Respect of Credit Supporter Disclosure** – Under subparagraph 4.2(a)(ix) of NI 44-101, an issuer must file an undertaking to file the periodic and timely disclosure of a credit supporter. For credit supporters that are reporting issuers with a current AIF, the undertaking will likely be to continue to file the documents it is required to file under NI 51-~~102~~**102 or NI 51-103, as applicable**. For credit supporters registered under the 1934 Act, the undertaking will likely be to file the types of documents that would be required to be incorporated by reference into a Form S-3 or Form F-3 registration statement. For other credit supporters, the types of documents to be filed pursuant to the undertaking will be determined through discussions with the regulators on a case-by-case basis.

If an issuer, a parent credit supporter, and a subsidiary credit supporter satisfy the conditions of the exemption in section 13.3 of Form 44-101F1, an undertaking may provide that the subsidiary credit supporter will file periodic and timely disclosure if the issuer and the credit supporters no longer satisfy the conditions of the exemption in that section.

If an issuer and a credit supporter satisfy the conditions of the exemption in section 13.4 of Form 44-101F1, an undertaking may provide that the credit supporter will file periodic and timely disclosure if the issuer and the credit supporter no longer satisfy the conditions of the exemption in that section.

For the purposes of such an undertaking, references to disclosure included in the short form prospectus should be replaced with references to the issuer or parent credit supporter's continuous disclosure filings. For example, if an issuer and subsidiary credit supporter(s) plan to continue to satisfy the conditions of the exemption in section 13.4 of Form 44-101F1 for continuous disclosure filings, the undertaking should provide that the issuer will file with its consolidated financial statements,

5. Proposed changes to subsection 4.4(1)

4.4 Principal Purposes – Generally

- (1) Section 4.2 of Form 44-101F1 requires disclosure of each of the principal purposes for which the net proceeds will be used by an issuer. If an issuer has negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included in the short form prospectus, the issuer should prominently disclose that fact in the use of proceeds section of the short form prospectus. The issuer should also disclose whether, and if so, to what extent, the proceeds of the distribution will be used to fund any anticipated negative cash flow from operating activities in future periods. An issuer should disclose negative cash flow from operating activities as a risk factor under subsection 17.1(1) of Form 44-101F1 or section 5.2 in ~~NI Form~~ 51-102F2.2 **or section 22 in Form 51-103F1, as applicable.** For the purposes of this section, in determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs.

6. Proposed changes to section 4.9

4.9 Recent and Proposed Acquisitions

- (1) ~~Subsection~~Subsections 10.2(2) and 10.3(2) of Form 44-101F1 ~~requires~~require prescribed disclosure of a proposed acquisition that has progressed to a state “where a reasonable person would believe that the likelihood of the acquisition being completed is high” and that would, if completed on the date of the short form prospectus, be a significant acquisition for the purposes of Part 8 of NI ~~51-102-102~~ 102 or a major acquisition as defined in NI 51-103, as applicable. When interpreting the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high”, it is our view that the following factors may be relevant in determining whether the likelihood of an acquisition being completed is high:
 - (a) whether the acquisition has been publicly announced;
 - (b) whether the acquisition is the subject of an executed agreement;
and

- (c) the nature of conditions to the completion of the acquisition including any material third party consents required.

The test of whether a proposed acquisition “has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high” is an objective, rather than subjective, test in that the question turns on what a “reasonable person” would believe. It is not sufficient for an officer of an issuer to determine that he or she personally believes that the likelihood of the acquisition being completed is or is not high. The officer must form an opinion as to what a reasonable person would believe in the circumstances. In the event of a dispute, an objective test requires an adjudicator to decide whether a reasonable person would believe in the circumstances that the likelihood of an acquisition being completed was high. By contrast, if the disclosure requirement involved a subjective test, the adjudicator would assess an individual’s credibility and decide whether the personal opinion of the individual as to whether the likelihood of the acquisition being completed was high was an honestly held opinion. Formulating the disclosure requirement using an objective test rather than a subjective test strengthens the basis upon which the regulator may object to an issuer’s application of the test in particular circumstances.

- (2) ~~Subsection~~**Subsections** 10.2(3) and 10.3(3) of Form 44-101F1 ~~requires~~**require** inclusion of the financial statements or other information relating to certain acquisitions or proposed acquisitions if the inclusion of the financial statements or other information is necessary in order for the short form prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed. We generally presume that the inclusion of financial statements or other information is required for all acquisitions that are, or would be, significant under Part 8 of NI 51-102-**102 or a major acquisition as defined in NI 51-103, as applicable.** Issuers can rebut this presumption if they can provide evidence that the financial statements or other information are not required for full, true and plain disclosure.

~~Subsection~~**Subsections** 10.2(4) and 10.3(4) of Form 44-101F1 ~~provides~~**provide** that issuers must satisfy the requirements of ~~subsection~~**subsections** 10.2(3) and 10.3(3) of Form 44-101F1 by including either:

- (i) the financial statements or other information that would be required by Part 8 of NI 51-102 or section 22 of NI 51-103, as applicable; or
- (ii) satisfactory alternative financial statements or other information.

Satisfactory alternative financial statements or other information may be provided to satisfy the requirements of ~~subsection~~**subsections** 10.2(3) or 10.3(3) when the financial statements or other information that would be required by Part 8 of NI 51-102 or section 22 of NI 51-103, as applicable, relate to a financial year ended

within 90 days before the date of the prospectus or an interim period ended within 60 days before the date of the prospectus for issuers that are **senior unlisted issuers or a mid-year period ended within 60 days before the date of the prospectus for** venture issuers, and **an interim period ended within** 45 days **before the date of the prospectus** for issuers that are not **senior unlisted issuers or** venture issuers. In these circumstances, we believe that satisfactory alternative financial statements or other information would not have to include any financial statements or other information for the acquisition or probable acquisition related to:

- (a) a financial year ended within 90 days before the date of the short form prospectus; or
- (b) **for issuers that are senior unlisted issuers,** an interim period ended within 60 days before the date of the short form prospectus ;
- (c) ~~_____~~ for issuers that are venture issuers, ~~and 45 days~~ **a mid-year period ended within 60 days before the date of the short form prospectus,**
- (d) ~~_____~~ for issuers that are not **senior unlisted issuers or** venture issuers, **an interim period ended within 45 days before the date of the short form prospectus.**

An example of satisfactory alternative financial statements or other information that we will generally find acceptable would be:

- (ee) comparative annual financial statements or other information for the acquisition or probable acquisition for at least the number of financial years as would be required under Part 8 of NI 51-102 **or section 22 of NI 51-103, as applicable,** that ended more than 90 days before the date of the short form prospectus, audited for the most recently completed financial period in accordance with NI 52-107, and reviewed for the comparative period in accordance with section 4.3 of NI 44-101;
- (df) a comparative interim financial report or other information for the acquisition or probable acquisition for
 - (i) ~~_____~~ any interim period ended subsequent to the latest annual financial statements included in the short form prospectus and more than 60 days before the date of the short form prospectus for issuers that are ~~venture~~ **senior unlisted** issuers; and 45 days for issuers that are not ~~venture~~ **senior unlisted** issuers reviewed in accordance with section 4.3 of NI 44-101; ~~and/or~~

(ii) any mid-year period ended subsequent to the latest annual financial statements included in the short form prospectus and more than 60 days before the date of the short form prospectus for issuers that are venture issuers, and 45 days for issuers that are not senior unlisted issuers or venture issuers reviewed in accordance with section 4.3 of NI 44-101; and

(e)-g) for issuers that are not venture issuers, pro forma financial statements or other information required under Part 8 of NI 51-102.

If the issuer intends to include financial statements as set out in the example above as satisfactory alternative financial statements or other information, we ask that this be highlighted in the cover letter to the prospectus. If the issuer does not intend to include financial statements or other information, or intends to file financial statements or other information that are different from those set out above, we encourage the utilization of pre-filing procedures.

- (3) When an issuer acquires a business or related businesses that has itself recently acquired another business or related businesses (an “indirect acquisition”), the issuer should consider whether prospectus disclosure about the indirect acquisition, including historical financial statements, is necessary to satisfy the requirement that the prospectus contain full, true and plain disclosure of all material facts relating to the securities being distributed. In making this determination, the issuer should consider the following factors:
- if the indirect acquisition would meet any of the significance tests in Part 8 of NI 51-102 **or in the definition of "major acquisition" in NI 51-103, as applicable,** when the issuer applies each of those tests to its proportionate interest in the indirect acquisition of the business; and
 - if the amount of time between the separate acquisitions is such that the effect of the first acquisition is not adequately reflected in the results of the business or related businesses the issuer is acquiring.
- (4) ~~Subsection 10.2(3) discusses~~ **Subsections 10.2(3) and 10.3(3) of Form 41-101F1 discuss** financial statements or other information for the completed or proposed acquisition of the business or related businesses. This “other information” is intended to capture the financial information disclosures required under Part 8 of NI 51-102 **or section 22 of NI 51-103, as applicable,** other than financial statements. An example of “other information” would include the operating statements, property descriptions, production volumes and reserves disclosures described under section 8.10 of NI 51-102 **102 or section 29 of NI 51-103, as applicable.**

7. Proposed changes to section 4.11

4.11 General Financial Statement Requirements – A reporting issuer is required under the applicable CD rule to file its annual financial statements ~~and related MD&A~~ 90 days after year end (or 120 days if the issuer is a ~~venture~~ **senior unlisted** issuer as defined in NI 51-102). ~~Certain transition rules in the applicable CD rule apply to the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011. Otherwise, an interim financial report and related MD&A must be filed 45 days after the last day of an interim period (or 60 days for or a venture issuer as defined in NI 51-103, as applicable).~~ The financial statement requirements in NI 44-101 are based on these continuous disclosure reporting time frames and do not impose accelerated filing deadlines for a reporting issuer's financial statements. However, to the extent an issuer has filed financial statements in advance of the deadline for doing so, those financial statements must be incorporated by reference in the short form prospectus. We are of the view that directors of an issuer should endeavor to consider and approve financial statements in a timely manner and should not delay the approval and filing of the financial statements for the purpose of avoiding their inclusion in a short form prospectus. Once the financial statements have been approved, they should be filed as soon as possible.

8. Proposed changes to subsection 4.14(3)

4.14 Previously Disclosed Material Forward-Looking Information – If an issuer, at the time it files a short form prospectus,

3. has not filed an MD&A with the securities regulatory authorities that discusses those events and circumstances and expected differences from the material forward-looking information, as required by section 5.8 of NI 51-102, **102 or section 37 of NI 51-103, as applicable,**

Proposed Changes to Companion Policy 44-102CP

The following are proposed changes to Companion Policy 44-102CP to National Instrument 44-102 *Shelf Distributions*

1. Proposed changes to subsections 3.1(2) and (3)

PART 3 SHELF PROSPECTUS AMENDMENTS

3.1 Shelf Prospectus Amendments

- (2) Section 5.8 of NI 44-102 permits, in limited circumstances, the requirement in Part 6 of NI 41-101 or other securities legislation to file an amendment to be satisfied by the incorporation by reference of material change reports or reports of material change, material related entity transaction or major acquisition, as applicable, filed after the base shelf prospectus has been receipted. This is an exception to the general principle set out in section 3.6 of the Companion Policy to NI 44-101. That section provides that the requirement in NI 41-101 or other securities legislation to file an amendment is not satisfied by the incorporation by reference of material change reports or reports of material change, material related entity transaction or major acquisition, as applicable, filed after the short form prospectus has been receipted. The exception in section 5.8 of the NI 44-102 is limited to periods in which no securities are being distributed under the base shelf prospectus.
- (3) If securities are being distributed under a base shelf prospectus, the general principle referred in subsection (2) applies. The requirement of NI 41-101 or other securities legislation to file an amendment to a prospectus if a material change occurs may be satisfied by filing an amendment which is also a material change report or report of material change, material related entity transaction or major acquisition, as applicable. In these circumstances, the material change report or report of material change, material related entity transaction or major acquisition, as applicable, would:
- (a) state that the base shelf prospectus is amended and supplemented by the contents of the material change report or reports of material change, material related entity transaction or major acquisition, as applicable; and
 - (b) contain the certificates required to be contained in an amendment.

Proposed Changes to Companion Policy 45-106CP

The following are proposed changes to Companion Policy 45-106 CP to National Instrument 45-106 *Prospectus and Registration Exemptions*

1. Proposed changes to subsection 3.8(2)

3.8 Offering memorandum

2. Form of offering memorandum

There are two forms of offering memorandum: Form 45-106F3, which may be used by qualifying issuers, and Form 45-106F2, which must be used by all other issuers. Form 45-106F3 requires qualifying issuers to incorporate by reference their annual information form (AIF), **annual report or alternate AIF, as applicable**, management's discussion and analysis (MD&A), annual financial statements, **if applicable**, and subsequent specified continuous disclosure documents required under NI 51-102.

A qualifying issuer is a reporting issuer that has filed an AIF under NI 51-102 **102, an annual report under NI 51-103, or an alternate AIF, as applicable**, and has met all of its other continuous disclosure obligations, including those in NI 51-102, **NI 51-103**, National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Under NI 51-102, ~~venture~~**senior unlisted** issuers are not required to file AIFs. However, if a ~~venture~~**senior unlisted** issuer wants to use Form 45-106F3, the ~~venture~~**senior unlisted** issuer must voluntarily file an AIF under NI 51-102 in order to incorporate that AIF into its offering memorandum.

Proposed Changes to Companion Policy 43-101CP

The following are proposed changes to Companion Policy 43-101CP to National Instrument 43-101 *Standards of Disclosure for Mineral Projects*

1. Proposed changes to subsection 4.2 (13)

4.2 Obligation to File a Technical Report in Connection with Certain Written Disclosure about Mineral Projects on Material Properties

- (13) **Preliminary Short Form Prospectus** – Under paragraph 4.2(1)(b) of the Instrument, an issuer that is not a venture issuer must file a technical report with a preliminary short form prospectus if the prospectus discloses for the first time mineral resources, mineral reserves, or the results of a preliminary economic assessment that constitute a material change in relation to the issuer, or a change in this information, if the change constitutes a material change in relation to the issuer.

If this information is not disclosed for the first time in the preliminary short form prospectus itself, but is repeated or incorporated by reference into the preliminary short form prospectus, the technical report must still be filed at the same time as the preliminary short form prospectus. Subsections 4.2(5) and (7) of the Instrument, in certain limited circumstances, permit the delayed filing of a technical report. For example, an issuer normally has 45 days, or in some cases 180 days, to file a technical report supporting the first time disclosure of a mineral resource. However, if a preliminary short form prospectus that includes the prescribed disclosure is filed during the period of the delay, subparagraphs 4.2(5)(a)(i) and 4.2(7)(c)(i) require the technical report to be filed on the date of filing the preliminary short form prospectus.

Under paragraph 4.2(1)(b.1) of the Instrument, an issuer that is a venture issuer must file a technical report with a preliminary short form prospectus. We have re-introduced this requirement for venture issuers because they will not be required to file a technical report with their annual report under National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers.

Proposed Changes to Companion Policy 51-101CP

The following are proposed changes to Companion Policy 51-101CP to National Instrument 51-101 *Standards of Disclosure For Oil and Gas Activities*

1. Proposed changes to section 2.4

2.4 Annual Information Form or Annual Report

Section 2.3 of *NI 51-101* permits *reporting issuers* to satisfy the requirements of section 2.1 of *NI 51-101* by presenting the information required under section 2.1 in an *annual information form* or, for venture issuers, in an annual report.

- (1) **Meaning of "Annual Information Form"** - *Annual information form* has the same meaning as "AIF" in National Instrument 51-102 *Continuous Disclosure Obligations*. Therefore, as set out in that definition, an *annual information form* can be a completed Form 51-102F2 *Annual Information Form* or, in the case of an SEC issuer (as defined in NI 51-102), a completed Form 51-102F2 or an annual report or transition report under the *1934 Act* on Form 10-K, Form 10-KSB or Form 20-F.
- (2) **~~Option to Set Out Information in Annual Information Form or Annual Report~~** - Form 51-102F2 *Annual Information Form* ~~requires~~ and Form 51-103F1 *Annual and Mid-Year Reports* require the information required by section 2.1 of *NI 51-101* to be included in the *annual information form* or annual report, as applicable. That information may be included either by setting out the text of the information in the *annual information form* or by incorporating it, by reference from separately filed documents. Venture issuers are not permitted to incorporate this information by reference so must include it in the annual report. The option offered by section 2.3 of *NI 51-101* enables a *reporting issuer* to satisfy its obligations under section 2.1 of *NI 51-101*, as well as its obligations in respect of *annual information form* or annual report disclosure, as applicable, by setting out the information required under section 2.1 only once, in the ~~annual information form~~. If the annual information form or annual report. If the annual information form or annual report is on Form 10-K, this can be accomplished by including the information in a supplement (often referred to as a "wrapper") to the Form 10-K.

A *reporting issuer* that ~~elects to set~~ sets out in full in its *annual information form* or annual report, as applicable, the information required by section 2.1 of *NI 51-101* need not also file that information again for the purpose of section 2.1 in one or more separate documents. However, a *reporting issuer* that ~~elects to follow~~ follows this approach must file, at the same time and on SEDAR, in the appropriate SEDAR category, a notice in accordance with *Form 51-101F4* (see subsection 2.3(2) of *NI 51-101*). This notification will assist other SEDAR users in finding that information. It is not necessary to make a duplicate filing of the

annual information form or annual report, as applicable, itself under the SEDAR NI 51-101 oil and gas disclosure category.

2. Proposed changes to subsection 5.10(1)

5.10 Prospectus Disclosure

In addition to the general disclosure requirements in *NI 51-101* which apply to prospectuses, the following commentary provides additional guidance on topics of frequent enquiry.

- (1) **Significant Acquisitions or Major Acquisitions** - To the extent that an issuer engaged in *oil and gas activities* discloses a significant acquisition or major acquisition in its prospectus, it must disclose sufficient information for a reader to determine how the acquisition affected the *reserves data* and other information previously disclosed in the issuer's *Form 51-101F1*. This requirement stems from Part 6 of *NI 51-101* with respect to material changes. This is in addition to specific prospectus requirements for financial information satisfying significant acquisitions or major acquisitions.

Proposed Changes to Companion Policy 51-102CP

The following are proposed changes to Companion Policy 51-102CP to National Instrument 51-102 *Continuous Disclosure Obligations*

1. Proposed changes to subsection 1.1(1)

1.1 Introduction and Purpose

- (1) National Instrument 51-102 *Continuous Disclosure Obligations* (the “Instrument”) sets out disclosure requirements for all issuers, other than investment funds and venture issuers, that are reporting issuers in one or more jurisdictions in Canada.

2. Proposed changes to section 2.2

2.2 Investment Funds and Venture Issuers

Section 2.1 of the Instrument states that the Instrument does not apply to an investment fund or to a venture issuer. Investment funds should look to securities legislation of the local jurisdiction including National Instrument 81-106 *Investment Fund Continuous Disclosure* to find the continuous disclosure requirements applicable to them and venture issuers should also look to the securities legislation of the local jurisdiction including National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers to determine applicable continuous disclosure requirements.*

3. Proposed changes to section 5.2

5.2 Additional Information for ~~Venture~~Senior Unlisted Issuers Without Significant Revenue

Section 5.3 of the Instrument requires certain ~~ventures~~senior unlisted issuers to provide in their annual or interim MD&A (unless the information is included in their annual financial statements or interim financial report), a breakdown of material costs whether expensed or recognized as assets. A component of cost is generally considered to be a material component if it exceeds the greater of

4. Proposed changes to subsection 8.2(2)

- (2) **Business Using Accounting Principles Other Than Those Used by the Reporting Issuer** – Subsection 8.3(13) of the Instrument provides that, for the purposes of calculating the significance tests, the amounts used for the business or related businesses must, subject to subsection 8.3(13.1) of the Instrument, be based on the issuer’s GAAP, and translated into the same presentation currency as that used in the reporting issuer’s financial statements. This means that in some cases the amounts

must be converted to the issuer's GAAP and translated into the same presentation currency as that used in the reporting issuer's financial statements.

Subsection 8.3(13.1) of the Instrument exempts ~~ventures~~ **senior unlisted** issuers from the requirement in paragraph 8.3(13)(a) that, for the purposes of calculating the significance tests, the amounts used for the business or related businesses must be based on the issuer's GAAP, but only where the financial statements for the business or related businesses were prepared in accordance with Canadian GAAP applicable to private enterprises and certain other conditions are met.

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* permits financial statements for a business or related businesses to be prepared in accordance with U.S. GAAP without reconciliation to the issuer's GAAP. This does not impact the application of paragraph 8.3(13)(a) of the Instrument. Thus, if the issuer's GAAP is not U.S. GAAP, paragraph 8.3(13)(a) of the Instrument requires, for the purposes of calculating the significance tests, that the amounts used for the business or related businesses be based on the issuer's GAAP.

Paragraph 8.3(13)(b) of the Instrument applies to all issuers and requires, for the purpose of calculating the significance tests, that the amounts used for the business or related businesses be translated into the same presentation currency as that used in the reporting issuer's financial statements.

5. Proposed changes to subsections 8.7 (5) and (9)

8.7 Preparation of Pro Forma Financial Statements Giving Effect to Significant Acquisitions

(5) **Acceptable Adjustments** – Pro forma adjustments are generally limited to the following two types of adjustments required by paragraph 8.4(7)(b) of the Instrument:

- (a) those directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable, and
- (b) adjustments to conform amounts for the business or related businesses to the issuer's accounting policies.

If financial statements for a business or related businesses are prepared in accordance with accounting principles that differ from the issuer's GAAP and the financial statements do not include a reconciliation to the issuer's GAAP, pro forma adjustments as described in item (b) above will often be necessary. For example, financial statements for a business or related businesses may be prepared in accordance with U.S. GAAP, or in the case of a ~~ventures~~ **senior unlisted** issuer, in accordance with Canadian GAAP applicable to private enterprises, in each case without a reconciliation to the issuer's GAAP. Even if financial statements for a

business or related businesses are prepared in accordance with the issuer's GAAP, pro forma adjustments as described in item (b) may be necessary to conform amounts for the business or related businesses to the issuer's accounting policies, including, for example, the issuer's revenue recognition policy where the revenue recognition policy of the business or related businesses differs from the issuer's policy.

- (9) **Pro Forma Financial Statements where Financial Statements of a Business or Related Businesses are Prepared using Accounting Principles that Differ from the Issuer's GAAP** – Section 3.11 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* permits reporting issuers to include in a business acquisition report financial statements of a business or related businesses prepared in accordance with U.S. GAAP and without a reconciliation to the issuer's GAAP. That section also permits, subject to specified conditions, a ~~venture~~**senior unlisted** issuer to include in a business acquisition report financial statements of a business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises and without a reconciliation to the issuer's GAAP. However, section 3.14 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* requires that pro forma financial statements be presented using accounting policies that are permitted by the issuer's GAAP and would apply to the information presented in the pro forma statements if that information were included in the issuer's financial statements for the same time period as that of the pro forma financial statements. As well, subsection 8.4(7) of the Instrument requires pro forma financial statements to include a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment. Therefore, the pro forma financial statements must describe the adjustments presented in the pro forma income statement relating to the business or related businesses to adjust amounts to the issuer's GAAP and accounting policies.

Proposed Changes to Companion Policy 52-107CP

The following are proposed changes to Companion Policy 52-107CP to National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*

1. Proposed changes to section 1.1

1.1 Introduction and Purpose — This Companion Policy provides information about how the securities regulatory authorities interpret or apply National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Instrument). The Instrument is linked closely with the application of other national instruments, including National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (NI 51-103) and National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102). These and other national instruments also contain a number of references to International Financial Reporting Standards (IFRS) and the requirements in the Handbook of the Canadian Institute of Chartered Accountants (the Handbook). Full definitions of IFRS and the Handbook are provided in National Instrument 14-101 *Definitions*.

The Instrument does not apply to investment funds. National Instrument 81-106 *Investment Fund Continuous Disclosure* applies to investment funds.

2. Proposed changes to section 2.9

2.9 Date of transition to IFRS if financial statements include a transition year of less than nine months – Subsection 4.8(6) of NI 51-102 states and subsection 38(4) of NI 51-103 state that if a transition year is less than nine months in length, the reporting issuer must include comparative financial information for the transition year and old financial year in its financial statements for its new financial year. Similarly, subsection 32.2(4) in Form 41-101F1 and Form 41-101F4 states that if an issuer changed its financial year end during any of the financial years referred to in section 32.2 and the transition year is less than nine months, the transition year is deemed not to be a financial year for purposes of the requirement to provide financial statements for a specified number of financial years in section 32.2.

3. Proposed changes to section 2.11

2.11 Financial statements for a reverse takeover or capital pool company acquisition – Subsection 8.1(2) of NI 51-102 states that Part 8 of that rule does not apply to a transaction that is a reverse takeover. and subsection 22(5) of NI 51-103 states that section 22 of that rule does not apply to a transaction that is a restructuring transaction. Similarly, subsection 35.1(1) in both Form 41-101F1 and Form 41-101F4 indicates that item 35 of ~~that Form~~ those forms does not apply to a completed or proposed transaction that was or will be accounted for as a reverse takeover. Therefore, if a document includes financial statements for a reverse takeover acquirer, as defined in NI 51-~~102,~~ 102 and NI 51-103, for a period prior to completion of the reverse takeover, section 3.11 of the Instrument does not apply to the financial statements. Such

financial statements must comply with section 3.2, 3.7, 3.9, 4.2, 4.7 or 4.9 of the Instrument as applicable.

Paragraph 32.1(b) of Form 41-101F1 ~~indicates~~ **and paragraph 32.1(1)(b) of Form 41-101F4 indicate** that financial statements of an issuer required under Item 32 of ~~that Form~~ **those forms** include the financial statements of a business acquired or business proposed to be acquired by the issuer if a reasonable investor would regard the primary business of the issuer upon completion of the acquisition to be the acquired business or business proposed to be acquired. Consistent with this provision, if a capital pool company acquires or proposes to acquire a business, regardless of whether or not the transaction will be accounted for as a reverse takeover, financial statements for the acquired business or business proposed to be acquired must comply with section 3.2, 3.7, 3.9, 4.2, 4.7 or 4.9 of the Instrument as applicable.

4. Proposed changes to section 2.14

2.14 Acquisition statements prepared using Canadian GAAP applicable to private enterprises that include a reconciliation to the issuer's GAAP – If acquisition statements included in a document filed by an issuer that is not a venture issuer ~~and not~~, **an IPO venture issuer, a senior unlisted issuer or an IPO senior unlisted** issuer are prepared using Canadian GAAP applicable to private enterprises, the reconciliation requirement in subparagraph 3.11(1)(f)(iv) applies.

For each difference presented in the quantified reconciliation that relates to measurement, clause 3.11(1)(f)(iv)(C) requires disclosure and discussion of the material inputs or assumptions underlying the measurement of the relevant amount computed in accordance with the issuer's GAAP, consistent with the disclosure requirements of the issuer's GAAP. If the relevant amount was measured using a valuation technique, disclose the valuation technique, and disclose and discuss the inputs used. If changing one or more of the inputs to reasonably possible alternative assumptions would change the measurement significantly, a discussion of that fact and the effect of the changes on the measurement would facilitate readers' understanding of the measurement.

Clause 3.11(1)(f)(iv)(C) does not require disclosure and discussion of all the disclosure elements identified in the issuer's GAAP that relate to a difference presented in the reconciliation. As well, the clause does not require disclosure of information not required by the issuer's GAAP.

As an example of the disclosure required by clause 3.11(1)(f)(iv)(C), if the issuer's GAAP is IFRS and the relevant amount is share based payments measured using an option pricing model, disclose the option pricing model used and the inputs used in the model (i.e., weighted average share price, exercise price, expected volatility, option life, expected dividends, risk-free interest rate and any other inputs to the model). Also, discuss how expected volatility was determined and how any other features of the option grant (e.g., market condition) were incorporated into the measurement of the relevant amount.

If acquisition statements are carve-out statements prepared in accordance with Canadian GAAP for private enterprises, as discussed in section 2.18 of this Companion Policy, subparagraph 3.11(6)(d)(iii) requires reconciliation information for ~~non~~ **issuers that are not** venture issuers or

senior unlisted issuers similar to that required by subparagraph 3.11(1)(f)(iv). The above guidance on subparagraph 3.11(1)(f)(iv) also applies to subparagraph 3.11(6)(d)(iii).

5. Proposed changes to section 2.16

2.16 Acquisition statements prepared using Canadian GAAP applicable to private enterprises that do not include a reconciliation to the issuer's GAAP – If acquisition statements included in a document filed by a venture issuer ~~or~~, **an IPO venture issuer, a senior unlisted issuer or an IPO senior unlisted** issuer are prepared using Canadian GAAP applicable to private enterprises, the reconciliation requirements in subparagraph 3.11(1)(f)(iv) do not apply. However, subsection 3.14(1) requires *pro forma* financial statements to be prepared using accounting policies that are permitted by the issuer's GAAP and would apply to the information presented in the *pro forma* financial statements if that information were included in the issuer's financial statements for the same time. Companion Policy 51-102CP *Continuous Disclosure Obligations* provides further guidance on preparation of *pro forma* financial statements in this circumstance.

Proposed Changes to Companion Policy 52-109CP

The following are proposed changes to Companion Policy 52-109CP to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*

1. Proposed changes to section 1.3

- 1.3 **Application to ~~venture~~senior unlisted issuers** – ~~Venture~~Senior unlisted issuers should note that the guidance provided in Parts 5 through 14 of this Policy is intended for issuers filing Form 52-109F1 and Form 52-109F2. Under Parts 4 and 5 of the Instrument ~~venture~~senior unlisted issuers are not required, but may elect, to use those Forms.

2. Proposed changes to section 6.5

- 6.5 **Delegation permitted in certain cases** – Section 3.1 of the Instrument requires a ~~non-venture~~senior listed issuer to establish and maintain DC&P and ICFR. Employees or third parties, supervised by the certifying officers, may conduct the design of the issuer's DC&P and ICFR. Such employees should individually and collectively have the necessary knowledge, skills, information and authority to design the DC&P and ICFR for which they have been assigned responsibilities. Nevertheless, certifying officers of the issuer must retain overall responsibility for the design and resulting MD&A disclosure concerning the issuer's DC&P and ICFR.

3. Proposed changes to section 15.1

PART 15 – ~~VENTURE~~SENIOR UNLISTED ISSUER BASIC CERTIFICATES

- 15.1 **~~Venture~~Senior unlisted issuer basic certificates** – Many ~~venture~~senior unlisted issuers have few employees and limited financial resources which make it difficult for them to address the challenges described in section 6.11 of the Policy. As a result, many ~~venture~~senior unlisted issuers are unable to design DC&P and ICFR without (i) incurring significant additional costs, (ii) hiring additional employees, or (iii) restructuring the board of directors and audit committee. Since these inherent limitations exist for many ~~venture~~senior unlisted issuers, the required forms of certificate for ~~venture~~senior unlisted issuers are Forms 52-109FV~~102SU~~102SU1 and 52-109FV~~102SU~~102SU2. These forms do not include representations relating to the establishment and maintenance of DC&P and ICFR.

Although Forms 52-109FV~~102SU~~102SU1 and 52-109FV~~102SU~~102SU2 are the required forms for ~~venture~~senior unlisted issuers, a ~~venture~~senior unlisted issuer may elect to file Forms 52-109F1 or 52-109F2, which include representations regarding the establishment and maintenance of DC&P and ICFR.

Certifying officers of a ~~non-venture~~**senior listed** issuer are not permitted to use Forms 52-109FV~~102SU~~**1** and 52-109FV~~102SU~~**2**. Although a ~~non-venture~~**senior listed** issuer may face similar challenges in designing its ICFR, such as those described in section 6.11 of the Policy, the issuer is still required to file Forms 52-109F1 and 52-109F2 and disclose in the MD&A a description of each material weakness existing at the end of the financial period.

4. Proposed changes to section 15.2

- 15.2 **Note to reader included in ~~venture~~**senior unlisted** issuer basic certificates** – Forms 52-109FV~~102SU~~**1** and 52-109FV~~102SU~~**2** include a note to reader that clarifies the responsibility of certifying officers and discloses that inherent limitations on the ability of certifying officers of a ~~venture~~**senior unlisted** issuer to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

5. Proposed changes to section 15.3

- 15.3 **Voluntary disclosure regarding DC&P and ICFR** – If a ~~venture~~**senior unlisted** issuer files Form 52-109FV~~102SU~~**1** or 52-109FV~~102SU~~**2**, it is not required to discuss in its annual or interim MD&A the design or operating effectiveness of DC&P or ICFR. If a ~~venture~~**senior unlisted** issuer files Form 52-109FV~~102SU~~**1** or 52-109FV~~102SU~~**2** and chooses to discuss in its annual or interim MD&A or other regulatory filings the design or operation of one or more components of its DC&P or ICFR, it should also consider disclosing in the same document that:

- (a) the ~~venture~~**senior unlisted** issuer is not required to certify the design and evaluation of the issuer's DC&P and ICFR and has not completed such an evaluation; and
- (b) inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

A selective discussion in a ~~venture~~**senior unlisted** issuer's MD&A about one or more components of a ~~venture~~**senior unlisted** issuer's DC&P or ICFR without these accompanying statements will not provide transparent disclosure of the state of the ~~venture~~**senior unlisted** issuer's DC&P or ICFR.

6. Proposed changes to section 16.1

PART 16 – CERTIFICATION REQUIREMENTS FOR A NEW REPORTING ISSUER AND AN ISSUER THAT BECOMES A ~~NON-VENTURE~~SENIOR LISTED ISSUER

- 16.1 **Certification requirements after becoming a ~~non-venture~~senior listed issuer –** Sections 4.5 and 5.5 of the Instrument permit an issuer that becomes a ~~non-venture~~senior listed issuer to file Forms 52-109F1 – IPO/RTO and 52-109F2 – IPO/RTO for the first certificate that the issuer is required to file under this Instrument, for a financial period that ends after the issuer becomes a ~~non-venture~~senior listed issuer. If, subsequent to becoming a ~~non-venture~~senior listed issuer, the issuer is required to file an annual or interim certificate for a period that ended while it was a ~~venture~~senior unlisted issuer, the required form of certificate for that annual or interim filing is Form 52-109FV~~102SU~~102SU1 or 52-109FV~~102SU~~102SU2.

Proposed Changes to Companion Policy 71-102CP

The following are proposed changes to Companion Policy 71-102CP to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

1. Proposed changes to subsection 1.1(1)

1.1 Introduction and Purpose

- (1) National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the “Instrument”) provides broad relief from most of the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”) **and National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (“NI 51-103”)** for two sub-categories of foreign reporting issuers – SEC foreign issuers and designated foreign issuers – on the condition that they comply with the continuous disclosure (“CD”) requirements of the SEC or a designated foreign jurisdiction. SEC foreign issuers and designated foreign issuers are also exempted from certain other requirements of provincial and territorial securities legislation, including insider reporting and early warning, that are not contained in NI 51-~~102-102~~ **or NI 51-103.**

2. Proposed changes to section 1.2

1.2 Other Relevant Legislation

In addition to the Instrument, foreign issuers should consult the following non-exhaustive list of legislation to see how it may apply to them:

- (1) implementing legislation (the regulation, rule, ruling, order or other instrument that implements the Instrument in each applicable jurisdiction);
- (2) NI 51-102;
- (2.1) NI 51-103;**
- (3) National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (“NI 52-107”); and
- (4) National Instrument 71-101 *The Multijurisdictional Disclosure System* (“NI 71-101”).

3. Proposed changes to section 6.2

6.2 SEC Foreign Issuers

NI 51-102 ~~contains~~ **and NI 51-103 contain** exemptions for SEC issuers from the change in year-end requirements in ~~NI 51-102, those rules,~~ SEC foreign issuers under the Instrument will also meet the definition of SEC issuers under NI 51-~~102, 102 and NI 51-103,~~ and so will be able to rely on the change in year-end exemption in NI 51-~~102, 102 or 51-103, as applicable.~~

4. Proposed changes to section 6.3

6.3 Foreign Reporting Issuers

The Instrument does not provide an exemption for any foreign reporting issuers from the requirement in section 4.9 of NI 51-~~102, 102 or section 33 of NI 51-103.~~ A foreign reporting issuer must deliver a notice if it has been a party to an amalgamation, arrangement, merger, winding-up, reverse takeover, reorganization or other transaction that will have the effect of changing its continuous disclosure obligations under NI 51-~~102, 102 or 51-103, as applicable.~~ The Instrument also does not provide an exemption for any foreign reporting issuers from the requirement to file disclosure materials under section 11.1 of NI 51-102 or **section 32 of NI 51-103, as applicable, or** to file a notice of change of status under section 11.2 of NI 51-~~102, 102 or section 33 of NI 51-103, as applicable.~~

5. Proposed changes to section 6.4

6.4 Auditor Oversight - Canadian Public Accountability Board, Certification and Audit Committees

Section 4.3 of the Instrument provides relief for an SEC foreign issuer relating to annual financial statements and auditors' reports on annual financial statements. Section 5.4 provides similar relief for a designated foreign issuer. Reporting issuers are subject to section 2.2 of National Instrument 52-108 *Auditor Oversight* ("NI 52-108") but may rely on the exemptions in sections 4.3 and 5.4 of the Instrument for relief from these obligations. Sections 4.3 and 5.4, however, do not provide relief from

- (a) the requirements in sections 2.1 and Part 3 of NI 52-108 imposed directly on a public accounting firm that issues an auditor's report with respect to the financial statements of a reporting issuer;
- (b) the certification requirements in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* **and in subsections 8(4) and 10(3) of NI 51-103;** or

- (c) the audit committee requirements in National Instrument 52-110 *Audit Committees* **and in section 5 of NI 51-103**.

SEC foreign issuers and designated foreign issuers must look to those instruments for any exemptions that may be available to them.

6. Proposed changes to section 7.1

7.1 Exemptions

- (3) If an issuer wishes to seek exemptive relief from NI 51-~~102~~**102, NI 51-103** or other requirements of provincial and territorial securities legislation on grounds similar but not identical to those permitted under the Instrument, the issuer should apply for this relief under the exemptive provisions of NI 51-102, **NI 51-103** or other provincial and territorial securities legislation, as the case may be.

Proposed Changes to National Policy 12-202

The following are proposed changes to National Policy 12-202 *Revocation of a Compliance-Related Cease Trade Order*

1. Proposed changes to subsections 3.1 (1) and (2)

3.1 — *Full revocations*

(1) — *Filing requirements*

Generally, we will not exercise our discretion to grant a full revocation order, subject to subsections 3.1(2) and 3.1(3), unless the issuer has filed all of its outstanding continuous disclosure. The most common deficiencies relate to disclosure required under:

(a) National Instrument 51-102 *Continuous Disclosure Obligations*;

(a.1) National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers;

(b) National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;

(c) National Instrument 81-106 *Investment Fund Continuous Disclosure*;

(d) National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

(e) National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

(f) National Instrument 52-110 *Audit Committees*; and

(g) National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

(2) — *Exceptions to interim filing requirements*

In exercising our discretion to revoke a CTO, we may elect not to require the issuer to file certain outstanding interim financial reports [\[FN1\]](#), interim MD&A, **mid-year reports**, interim MRFP or interim certificates under NI 52-109, subject to subsection 3.1(3), if the issuer has filed:

(a) all outstanding audited annual financial statements, annual MD&A, **annual reports**, annual MRFP and annual certificates under NI 52-109 required to be filed under applicable securities legislation;

(b) all outstanding annual information forms, information circulars and material change reports required to be filed under applicable securities legislation; and

(c) all outstanding interim financial reports [\[FN2\]](#) (which include the applicable comparatives from the prior fiscal year), interim MD&A, interim MRFP and interim certificates under NI 52-109 for all interim periods in the current fiscal year required to be filed under applicable securities legislation.

Proposed Changes to National Policy 12-203

The following are proposed changes to National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*

1. Proposed changes to subsection 1.2 (c)

1.2 What is the scope of the policy? —

(c) MCTOs issued under this policy are not a "penalty" or "sanction" for disclosure purposes — The CSA regulators do not consider MCTOs issued under this policy to be a "penalty or sanction" for the purposes of disclosure obligations in Canadian securities legislation relating to penalties or sanctions. They are not issued as part of an enforcement process and the regulators do not intend them to suggest a finding of fault or wrongdoing on the part of any individual named in the MCTO. For example, a defaulting issuer's board of directors might invite an individual to serve as an officer or director of the issuer to assist the issuer in remedying its default. The individual might have no prior involvement with the defaulting reporting issuer. The fact that the PR may subsequently name the individual in an MCTO does not mean the individual had any responsibility for the default, which occurred before the individual joined the issuer.

However, issuers are required to disclose MCTOs issued under this policy in accordance with the following disclosure requirements:

- Section 16.2 of Form 41-101F1 *Information Required in a Prospectus*,
- **Section 16.1 of Form 41-101F4 *Information Required in a Venture Issuer Prospectus***,
- Item 16 of Form 44-101F1 *Short Form Prospectus*,
- Subsection 10.2(1) of Form 51-102F2 *Annual Information Form*, and
- **Subsection 29(3) of Form 51-103F1 *Annual and Mid-Year Reports***,
- Subsection 7.2 of Form 51-102F5 **Information Circular**, and
- **Subsection 14(1) of Form 51-103F4 *Information Circular***.

If an issuer is required to include disclosure of an MCTO in a public filing, the issuer may supplement the disclosure with additional information explaining the circumstances of the MCTO.

2. Proposed changes to the definition of "specified requirement" in section Part 2

"specified requirement" means the requirement to file within the time period prescribed by securities legislation

- (a) annual financial statements;

(b) an interim financial report;

(c) annual or interim management's discussion and analysis (MD&A) or annual or interim management report of fund performance (MRFP);

(d) annual information form (AIF);

(d.1) annual report,

(d.2) mid-year report, or

(e) certification of filings under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

3. **Proposed changes to section 4.3**

4.3 Alternative information guidelines — Default Announcement — If a reporting issuer determines that it will not comply, or subsequently determines that it has not complied, with a specified requirement, this will often represent a material change that the issuer should immediately communicate to the securities marketplace by way of a news release and material change report in accordance with part 7 of NI 51-102 *Continuous Disclosure Obligations* **(NI 51-102) or part 6 of NI 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (NI 51-103), as applicable**. In determining whether a failure to comply with a specified requirement is a material change, the issuer should consider both the events leading to the failure and the failure itself.

If the circumstances leading to the default, or the default, do not represent a material change, the issuer should nevertheless consider whether the circumstances involve important information that should be immediately communicated to the marketplace by way of news release.

The regulators will generally not exercise their discretion to issue an MCTO unless the issuer issues and files a default announcement containing the information set out below. If the default involves a material change, the material change report may contain this information, in which case a separate default announcement is not necessary. The default announcement should be authorized by the CEO or the CFO (or equivalent) of the reporting issuer, be approved by the board or audit committee and be prepared and filed with the CSA regulators on SEDAR in the same manner as a news release and material change report referred to in part 7 of NI 51-102-**102 or part 6 of NI 51-103, as applicable**. An issuer will usually be able to determine that it will not comply with a specified requirement at least two weeks before its due date and, as soon as it makes this determination, should issue the default announcement.

The default announcement should:

- (i) identify the relevant specified requirement and the (anticipated) default;
- (ii) disclose in detail the reason(s) for the (anticipated) default;
- (iii) disclose the current plans of the reporting issuer to remedy the default, including the date it anticipates remedying the default;
- (iv) confirm that the reporting issuer intends to satisfy the provisions of the alternative information guidelines so long as it remains in default of a specified requirement;
- (v) disclose relevant particulars of any insolvency proceeding to which the reporting issuer is subject, including the nature and timing of information that is required to be provided to creditors, and confirm that the reporting issuer intends to file with the CSA regulators throughout the period in which it is in default, the same information it provides to its creditors when the information is provided to the creditors and in the same manner as it would file a material change report under part 7 of NI 51-102 or part 6 of NI 51-103, as applicable; and
- (vi) subject to section 4.5 of this policy, disclose any other material information concerning the affairs of the reporting issuer that has not been generally disclosed.

A default announcement is not needed if the issuer is in default of a previous specified requirement, has followed the provisions of section 4.3 regarding a default announcement of that earlier default and is complying with the provisions of section 4.4 regarding default status reports.

4. Proposed changes to section 4.5

4.5 Confidential material information — The alternative information guidelines in this policy supplement the material change reporting requirements in NI 51-102 and NI 51-103 and should be interpreted in a similar manner. Similar to the procedures in NI ~~51-102, 102 and 51-103~~, an issuer may omit confidential material information from default status announcement or default status reports if in the opinion of the issuer, and if that opinion is arrived at in a reasonable manner, disclosure of the applicable material information would be unduly detrimental to the interests of the reporting issuer.

5. Proposed changes to section 4.6

4.6 Compliance with other continuous disclosure requirements — The alternative disclosure described in sections 4.3 and 4.4 of this policy supplement the issuer's disclosure record during the period of default. It does not provide an alternative to the continuous disclosure requirements under Canadian securities legislation.

If a reporting issuer is in default of a specified requirement, the issuer must still comply with all other applicable continuous disclosure requirements, other than requirements reasonably linked to the specified requirement in question. For example, an issuer that has not filed its financial statements on time will also be unable to comply with the requirement to file management's discussion and analysis under NI 51-102. However, failure to comply with a requirement to file audited financial statements in accordance with the requirements of part 4 of NI 51-102 does not excuse compliance with other requirements of NI 51-102 such as the requirement to file an Annual Information Form in accordance with part 6 of NI 51-102 or material change reports in accordance with part 7 of NI 51-102. **The same holds true for venture issuers subject to the requirements in NI 51-103; if a venture issuer is in default of a specified requirement, it must still comply with all other continuous disclosure requirements.**

6. **Proposed changes to sections 4 and 5 of Appendix C -Sample Form of Consent**

4. The Issuer [*is*] [*is not*] [*delete as applicable*] a "venture issuer" as defined in National Instrument 51-102 ~~*Continuous*~~ **103 Ongoing Governance and Disclosure Obligations Requirements for Venture Issuers** (NI 51-102**103**). The Issuer has a financial year ending [*state the issuer's year end, e.g., December 31*].

5. On or about [*identify the deadline for filing*] (the filing deadline), the Issuer will be required to file [*briefly describe the required filings, e.g.,*

*a. **annual report, as required by section 7 of NI 51-103;***

***b.** audited annual financial statements for the year ended December 31, 2007, as required by Part 4 of NI 51-102;*

***bc.** management's discussion and analysis (MD&A) relating to the audited annual financial statements, as required by Part 5 of NI 51-102; and*

***ed.** CEO and CFO certificates relating to the audited annual financial statements, as required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (collectively, the required filings).*

Proposed Changes to National Policy 51-201

The following are proposed changes to National Policy 51-201 *Disclosure Standards*

1. Proposed changes to section 2.1

2.1 ***Timely Disclosure:*** (1) Companies are required by law to immediately disclose a “material change”¹ in their business. For changes that a company initiates, the change occurs once the decision has been made to implement it. This may happen even before a company’s directors approve it, if the company thinks it is probable they will do so. A company discloses a material change by issuing and filing a press release describing the change. A company must also file a material change report **or Report of Material Change, Material Related Entity Transaction or Major Acquisition, as applicable**, as soon as practicable, and no later than 10 days after the change occurs. This policy statement does not alter in any way the timely disclosure obligations of companies.

2. Proposed changes to subsection 6.4(1)

6.4 ***Board and Audit Committee Review of Certain Disclosure:*** (1) Have your board of directors or audit committee review the following disclosures in advance of their public release by the company:

- financial outlooks and FOFI, as defined in National Instrument 51-102 *Continuous Disclosure Obligations* **or National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers, as applicable**; and
- news releases containing financial information based on a company’s financial statements prior to the release of such statements.³⁸

You should also indicate at the time such information is publicly released whether your board or audit committee has reviewed the disclosure. Having your board or audit committee review such disclosure in advance of its public release acts as a good discipline on management and helps to increase the quality, credibility and objectivity of such disclosures. This review process also helps to force a critical examination of all issues related to the disclosure and reduces the risk of having to make subsequent adjustments or amendments to the information it contains.

Proposed Changes to National Policy 58-201

The following are proposed changes to National Policy 58-201 *Corporate Governance Guidelines*

1. Proposed changes to section 1.2

1.2 Application —

This Policy applies to all reporting issuers, other than investment funds **and venture issuers**. Consequently, it applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board of directors (the board), includes any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, we recommend that a majority of the directors of the general partner should be independent of the limited partnership (including the general partner).

Income trust issuers should, in applying these guidelines, recognize that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. For this purpose, references to “the issuer” refer to both the trust and any underlying entities, including the operating entity.