

**CSA Notice of Republication and Request for Comment
regarding
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**

September 13, 2012

1. Introduction

On July 29, 2011, we, the Canadian Securities Administrators, (CSA) published for comment a proposed rule and rule amendments (collectively, the **original proposals**) proposing a new tailored regulatory regime for venture issuers. After reviewing the comments received and further consideration, we are proposing various changes to the original proposals. Consequently, we are now republishing the proposed rule and rule amendments for a second public comment period.

Our proposals only apply to “venture issuers” which, in general terms, means issuers that trade only on specified junior markets such as the TSX Venture Exchange or the Canadian National Stock Exchange, and certain unlisted issuers. The proposals are intended to tailor and streamline the disclosure and governance requirements that apply to venture issuers to focus on matters of significance to venture issuer investors.

Consistent with the original proposals, we are proposing the adoption of a single new national instrument, National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* that, for venture issuers, will mandate most of their substantive continuous disclosure and governance obligations and replace each of the following:

- National Instrument 51-102 *Continuous Disclosure Obligations*;
- National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*;
- National Instrument 52-110 *Audit Committees*;
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*; and
- National Policy 58-201 *Corporate Governance Guidelines*.

We are also proposing to make corresponding changes to the disclosure that a venture issuer must provide in a prospectus or in a required offering document under certain prospectus-exempt offerings. In addition, we are proposing various related consequential amendments to other instruments and policies.

This notice and the proposed materials (**proposed materials**) referred to below are being published for a 90-day comment period expiring on December 12, 2012. The proposed materials include:

- proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (**proposed instrument**);
- proposed amendments and consequential amendments to the following disclosure and governance instruments, underlying forms:
 - National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**),
 - National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*,
 - National Instrument 52-110 *Audit Committees*,
 - National Instrument 58-101 *Disclosure of Corporate Governance Practices*,
 - National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**),
 - National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*,
 - National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*,
 - National Instrument 55-104 *Insider Reporting Requirements and Exemptions*,
 - National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*,
 - in all jurisdictions except Ontario, Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;
- proposed amendments to the following instruments and underlying forms, addressing prospectus offerings or prospectus-exempt offerings:
 - National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**),
 - National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**),
 - National Instrument 44-102 *Shelf Distributions*,
 - National Instrument 45-101 *Rights Offerings*,
 - National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**);

- proposed amendments to Multilateral Instrument 11-102 *Passport System* (other than in Ontario where the instrument has not been adopted);
- in Ontario and Quebec only, proposed consequential amendments to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*;
- proposed amendments to National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;
- proposed changes to the following companion policies:
 - Companion Policy 41-101CP *General Prospectus Requirements*,
 - Companion Policy 43-101CP *Standards of Disclosure for Mineral Projects*,
 - Companion Policy 44-101CP *Short Form Prospectus Distributions*,
 - Companion Policy 45-106CP *Prospectus and Registration Exemptions*,
 - 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*;
- proposed changes to the following national policies:
 - 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 41-201 *Income Trusts and Other Indirect Offerings*,
 - National Policy 51-201 *Disclosure Standards*,
 - National Policy 58-201 *Corporate Governance Guidelines*.

In addition, certain jurisdictions are also publishing amendments to certain local securities rules and instruments. See Annex H.

The proposed materials form part of this Notice. The proposed materials will be published on the websites of a number of the members of the CSA.

2. Purpose and summary of the proposals

(a) Purpose of the proposed instrument and revised proposals

Consistent with the original proposals, the revised proposals are:

- designed to improve access to key information and facilitate informed decision-making by venture issuer investors by
 - tailoring disclosure requirements to the circumstances of venture issuers,
 - eliminating certain disclosure obligations that may be of less value to venture issuer investors, and
 - providing supplemental disclosure that we think is relevant to venture issuer investors;
- designed to allow venture issuer management more time to focus on the growth of their company's business by reducing the time venture issuer management must spend reading and trying to understand disclosure requirements through
 - reducing the overall length and complexity of the instruments,
 - tailoring the requirements to focus on those applicable to venture issuers, and
 - streamlining and reducing disclosure redundancies;
- designed to enhance investor confidence in the venture market by introducing substantive governance standards relating to conflicts of interest, related party transactions and insider trading;
- intended to enhance the ability of securities regulators to focus on the unique challenges associated with the venture market when considering rule-making.

(b) Summary of the proposed instrument related to continuous disclosure

The proposed instrument is intended to create a new tailored governance and continuous disclosure regime for venture issuers by

- consolidating disclosure of the venture issuer's business, management, governance practices, audited annual financial statements, associated management's discussion and analysis (**MD&A**) and CEO/CFO certifications in a single document, the annual report,
- streamlining the disclosure in an information circular by moving governance disclosure to the annual report,
- replacing interim MD&A requirements with a requirement for a short discussion of the venture issuer's operations and liquidity ("quarterly highlights") to accompany the 3, 6 and 9 month interim financial reports,
- replacing the requirement for business acquisition reports (**BARs**) in connection with acquisitions of significant businesses with enhanced continuous disclosure reporting, including
 - disclosure of material related entity transactions, and

- requiring financial statements for business acquisitions that are 100% significant based on a market capitalization test,
- enabling more impartial decision-making by the audit committees of venture issuers,
- introducing substantive corporate governance requirements relating to conflicts of interest, related party transactions and insider trading,
- tailoring and streamlining director and executive compensation disclosure,
- requiring the delivery of disclosure documents only on request, in lieu of mandatory mailing requirements.

(c) Summary of proposals relating to prospectus offerings and certain prospectus-exempt offerings

The key proposed amendments to the rules relating to prospectus offerings and specified prospectus-exempt offerings would have the following effect:

- modify the disclosure required by a venture issuer in connection with a long form prospectus under NI 41-101 by creating a new long form prospectus form for venture issuers that conforms to disclosure required in an annual report under the proposed instrument;
- require only two instead of three years of audited financial statements to be included in a long form prospectus filed by a venture issuer;
- permit a venture issuer to incorporate by reference the continuous disclosure documents prepared under the proposed instrument when preparing any of the following:
 - a short form prospectus under NI 44-101;
 - a qualifying issuer offering memorandum under NI 45-106;
 - a TSX Venture Exchange short form offering document as contemplated under NI 45-106.

The proposals do not:

- 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.

(d) NI 43-101 – Trigger for a mining technical report

Current securities legislation requires that to be eligible to use a short form prospectus an issuer must file a current annual information form (AIF) and the current AIF triggers a requirement for a technical report under NI 43-101. Currently, venture issuers are not required to file an AIF and typically only do so if they want to use a short form prospectus or a prospectus exemption that requires one. However, under the proposed instrument, all venture issuers will be required to file an annual report and will be eligible to file a short form prospectus.

Previously under NI 43-101, the filing of a short form prospectus was a trigger for a technical report. However, revisions to NI 43-101, which came into force on June 30, 2011, removed the short form prospectus as a trigger. We made this change because we thought it was unnecessary to have both an AIF and a short form prospectus trigger a technical report.

In order to maintain the status quo for venture issuers, so that the requirement for an annual report does not create a trigger for a technical report, we propose that for a venture issuer a technical report would be triggered in both of the following circumstances:

- (i) the venture issuer files a short form prospectus;
- (ii) the 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.

However, the short form prospectus trigger will only apply if the venture issuer has not, in the 12 months preceding the date of the preliminary short form prospectus, filed a technical report or qualified for and relied on the exemption in subsection 4.2(8) of NI 43-101 from filing a technical report. We are proposing amendments to NI 43-101 to implement this proposal.

(e) Secondary market civil liability

In each of the jurisdictions we have proposed amendments to our local securities rules to designate as “core documents” for the purpose of secondary market civil liability, the annual report and the interim report.

Refer to Annex H for further details.

(f) SEDAR

We propose to amend the SEDAR filing categories to more specifically contemplate the annual report and the interim report.

(g) Additional background information

For further background information on the original proposals and the purpose of the proposals, please refer to the CSA notice published July 29, 2011. You may also wish to refer to the initial consultation paper, CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation* published May 31, 2010.

3. Summary of Key Comments Received by the CSA

We received 69 comment letters on the original proposals published July 29, 2011. A list of those who commented and a summary of the comments received and our responses to those comments are contained in Annex A.

Set out below is a brief summary of the key comments received.

(a) **Eliminating 3 and 9 month interim financial reports and management's discussion and analysis:**

- (i) **Support for proposal** – In the original proposals we had proposed that venture issuers would not be required to prepare and file interim financial reports and MD&A for the 3 and 9 month interim periods. We had proposed to only require interim financial reporting for the mid-year period. A mid-year report, including MD&A was proposed. Issuers would have had the option of voluntarily providing interim financial reports and MD&A for the 3 and 9 month interim periods.

Sixteen commenters supported the original proposal, and an additional three supported the proposal but only if applied to certain smaller issuers. Eleven commenters opposed eliminating interim financial reports for the 3 and 9 month interim periods and 32 commenters, whose letters were nearly identical, supported an alternative financial reporting regime for venture issuers. Commenters supporting the original proposal noted the time and cost-savings for venture issuers and indicated that they thought investors would get sufficient alternative information from other sources. Commenters opposed to the original proposal thought the time period between financial reports would be too long and that the proposals might adversely affect the perception of venture issuers, their governance, liquidity and comparability to more senior issuers. Some of these commenters did not think that the requirement for interim financial reports was burdensome or costly. Most of the commenters supporting an alternative proposal recommended that instead of interim financial reports, venture issuers be required to provide 3, 6 and 9 month reports addressing liquidity, working capital, capital resources, main uses of cash in the quarter and changes in capital structure. Some commenters supported eliminating MD&A for interim periods as they thought it was not particularly useful for venture issuer investors.

- (ii) **Impact on investment in venture issuers** – Forty-two commenters indicated that they would not be deterred from investing in a venture issuer due to the lack of 3 and 9 month interim financial reports. However, 30 of these commenters noted that this would only be the case if alternative quarterly information were provided in lieu of interim financial statements. Two other commenters indicated that although it would likely not stop them from investing, the lack of these interim financial reports would affect their investing in venture issuers.

(iii) **Alternative disclosure** – When we published the original proposals we asked for input on whether investors would consider it acceptable if we were to require an alternative to full interim financial reports for the 3 and 9 month interim periods. Thirty-eight commenters thought an alternative would be preferable while three did not. Those that thought an alternative was preferable made suggestions as described in (i) above. Those that did not support alternative disclosure questioned the reliability and comparability of information provided in an alternative format.

(iv) **Cost of alternative disclosure** – Thirty-two commenters indicated that they thought an alternative subset of financial information would be less onerous and costly to prepare than full interim financial reports. Seven commenters questioned whether there would be significant cost or time savings and two additional commenters indicated that it would necessarily depend upon the alternative.

(b) **Proceeding with original proposals even if 3 and 9 month interim financial reporting required:**

Forty-three commenters indicated they supported the proposed venture issuer regulatory regime as contemplated by the original proposals even if venture issuers were ultimately required to provide interim financial reports and MD&A for each of their 3, 6, and 9 month interim periods. Reasons for their support included

- the benefit of removing the business acquisition report requirement,
- a single rule allowing for greater focus on venture issuers,
- the importance of venture issuers to the Canadian capital markets,
- the streamlining and simplifying provided by the other proposals, including the annual report, and
- the new governance proposals.

Six commenters indicated they would not support proceeding with the other aspects of the original proposals if interim financial reports and MD&A were required for all interim periods. They expressed concern about the higher costs associated with the proposed new regime and, in particular, the disclosure required in the proposed annual report.

(c) **Major acquisitions**

(i) ***Pro forma financial statements*** – Forty-two commenters supported eliminating the requirement for pro forma financial statements in connection with a major acquisition as they did not believe that they provided any useful information. Commenters noted that the information was already available. Five commenters indicated they saw value in requiring pro forma financial statements as providing a starting point for disclosure and thought that pro formas provide information

beyond what is required by International Financial Reporting Standard (IFRS) 3. One of these commenters thought these statements should be provided if the venture issuer prepared them for internal purposes.

- (ii) **100% market capitalization test** – Thirty-eight commenters indicated that the 100% market capitalization threshold for determining whether an acquisition is significant is the appropriate threshold as it is indicative of a transformational transaction. Nine commenters thought the threshold was too high and recommended a lower threshold e.g., ranging from 25% to 60%.
- (d) **Executive compensation disclosure in annual report** – In the original consultation paper published in May 2010, as part of the streamlining efforts of this initiative, we proposed to have executive compensation disclosure in the annual report, not the information circular. In the original proposals published in July 2011 we proposed to have the executive compensation disclosure in both the annual report and the information circular. We received 48 comments on this point. Thirty-eight commenters supported having executive compensation disclosure only in the information circular. They noted that sophisticated investors know the information is in the information circular and it is not necessary to duplicate it. Nine commenters supported including executive compensation disclosure only in the annual report and one commenter supported including this disclosure in both the annual report and in the information circular.

4. Summary of Changes to the Proposed Materials

We have considered the comments received and are proposing certain changes. Set out below is a summary of the most significant differences between the proposed materials and the original proposals.

- (a) **Interim financial reports** – In the original proposals we had proposed that no interim financial reports or MD&A would be required for the 3 and 9 month interim periods. Mid-year financial statements and a mid-year report, including MD&A, would be required for the 6 month interim period. The most significant change from the original proposals is that we are now proposing to require interim financial reports for venture issuers for each of the 3, 6 and 9 month interim periods. We do not propose to require MD&A similar to that required under NI 51-102; however, an interim report including quarterly highlights will be necessary. A certificate from the chief executive officer and chief financial officer certifying that there are no misrepresentations in the interim financial report and quarterly highlights document will also be required. Venture issuers will have the option of also providing MD&A similar to that required under NI 51-102 if they choose.

In making the original proposals we had noted that interim financial reports for the 3 and 9 month interim periods are not required in a number of international jurisdictions, for example, in the United Kingdom. We had questioned whether venture issuer investors used the 3 and 9 month interim financial reports. Most commenters did not think the full interim financial reports and MD&A currently required were necessary for venture issuer

investors; however, most still felt some form of disclosure was appropriate. We explored various alternatives for interim reporting, including requiring a ‘direct method’ of accounting cash flow statement, similar to that required in Australia for junior mining companies. However, we do not consider this type of change to the interim disclosure to be appropriate at this time.

Various consequential amendments have had to be made to the proposed instrument and the other instruments proposed to be amended, particularly NI 41-101 and NI 45-106, to reflect this change.

- (b) **Major acquisitions** – We have modified the test for determining when an acquisition is a major acquisition so that both the venture issuer’s market capitalization and the estimated value of the business to be acquired are determined prior to the announcement of the transaction. In doing so we have eliminated the need to provide for an optional significance test at the time of closing.
- (c) **Pro forma financial statements** – Consistent with comments provided on the continuous disclosure portion of this proposal, we will not require pro forma financial statements for major acquisitions. The one exception is if a major acquisition is also a primary business in the context of a long form prospectus.
- (d) **Use of proceeds disclosure** – We are including enhanced requirements for disclosure in the short form prospectus about use of proceeds. While this disclosure is not currently required in a short form prospectus (except where necessary to provide full, true and plain disclosure), we find that it is particularly relevant disclosure for venture issuers.
- (e) **Definitions** – For consistency, we have revised a number of definitions in the proposed instrument to conform them to other instruments, in particular, NI 51-102. Where it seemed useful, we have added defined terms to the proposed instrument that are also in NI 51-102. Where we had previously defined a term differently than in NI 51-102 and it was not appropriate to use the same definition as in NI 51-102, we have, in order to avoid confusion with NI 51-102, either introduced a different term or redrafted the applicable provisions so that use of a defined term is unnecessary.
- (f) **Application** – Since the original publication we have become aware of both additional venture markets and additional senior markets and have consequently expanded our lists of such markets. We have eliminated the section that contemplated designating a market as a “designated venture market” as we understand that this may not be workable in all jurisdictions.
- (g) **Governance responsibilities** – We have enhanced the guidance regarding the types of policies and procedures a venture issuer might implement to comply with its governance responsibilities.
- (h) **Audit committees** – In response to the feedback received from commenters, we have enhanced the requirements for impartiality by venture issuer audit committees. We had

previously proposed that a majority of the members of the audit committee must not be executive officers or employees of the venture issuer. We now propose to add control persons to this list. We note that this is consistent with the requirements of the TSX Venture Exchange.

- (i) **Change of auditor** – We have clarified the requirements for disclosure about a venture issuer’s change of auditor.
- (j) **Forward-looking information** – We have enhanced the guidance regarding financial outlooks and future oriented financial information.
- (k) **Executive compensation disclosure**
 - (i) In response to comments received, we are now proposing to only require executive compensation disclosure in the information circular. This will ensure that the disclosure is readily accessible when securityholders are voting, will not result in a redundancy and will not affect the timing of disclosure.
 - (ii) Consistent with the approach to disclosure taken in the U.S. for “smaller reporting companies”, we now propose to require executive compensation disclosure for only the top three, rather than top five, named executive officers of a venture issuer.
- (l) **Substantive requirements in forms** – Certain substantive requirements previously included in the forms under the proposed instrument have been moved into the proposed instrument.

5. Anticipated Costs and Benefits of the Proposed Instrument

In 2011, we conducted a survey of venture issuers and venture investors that focused on the impact of eliminating first and third quarter financial reports and introducing an annual report requirement. In 2012, we conducted an update of the venture issuer survey which focused on the impact of replacing MD&A for interim periods with quarterly highlights. These surveys formed the basis of a cost benefit analysis in certain jurisdictions. The details of any cost benefit analysis are published with this notice in the local jurisdiction.

6. Further amendments

Currently, we are finalizing certain amendments to the various prospectus rules, including amendments to Form 41-101F1 *Information Required in a Prospectus* (**Form 41-101F1**), upon which Form 41-101F4 *Information Required in a Venture Issuer Prospectus* (**Form 41-101F4**) is based. Due to timing, final amendments to Form 41-101F1 were not available in time to be incorporated into this proposal. Instead, we are publishing proposed Form 41-101F4 based on the version of Form 41-101F1 that was published for comment on July 15, 2011. In order to maintain consistency, we will incorporate the final amendments to Form 41-101F1 into Form 41-101F4, as necessary, before Form 41-101F4 is implemented. Similarly, our proposed

amendments to NI 41-101, NI 44-101 and NI 44-102 are based on the versions published for comment on July 15, 2011 and will also require updating prior to implementation.

National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (NI 54-101) is currently under review. We based our notice-and-access provisions on a revised version published for comment in June 2011. If changes are implemented to NI 54-101, we plan to conform our notice-and-access provisions, as much as possible, with the final version of that instrument.

7. Annexes

Annex A:	Summary of comments and CSA responses
Annex B	Proposed instrument
Annex C:	Proposed amendments to National Instrument 41-101 <i>General Prospectus Requirements</i> , including underlying forms and companion policy
Annex D:	Proposed amendments to National Instrument 44-101 <i>Short Form Prospectus Distributions</i> , including underlying forms and companion policy
Annex E:	Proposed amendments to National Instrument 45-106 <i>Prospectus and Registration Exemptions</i> , including underlying forms and companion policy
Annex F:	Proposed consequential amendments, including underlying forms and companion policies
Annex G:	Proposed amendments to national policies
Annex H:	Local matters

In conjunction with publishing the proposed materials, certain securities regulatory authorities will propose amendments to local securities rules. These jurisdictions will publish those proposed changes and other information required by local securities legislation in Annex H to this notice.

8. Comments 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. 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.

To comment on the proposed materials you must submit your comments in writing by December 12, 2012. 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.

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Please note that comments received will be made publicly available and posted at www.albertasecurities.com 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.

9. Questions

Please direct your questions to any of the following:

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ANNEX A

Summary of Comments and CSA Responses

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

Item	Subject	Summarized Comment	CSA Response
Comments in response to questions in CSA Notice dated July 29, 2011			
1. Quarterly interim financial reporting (Question 1)			
1.1. Section 13 of Rule published for comment	<i>Removal of mandatory interim financial reports – general comments in support</i>	<p>Sixteen commenters support the removal of the requirement for mandatory interim financial reports. Their reasons include the following:</p> <ul style="list-style-type: none"> • Venture issuers will save considerable time and effort, which will allow management to focus more on operational success. • Other disclosure requirements (e.g. press releases, material change reports, and mid-year report) in concert with the annual and mid-year financial statements provide sufficient and relevant information to investors. • Reduces and simplifies the regulatory burden without harming investor ability to obtain relevant information about the issuer. • Costs of preparing and filing three and nine month interim financial reports may not benefit investors in all circumstances, however it is reasonable to allow venture issuers and advisers to determine appropriate frequency of interim financial reporting based on the nature of the business and other relevant factors. • Semi-annual reporting may be sufficient for investors to be able to assess early stage companies without significant operations. 	<p>We thank the commenters for their input, but the lack of overall support for the proposal to eliminate mandatory interim financial reports, and in particular concerns related to timely access to relevant financial information, has led the CSA to abandon the proposal to eliminate mandatory interim financial reports.</p> <p>The CSA is now proposing to eliminate the mid-year report and introduce an interim report for all interim periods. The interim report consists of a title page, quarterly highlights, which require a short discussion of the venture issuer’s operations and liquidity, the interim financial reports and a certificate from the CEO and CFO.</p> <p>A venture issuer may, in addition to the quarterly highlights, provide more traditional MD&A in the form prescribed in NI 51-102 or in accordance with the information required by items 18, 20 and 21 of the Form 51-103F1. If a venture issuer wants to file NI 51-102 documents in lieu of documents required under Proposed NI 51-103, exemptive relief is required.</p>

		<ul style="list-style-type: none"> • Quarterly reports are not as important to investors because investors place more value on the issuer’s management, strategic plan, properties, capital structure, liquidity, cash and short-term investments. • Elimination of interim financial reports is most beneficial to venture issuers with small market capitalization and venture issuers which do not require additional capital in the near term. • Allows venture issuers wanting comparability to TSX issuers or concerned with graduating to TSX to provide interim financial reports. • Underwriters, agents, or investors can exert pressure on venture issuers needing access to the capital markets to provide interim financial reports; however, this could result in delay in financing until the reports are prepared. • Semi-annual reporting aligns with requirements in other jurisdictions such as Australia, the UK, Hong Kong and South Africa (no harm to reputation). • Elimination of the 1st quarter interim report will not significantly alter the disclosure record as it is finalized only shortly after the annual financial statements. • Majority of shareholders and investors do not read financial statements or MD&A. 	
1.2. Section 13 of Rule published for comment	<i>Removal of mandatory interim financial reports – general comments against</i>	<p>Eleven commenters do not support the removal of the requirement for mandatory interim financial reports. Their reasons include the following:</p> <ul style="list-style-type: none"> • Investors need certain information in interim financial reports (for example cash position, 	We acknowledge the comments. As discussed in section 1.1 of this summary, the CSA has abandoned the recommendation to eliminate mandatory interim financial reports, abandoned the proposed mid-year report and proposes, for the first, second and third

		<p>operating expenses, accounts payable, stock options and warrant status and related party transactions, commitments to spend on properties, burn rate).</p> <ul style="list-style-type: none"> • There would be an annual eight month delay in knowing working capital. • Disclosure gap will impact the ability of securities regulators to oversee venture market. • Investment community will view venture issuers as sub-tier investments with limited information. • Boards will have difficulty determining what needs to be disclosed and the detail of the information in the interim period if they opt for voluntary disclosure. • Removal of interim financial reporting may have adverse impact on corporate governance: <ul style="list-style-type: none"> ○ One commenter’s experience is that most issuers take corporate governance seriously as a result of timely reporting requirements. ○ Quarterly reporting allows the board to discover accounting inadequacies earlier. • Reducing the disclosure for venture issuers will make the transition from TSX-V to TSX more difficult. Creates incentive to remain on TSX-V (lesser disclosure requirements). • Allowing an entire year to pass before audited financial statements are prepared (even if mid-year interim financial statements are provided) would increase the risk to investors considerably. • Should not look to other jurisdictions with semi-annual reporting (such as Australia and the UK) 	<p>interim periods, an interim report consisting of a title page, interim financial report, quarterly highlights and a certificate from the CEO and CFO.</p>
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because:

- They have never implemented quarterly reporting.
- They do not differentiate between senior and junior segments.
- In some cases issuers in certain industries (e.g. mining) must provide some type of quarterly information.
- Increasing number of Australian resource companies have chosen to list on Canadian exchanges suggesting the benefits of access to capital and a strong investor base outweigh the cost of filing additional financial statements.
- For non-materials venture companies, reduced reporting may lead to higher cost of capital. New investors may defer investment until the next financial disclosure occurs.
- The CSA has noted that venture issuers get a limited amount of analyst or broker attention. This suggests information on venture issuers may already be limited. The proposal does not address the limited analyst or broker attention but reduces disclosure requirements which may exacerbate the problem.
- The level of liquidity of venture issuers is low partly because of the lack of material news. Removal of interim financial reports will contribute to low liquidity. Financial statements and MD&A provide news the market can use to trade.
- Interim financial reports not likely to be duplicative of other disclosure. They supplement material

change reports by providing the financial effects of material changes in a business. Most material change reports do not report financial effects of transactions and events.

- Comparability among issuers decreased if some report semi-annually and others quarterly. For example, under certain accounting principles, impairment assessments are required at the end of a reporting period and may result in differences in the timing and amount of impairment charges for entities with different reporting frequencies.
- Certain issuers with substantial foreign operations only receive information from their foreign operations at reporting dates. Without a requirement to prepare quarterly information, the issuer will not receive timely information regarding the performance of these foreign operations.
- May require auditors to apply more extensive procedures, particularly if management controls and procedures to identify subsequent events are not adequate and internal financial information not prepared in accordance with IFRS. Cost of audit may reduce benefits of discontinuing quarterly reporting.
- Underwriters generally want comfort from a company's auditors on changes in assets, liabilities, revenues and earnings subsequent to most recent financial statements included or incorporated by reference into a prospectus, which could impact timing and cost of capital raising activities.
- Hong Kong Exchange mandates quarterly reporting for junior market and is expected to move to a quarterly regime for its senior market.

		<ul style="list-style-type: none"> Quarterly financial reporting enables the establishment of the best financial forecasts, is crucial for venture issuers whose operations are seasonal, and the omission of quarterly financial reporting delays and impacts investors' ability to intervene in a timely and effective manner. Preparation and dissemination of interim financial reports relatively straightforward and not expensive. Present requirements are not burdensome. Any costs savings would be outweighed by the higher cost of capital for the issuer. 	
1.3. Section 13 of Rule published for comment	<i>Removal of mandatory interim financial reports – modified interim report</i>	<p>Thirty-two commenters support the removal of the requirement for mandatory interim financial reports with certain modifications. Their suggestions include the following:</p> <ul style="list-style-type: none"> Recommend that interim financial reports be replaced with 3 and 9 month reports that address the venture issuer's liquidity, working capital, capital resources, main uses of cash in the quarter and changes in capital structure as at those dates because investors place emphasis on a venture issuer's liquidity, capital resources and progress towards its corporate goals (Australia an example). Timely disclosure of information relating to expenditures and cash flow assist the market to understand whether these entities are achieving their goals. Recommend a 3 and 9 month report that includes: a) liquidity, working capital, capital resources, changes in capital structure and principal uses of cash, and b) exploration or research program information because the market may be interested in the company's cash on hand, burn rate, capital 	<p>We thank the commenters for their input, but the creation of a new form of financial reporting that would operate in parallel with and would not be wholly contemplated by or compliant with IFRS is not appropriate at this time.</p>

		resources, and progress towards its corporate goals. Do not think CEO or CFO certification should be required for this interim information.	
1.4. Section 13 of Rule published for comment	<i>Removal of mandatory interim financial reports – certain issuers only</i>	<p>Three commenters support the removal of the requirement for mandatory interim financial reports for certain smaller issuers only. Their reasons include the following:</p> <ul style="list-style-type: none"> • May be appropriate to make interim financial reporting optional for materials venture companies (gold, metal, precious metal investments) as primary value drivers are drill hole results, scoping studies, prefeasibility studies or resource updates. • Exception is the smallest exploration stage venture issuers where cash flow, liquidity, updates on exploration and significant transactions are all that is required for the quarter. • May be appropriate for junior issuers that are inactive or in the early stages of development. • Interim financial reporting focused on operational expenditures, cash flows, liquidity and related party transactions (accompanied by management certificates) for small exploration stage companies in certain industry sectors may be appropriate. 	We thank the commenters for their input, but the CSA is of the view that a further stratification of the regulatory regime for junior issuers is not appropriate at this time.
2. Other changes worth it if we choose not to eliminate mandatory quarterly interim financial reporting (Question 2)			
2.1. Rule published for comment	<i>Is it worth it? – general comments in support</i>	<p>Forty-three commenters support the proposed rule even if we choose not to eliminate mandatory quarterly financial reporting. Their reasons include the following:</p> <ul style="list-style-type: none"> • Changes to the BAR reporting requirements justify the change. • Having one rule/instrument will help focus 	We acknowledge the comments.

		<p>management to provide quality disclosure and will make regulations less onerous to comply with.</p> <ul style="list-style-type: none"> • Implementation of a rule tailored to venture markets is justified owing to the role of venture issuers in the Canadian equity markets and the characteristics of Canadian venture market (typically don't have administrative and financial resources of larger companies). • The adoption of the other proposals may be necessary to create a platform suitable to evaluate the impact of regulatory developments on venture issuers. • The other proposals will reduce the regulatory burden. • Annual report will simplify and streamline reporting requirements for venture issuers. • New governance rules and the requirement that a majority of members of the audit committee be independent are viewed favourably. 	
2.2. Rule published for comment	<i>Is it worth it? – general comments against</i>	<p>Six commenters do not support the proposed rule without eliminating mandatory quarterly financial reporting. Their reasons include the following:</p> <ul style="list-style-type: none"> • There would be higher audit costs for the annual report in order to ensure none of the financial information included in the annual report contradicted the financial statements. • The inclusion of the requirement to prepare an annual report places higher obligations without corresponding benefit as there are very few short form offerings conducted by exploration mining 	<p>We are of the view that the following initiatives make the proposed rule worthwhile despite the removal of the proposal to eliminate interim financial reporting:</p> <ul style="list-style-type: none"> • introduction of the annual report; • streamlined disclosure for interim periods; • elimination of BARs and their replacement with major acquisition reporting; • elimination of a requirement for pro-forma statements for major acquisitions; • new corporate governance requirements relating to conflicts of interest, related party transactions and insider trading;

		<p>companies in Québec.</p> <ul style="list-style-type: none"> ○ The mining information required in the annual report will require much more time from geologists. ○ The inclusion of the management information in the annual report requires venture issuers to produce the information several weeks earlier than they would have to under the current regime. <ul style="list-style-type: none"> ● Requiring more disclosure, benchmarks and narrative will unnecessarily increase the burden on companies rather than allowing certain companies to respond to market demand. Will increase burden for most companies, except oil and gas producing companies and other revenue generating companies. ● The implementation of the proposal is not justified owing to costs and challenges to venture issuers. Beneficial elements of the proposal could be imported into existing regime (e.g. significant acquisition threshold). ● Many of our clients were not in favour of imposing the requirements for comprehensive annual and semi annual reports, if that was simply in addition to their current disclosure requirements. They want the administrative burden and cost reduced, not increased. 	<ul style="list-style-type: none"> ● a streamlined information circular; ● tailored director and executive compensation disclosure; ● elimination of disclosure of grant date fair value of stock options.
3. Are full financial statements necessary? (Question 3)			
3.1. Section 13 of Rule published	<i>If interim financial reports mandatory, are full reports</i>	Three of the commenters believed full interim financial statements were necessary. Comments about applicability and concerns with alternate reporting were	We acknowledge the comments.

for comment	<i>necessary</i>	<p>made / expressed by three additional commenters. The reasons submitted by commenters include the following:</p> <ul style="list-style-type: none"> • Preparation of a subset of financial information may be less onerous but may not be relevant or reliable as, or comparable to, information prepared under GAAP. • If no interim financial reports, there shouldn't be some lesser form of financial information that isn't supported by IAS 34. • Disclosure of a subset of financial information increases risk of deliberate or inadvertent misleading disclosure. This may encourage disclosure of financial measures without having provided the full financial picture or prepared the full internal financial statements. Without the discipline of a full set of financial statements, the risk of error in this material would be unreasonably high. • An alternative to interim financial reports may not result in significant time savings as preparing accurate numbers requires significant base level diligence. • An alternative to interim financial reporting would not be beneficial as it would impose a new reporting regime on venture issuers and would minimize any benefit gained by eliminating the interim financial reports owing to the need to learn new reporting requirements. Also, other continuous disclosure requirements and applicable securities laws require issuers to disclose material information and material changes between the annual report and mid-year report minimizing the utility of an alternative report. 	
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		<ul style="list-style-type: none"> • Current regime appropriate for venture issuers with the exception potentially being small, exploration stage companies in certain industry sectors. 	
3.2. Section 13 of Rule published for comment	<i>Alternative to full interim financial reports are acceptable</i>	<p>Thirty-eight of the commenters suggested an alternative to full interim financial statements would be acceptable. Suggestions submitted by commenters include the following:</p> <ul style="list-style-type: none"> • Remove MD&A and retain only key notes in the interim financial reports. Key notes would include Going Concern, Share Capital (including options and warrants), Property, Plant and Equipment, Exploration and Evaluation Assets, Commitments and Related Parties because the key information is in the numbers of the financials and the news releases issued during the quarter. • Remove interim MD&A as interim MD&A is not providing much additional information. • Remove the requirement to provide interim MD&A and certifications. • Report cash on hand, shares issued, fully diluted share position with detail on the number of options and warrants exercisable at each price. Suggest including CEO / CFO certification accompanying any financial disclosure to ensure accuracy. • More focused quarterly reporting may be merited for small, exploration stage companies in certain industry sectors (operational expenditures, cash flows, liquidity and related party transactions). • If the aim is to reduce disclosure requirements, an incremental, and less extensive approach is preferable to elimination of interim financial 	<p>We acknowledge the comments related to alternatives to full interim financial statements. As discussed in section 1.1 of this Summary, we propose the removal of MD&A for all interim periods and replacement with quarterly highlights. The CSA notes that IAS 34 states that the purpose of interim financial reporting is to provide an update on the latest complete set of annual financial statements. Given this, less note disclosure is required in an interim financial report than in a full set of annual financial statements.</p> <p>However, as is set out in section 1.3 of this Summary, the CSA is of the view that an alternative form of financial reporting for interim periods, which is not contemplated by IFRS, is not appropriate at this time.</p>

		<p>reports:</p> <ul style="list-style-type: none"> ○ a) adopting UK approach – interim reporting (no financials or management report), ○ b) scaling back requirements in interim financial reports or ○ c) requiring issuers to maintain and publish a website (UK). <ul style="list-style-type: none"> ● If full interim financial reports are not provided, at least the cash and debt balances of exploration and development stage companies should be provided. ● Adequate quarterly reporting would include the balance sheet, income statement, statement of cash flows (and related notes) but not the MD&A. ● Recommend interim reports that include: a) liquidity, working capital, capital resources, changes in capital structure and principal uses of cash, and b) exploration or research program information because timely disclosure of information relating to expenditures, and cash flow generally, assist the market to understand the extent to which these entities are achieving their goals. Do not think CEO or CFO certification should be required for this interim information. ● Recommend a 3 and 9 month report that includes: a) liquidity, working capital, capital resources, changes in capital structure and principal uses of cash, and b) exploration or research program information because the market may be interested in the company’s cash on hand, burn rate, capital resources, and progress towards its corporate goals. Do not think CEO or CFO certification should be 	
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		required for this interim information.	
4. Would removal of Q1 and Q3 financial statements deter investment in venture issuers? (Questions 4 and 5)			
4.1. Rule published for comment	<i>Would not deter from investing</i>	<p>Forty-two commenters would not be deterred from investing. Their reasons include the following:</p> <ul style="list-style-type: none"> • Relevant information when investing is 12 month cash in hand, management, issuer’s ability to acquire good properties and raise money. The financial statements don’t provide that information. • Annual and mid-year financial reporting, combined with press releases and other sources of company information, are sufficient to invest in venture issuers. • The absence of quarterly information would not of itself deter investment in venture issuers where alternative interim financial reporting is required and provided. • Investment decisions for exploration stage mining companies are made on the basis of a) officers and directors of the company, b) the mining projects, c) the capital structure and d) cash and short term investments which can be found in most recently published financial statements, press releases and on websites. • Reputation of venture issuers would not be harmed because semi-annual reporting aligns with requirements in other jurisdictions such as Australia, the UK, Hong Kong and South Africa (no harm to reputation). • Removal of interim financial reports would not deter investment but would require more caution and 	We acknowledge the comments.

		could lead to valuation discounts.	
4.2.	<i>Would deter from investing</i>	<p>Two commenters indicated that the removal of the interim reports would deter but not stop them from investing for the following reasons:</p> <ul style="list-style-type: none"> • There would be less confidence and there would be frustration when surprises occurred due to reduced and delayed disclosure. Seldom invests in issuers that report semi-annually. • Would invest in foreign issuers that only file bi-annual financial reports, however, those investments would be in issuers that are highly capitalized and have diverse and available sources of information. 	We acknowledge the comments.
5. Less burdensome or as onerous to prepare some subset of quarterly financial reporting? (Question 6)			
5.1. Section 13 of Rule published for comment	<i>Less burdensome</i>	<p>Thirty-two commenters indicated the preparation of a subset of quarterly financial reporting would be less burdensome. Their reasons include the following:</p> <ul style="list-style-type: none"> • Providing supplementary financial information focused on liquidity and capital resources would significantly reduce the reporting burden and would not place an undue burden on the issuer and management as good corporate governance practices require regular monitoring of financial and operational results, including the preparation of cash-flow analysis and balance sheet data. • A subset of quarterly financial reports would provide some savings in time and capital but not as significant as not having to file the quarterly reports. 	We thank the commenters for their input, but as is set out in section 1.3 of this Summary, the CSA is of the view that an alternative form of financial reporting for interim periods, which is not contemplated by IFRS, is not appropriate at this time.
5.2. Section 13 of Rule published	<i>As onerous</i>	Seven commenters indicated the preparation of a subset of quarterly financial reporting would be as onerous.	We acknowledge the comments.

for comment		<p>Their reasons include the following:</p> <ul style="list-style-type: none"> • Unless only the MD&A and certain unimportant financial notes are removed, an alternative form of interim financial reporting is not worthwhile. • Producing only a Q1 and Q3 balance sheet and statement of comprehensive income would save management the time of preparing the notes to the financial statements and the MD&A; however, there would still be a lot of accounting work because the balance sheet and statement of comprehensive income would have to be prepared in accordance with IFRS. It would remain to be seen if the approval, certification and deadlines would remain the same. • An alternative to interim financial reports may not result in significant time savings as preparing accurate numbers requires significant base level of diligence. • Alternative disclosure would require issuers, counsel and other market participants to learn a new reporting regime. In addition, other disclosure requirements (material change reporting) would provide similar disclosure minimizing the utility of alternative disclosure. 	
5.3. Section 13 of Rule published for comment	<i>It depends on the subset</i>	<p>Two commenters indicated it depended on the nature of the subset of financial information as to whether the subset would be less burdensome or as onerous. Their comments include the following:</p> <ul style="list-style-type: none"> • It is preferable, whenever possible, to aim for a shorter version, as opposed to alternative information. 	We acknowledge the comment.

6. Is 100% market capitalization the correct threshold for financial statements where there has been a significant acquisition? (Question 7)			
6.1. Subsection 1(1) “major acquisition” of Rule published for comment	<i>Correct threshold</i>	<p>Thirty-eight commenters indicated 100% is the correct threshold to require financial statements where there has been a significant acquisition. Their reasons include the following:</p> <ul style="list-style-type: none"> • Although more attention should be given to determining what a “business” is, 100% is the correct threshold for determining if a business is sufficiently material. • 100% market capitalization is indicative of a transformational transaction for the issuer. • It may be appropriate to remove the requirement to include financial statements regardless of the significance of the acquisition. • If there are financial statement requirements for acquisitions, the 100% threshold is appropriate as it matches the acquisition of a “primary business” concept in NI 41-101. 	<p>We thank the commenters for their input on the 100% threshold. We are of the view that reviewing the concept of “business” would have to be considered in a broader policy project that also involved a review of its use in National Instrument 51-102 <i>Continuous Disclosure Obligations</i>, and likely other instruments. This review is outside the scope of the current project.</p> <p>We agree that 100% market capitalization is indicative of a transformational transaction for venture issuers and is an appropriate threshold. This was one of the impetuses for proposing the 100% threshold.</p> <p>However, we are of the view that financial statements are necessary for certain transformational transactions, including major acquisitions.</p>
6.2. Subsection 1(1) “major acquisition” of Rule published for comment	<i>Incorrect threshold</i>	<p>Nine commenters indicated 100% is not the correct threshold to require financial statements where there has been a significant acquisition. Their reasons, and suggestions for alternative thresholds, are:</p> <ul style="list-style-type: none"> • Supports 50% as the significant acquisition threshold because this level imposes sufficient onus and reporting. • The threshold for a significant acquisition should be 60% as opposed to 100%. • Threshold for requiring financial statements on reverse take-overs and acquisitions should be 40% because the financial statements provide useful 	<p>We thank the commenters for their input, but we are of the view that 100% is the correct threshold because it is indicative of a transformational transaction for venture issuers. This threshold, combined with other reporting requirements in the instrument, such as the requirements for material change reporting, including a requirement to disclose related entity transactions (see Form 51-103F2 <i>Disclosure of Material Change or Other Material Information</i>), the required annual report disclosure and the requirement to file press releases that contain financial information, captures the information that is important for investors to use in making an informed investing decision. Further, if the assets in question are material assets for the venture</p>

		<p>information for investors.</p> <ul style="list-style-type: none"> • Support 25% threshold. CSA should conduct benchmarking exercise of requirements of other jurisdictions before altering the significance threshold or eliminating the BAR requirement. • Increase of threshold for significant acquisitions is inadvisable and inconsistent with motivating principles under securities law. • Financial statement requirements for recently completed acquisitions or probable acquisitions are based on BAR thresholds. As such, it would be appropriate to consider a lower threshold where an issuer is filing a prospectus or information circular because information about recently completed acquisitions or probable acquisitions is of particular relevance to investors who are deciding whether to purchase securities. • 100% threshold for significant acquisitions is too high because of the value of the financial statements in providing certain asset specific information within the notes that would be unavailable post merger / amalgamation. Do not believe issuers would incur additional costs where financial statements are historical and already filed. • For smaller issuers, an acquisition with little monetary value would be captured. For larger issuers, acquisitions with large monetary value would be captured. Better to set minimum and maximum amounts in addition to threshold. • For many significant acquisitions the issuers will not have to disclose the financial statements despite having likely prepared them for their internal 	<p>issuer, they should be disclosed in the business combination note disclosure.</p> <p>We believe that, when considered in its entirety, the instrument strikes an appropriate balance between an investor’s need for disclosure (investor protection) and the venture issuer’s need for a streamlined and efficient disclosure system (promoting efficiency in the capital markets). The venture market in Canada is unique and is not directly comparable to most other markets. We do not think that benchmarking to requirements in other jurisdictions is appropriate.</p> <p>In the offering context an issuer must meet the standard of “full, true and plain” disclosure. Where an acquisition is under the 100% threshold, an issuer will have to evaluate its proposed disclosure and make a determination as to whether additional disclosure would be necessary to meet the applicable standard.</p> <p>Smaller acquisitions, in terms of dollar value, will be more significant to smaller venture issuers than to larger venture issuers. Financial statements should be disclosed where an acquisition is a major acquisition regardless of the dollar value of the acquisition. However, where an acquisition is not a major acquisition, an issuer may still be required to provide material change reporting. We are of the view that this disclosure should be relative and based on materiality. Setting an arbitrary minimum and maximum amount in terms of dollar value is not appropriate at this time.</p> <p>It is our understanding that not all issuers prepare financial statements and, of those that do, the financial statements may not be prepared in accordance with the</p>
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		purposes and evaluations.	financial disclosure standards applicable to public companies. As such, financial statements may not be available or may require significant improvement for disclosure purposes. We are of the view that the cost associated with making this a requirement outweighs the benefit that would be gained.
6.3. Subsection 1(1) “major acquisition” of Rule published for comment	<i>It depends on whether there is quarterly reporting</i>	<p>One commenter indicated 100% is not always the correct threshold to require financial statements where there has been a significant acquisition. Its reasons are as follows:</p> <ul style="list-style-type: none"> • If the requirement to file quarterly financial reporting were maintained then 100% threshold would be acceptable since disclosure would be included in quarterly reporting. If Q1 and Q3 not required then should be 50%. Along with the percentage of market capitalization, decision to consolidate financial statements should be an indicator of materiality. 	We acknowledge the comment. As discussed in section 1.1 of this summary, the lack of overall support for the proposal to eliminate mandatory interim financial reports has led the CSA to abandon the proposal to eliminate mandatory interim financial reports.
7. Do pro forma financial statements provide useful disclosure? (Question 8)			
7.1. Rule published for comment	<i>Pro forma financial statements provide useful disclosure</i>	<p>Five commenters indicated that pro forma financial statements provide useful disclosure. Their reasons include the following:</p> <ul style="list-style-type: none"> • Valuable for a new company and new investors. Provide a starting position for the new company including the effect of the usual funding associated with the acquisition. • Although IFRS 3 and proposed IFRS 3R require the disclosure of pro-forma revenue and profit and loss for business acquisition, the disclosure is less than the current BAR requirements. The transparency of pro forma adjustments directly attributable to 	<p>We thank the commenters for their input. We are of the view that the information provided in pro forma financial statements is largely available elsewhere in an issuer’s disclosure. As this disclosure is somewhat duplicative, we do not think it necessary to require pro forma financial statements, even if an issuer has prepared them for their own purposes.</p> <p>However, in the context of a long form prospectus, we are of the view that a requirement to provide pro forma financial statements is appropriate where there has been an acquisition of a business or businesses that would be the primary business of the issuer for the</p>

		<p>business combination is reduced when comparing the information currently provided in the BAR (under NI 51-102).</p> <ul style="list-style-type: none"> Does not support the removal of the pro forma financial statements because the venture issuer will likely prepare pro forma financial statements in order to evaluate and understand the implication of a major transaction. If they are available, the venture issuer should provide them. 	purpose of section 31.1 of Form 41-101F4.
7.2. Rule published for comment	<i>Pro forma financial statements do not provide useful disclosure</i>	<p>Forty-two commenters indicated that pro forma financial statements do not provide useful information. Their reasons include the following:</p> <ul style="list-style-type: none"> Pro forma financial statements are a mathematical exercise of combining information of an acquirer and its target, which is of little use to investors. Do not provide useful information about acquisitions that would not also be provided elsewhere in required disclosure. Do not believe pro-forma financial statements as contemplated in the current requirements provide any useful information. 	We acknowledge the comments. However, in the context of a long form prospectus, we are of the view that a requirement to provide pro forma financial statements is appropriate where there has been an acquisition of a business or businesses that would be the primary business of the issuer for the purpose of section 31.1 of Form 41-101F4.
8. Should the junior issuer exemption under Form 41-101F1 be expanded to all venture issuers? (Question 9)			
8.1. Section 32.5 of Form 41-101F4 published for comment	<i>Only one year of audited financial statements together with comparative year financial information in their IPO prospectus</i>	<p>Ten commenters supported the expansion of the junior issuer exemption. Their reasons include the following:</p> <ul style="list-style-type: none"> What happened two years ago is generally not relevant to venture issuers. Should be sufficient for all venture issuers that in many cases have only basic accounting records for prior periods. Support expansion of junior issuer exemption in 	We thank the commenters. However, we are of the view that the junior issuer exemption, as it currently exists, strikes an appropriate balance between an investor's need for disclosure and the costs of that disclosure to the venture issuer. We note that venture issuers may seek exemptive relief from the requirement to have two years of audited financial statements.

		prospectus because of the costs and complications associated with an audit for past fiscal years.	
8.2. Section 32.5 of Form 41-101F4 published for comment	<i>Exemption should not be expanded</i>	<p>Thirty-five commenters did not support the expansion of the junior issuer exemption. Their reasons include the following:</p> <ul style="list-style-type: none"> • The current exemption strikes the appropriate balance between the need for disclosure of audited historical financial information and enabling investors to have reasonable access to information on issuers whose assets, revenue and equity are relatively small. • Investors may place unwarranted reliance on unaudited comparative information. • Some TSXV issuers are large and well-established and should not be exempted. Exemptive relief can be sought in appropriate circumstances. 	We acknowledge the comments. We have decided not to expand the junior issuer exemption.
9. Should a control person be considered independent for the purpose of the audit committee? (Question 10)			
9.1. Section 5 of Rule published for comment	<i>Control person not independent for purpose of audit committee</i>	<p>Thirty-eight commenters supported adding control persons to the list of those who are not independent for the purpose of the audit committee. Their reasons include the following:</p> <ul style="list-style-type: none"> • Major shareholders are often able to assert significant influence on and control over management. • By reducing opportunities for conflicts of interest, investor confidence in venture issuers' corporate governance and financial reporting will be enhanced (similar rationale to outside auditors being independent). • Director's independent judgment may be 	We acknowledge the comments. We agree that control persons should not be considered independent for the purposes of the audit committee.

		compromised if that director holds a sufficient number of securities of an issuer to materially affect the control of the issuer.	
9.2. Section 5 of Rule published for comment	<i>Control person independent for purpose of audit committee</i>	<p>Seven commenters did not support adding control persons to the list of those who are not independent for the purpose of the audit committee. Their reasons include the following:</p> <ul style="list-style-type: none"> • Control persons should be able to sit on the audit committee so long as at least two audit committee members are independent directors. • If a control person is not independent, then the board may need to increase its size to have sufficient independent directors for audit committee purposes. Issuers should be determining the optimal size of the board. • Unnecessarily decreases a venture issuer’s pool of independent directors. The interests of control persons are not necessarily aligned with management. Control persons, like all investors, have an interest in accurate financial statements. • Would likely impair the quality of their governance because less qualified individuals would likely replace those with greater competency and knowledge of the business. • Control persons are well-placed to fill the role of audit committee members. 	<p>We thank the commenters. However, we are of the view that control persons should not be considered independent for the purpose of the audit committee. Because of the size and other attributes of venture issuers, control persons often have significant influence and control of management. We note that control persons will still be able to participate on the audit committee provided that two other members of the audit committee are independent.</p>
10. Should venture issuers have to duplicate executive compensation disclosure in the information circular? (Question 11)			
10.1. Part 5 of Form 51-103F1 published	<i>Only in annual report</i>	<p>Nine commenters supported only disclosing executive compensation in the annual report. Their reasons, and conditions to their support, are:</p>	<p>We thank the commenters. We have decided to require executive compensation disclosure only in the information circular for the following reasons:</p> <ul style="list-style-type: none"> • The disclosure will be easily available for investors as

for comment		<ul style="list-style-type: none"> • Adding the information to the annual report will limit duplication. • Incorporation of the annual report into the information circular would be sufficient provided the annual report is filed early enough for investors to consider executive compensation and governance disclosure before they are required to vote. 	<p>they make their voting decisions and can be found in the same place, regardless of whether the issuer is a venture issuer or a non-venture issuer</p> <ul style="list-style-type: none"> • There would be no change to the timing for providing this information • It will reduce redundancy in disclosure and risk of error in the duplication process
10.2. Part 5 of Form 51-103F1 published for comment	<i>Only in information circular</i>	<p>Thirty-eight commenters did not support moving executive compensation disclosure to the annual report. Their reasons include the following:</p> <ul style="list-style-type: none"> • Sophisticated investors know and understand that the information is in the information circular. • Preferable to keep the disclosure in the information circular so there are a few more weeks to prepare it. • No reason to distinguish between TSX and TSX Venture. • The inclusion of duplicate disclosure in both the annual report and information circular will increase the risk of errors. • Shareholders must be able to make fully informed decisions on such issues without having to look to a document other than the information circular. 	We acknowledge the comments. We have decided to require executive compensation disclosure only in the information circular.
10.3. Part 5 of Form 51-103F1 published for comment	<i>In both information circular and annual report</i>	One commenter supported including the executive compensation disclosure in both the information circular and the annual report.	We thank the commenter. The reasons for our view are set out in 10.1 above.
11. Does specific disclosure of grant date fair value and the accounting fair value of options or other compensation provide useful information? (Question 12)			
11.1. Part 5 of	<i>Specific disclosure of</i>	Six commenters think that grant date fair value and	We thank the commenters for their input. However, we

<p>Form 51-103F1 published for comment</p>	<p><i>grant date fair value provides useful information.</i></p>	<p>accounting fair value of options or other compensation provide useful information and indicated support for keeping the requirement. Their reasons include the following:</p> <ul style="list-style-type: none"> • Grant date fair value provides important information to investors because it shows what the board intended to pay an executive at the time the award was made. • Reflects the board’s intentions with respect to compensation and provides investors with greater understanding of link between pay and performance. • The requirement to calculate and disclose the value of options and other remunerations at the date of the award assists in understanding the parameters taken into account, including volatility, when deciding on executive compensation. 	<p>are of the view that in the venture issuer context options are granted with a view to future growth of the company rather than a specific value attributed at the grant date. It is our understanding that the recipient accepts this form of compensation because they believe that the value of the company will increase with time and effort, not based on the grant date value of the options. Investors are also interested in the pay actually received by NEOs since it provides information as to the overall alignment between executive compensation and the shareholders’ experience.</p>
<p>11.2. Part 5 of Form 51-103F1 published for comment</p>	<p><i>Specific disclosure of grant date fair value does not provide useful information.</i></p>	<p>Forty-one commenters think that grant date fair value and accounting fair value of options or other compensation does not provide useful information. Their reasons include the following:</p> <ul style="list-style-type: none"> • Volatility of the market makes the information misleading. • When an option holder does not exercise his or her options in a year, the compensation is reported again in the next year. This is a misleading duplication because the compensation was not “paid” in the prior year. • More valuable to disclose realized values. • Information is not reflective of actual compensation and certain shareholders believe the total amount is 	<p>We acknowledge the comments. We have decided not to include a requirement for disclosure of grant date fair value and accounting fair value of options.</p>

		<p>the actual compensation received by the NEO.</p> <ul style="list-style-type: none"> • Individual director and executive compensation disclosure should focus on amounts realized on the exercise of options and that available to be realized on unexercised options. • Disclosure of grant date fair value of stock options is not essential. Knowledge of the number, exercise terms and conditions is. 	
12. Should CPCs be exempted from additional requirements? (Question 13)			
12.1. Rule published for comment	<i>CPCs should be eligible for exemption from additional requirements.</i>	<p>Six commenters support exempting CPC's from additional requirements. Their reasons include the following:</p> <ul style="list-style-type: none"> • Only useful information for a CPC is cash on hand. • Until CPCs generate business, they should be exempt from preparing MD&A. • CPC should be exempted from filing any annual and mid-year reports during the 24 months of listing on the TSXV provided it has not completed its qualifying transaction because a) CPC's IPO prospectus contains all relevant information about the CPC, b) during first 24 months the information generally remains unchanged, c) CPC would still be required to file interim and annual financial statements. • Eliminate the requirement for CPC companies to provide annual report and mid-year report because much of the disclosure is irrelevant. Replace the reports with financial statements with appropriate notes, supplemented by material change disclosure. • CPCs should be excluded from the application of the proposed instrument. Current regulations create a 	<p>We thank the commenters for their input. However, we are of the view that an expansion of the CPC exemption is not necessary at this time.</p> <p>Optional reporting for the first and third quarters in the fiscal year and the mid-year report are being replaced with mandatory full financial statements but with a significantly reduced requirement for additional narrative disclosure. Please refer to Part 8 of Form 51-103F1 for the requirements as well as guidance about what is expected from CPCs. We believe that these proposals allow CPCs to provide tailored disclosure suitable to their form of business.</p>

		<p>tailored regime for CPCs and appropriate disclosure requirements will be imposed depending on the nature of the qualifying transaction.</p> <ul style="list-style-type: none"> • If no change to CPC, then CPCs should be exempted from annual and interim reporting requirements except those related to the financial statements, executive officer compensation and steps taken for the purpose of their acquisition. 	
12.2. Rule published for comment	<i>CPCs should not be eligible for exemptions from additional requirements.</i>	<p>Thirty-four commenters do not support exempting CPC's from additional requirements. Their reasons include the following:</p> <ul style="list-style-type: none"> • a CPC is a listed company like any other. • the progress of the CPC towards a qualifying transaction merits periodic updating. 	We acknowledge the comments.
13. Other comments (Question 14)			
13.1. Rule published for comment	<i>Access to capital</i>	One commenter believes this initiative requires a more complete analysis of the issues surrounding access to capital.	We thank the commenter. However, the type of review referred to by the commenter is outside the scope of the current project.
13.2. Rule published for comment	<i>Adequate investor protection?</i>	<p>Three commenters discussed the perceived inadequate investor protection. Their comments include the following:</p> <ul style="list-style-type: none"> • Do not support reduction of disclosure and governance standards applicable to venture issuers. • Suggests that empirical evidence should be sought to demonstrate that the new rules will be less confusing and costly before introducing a new rule. • Suggest that CSA consult with venture issuer investors to find out what changes investors believe would improve venture issuer disclosure. 	<p>We thank the commenters for their input. The proposed regime is tailored to venture issuers and their circumstances. We believe that the regime strikes an appropriate balance between an investor's need for information and the need to sustain a vibrant capital market.</p> <p>We published a consultation paper and participated in consultations with investors, venture issuers and market participants. Certain jurisdictions also conducted a cost-benefit analysis.</p> <p>Emerging markets issues affect all reporting issuers and</p>

		<ul style="list-style-type: none"> • Recommend that we reflect on recent developments in the market (particularly with emerging market listings on Canadian venture exchanges) which call into question the appropriateness of this initiative. Recent scandals suggest we may need tighter, more effective regulation of venture issuers in order to better protect investors and restore investor confidence. • Recommend the CSA establish a task force consisting of Canadian exchanges, underwriters, auditors, legal advisors as well as regulators to tackle problems with emerging market listings, market manipulation, market integrity (short-selling analysts and highly negative research reports). • Recommends CSA undertake an examination of the effectiveness of listing requirements of the TSX and TSX-V given the conflict between their regulatory responsibilities and commercial activities. • The absence of a cost-benefit analysis makes it premature to conclude on the merits of altering the disclosure and governance rules for venture issuers. • Concern that proposed measures increase the risk of fraud and manipulative abuse by reducing disclosure standards. • Concern that proposed reduced standards will result in less protection for investors and have the potential to adversely affect the reputation of the Canadian marketplace. • A lack of independent analyst coverage limits investors' and prospective investors' ability to obtain an informed outsider's perspective on a company's suitability for investment. A reduction in issuers' 	<p>not just venture issuers. A coordinated approach would be more appropriate than specifically considering the issue in the context of this proposal. Moreover, tailoring and streamlining corporate governance and regulatory disclosure does not preclude more effective regulation of venture issuers.</p> <p>With respect to exchange requirements, the CSA jurisdictions regularly review listing and other requirements imposed by these exchanges and we are aware of their responsibility to balance regulatory-type responsibilities with commercial activities.</p> <p>Regarding one commenter's concern about a potential for "increase[d] risk of fraud and manipulative abuse", the goal in this project is to set disclosure standards appropriate for a certain group of issuers and to ensure that the disclosure required provides investors with sufficient information to make an informed investment decision. The proposed rule does not reduce the prohibitions against misrepresentations or fraud in securities legislation, other legislation or the common law.</p> <p>While there is less independent analyst coverage in the venture market, that is due to the small size of the venture market in Canada. This proposed disclosure regime is based on, and tailored to, our understanding of the information that investors need to make investment decisions.</p>
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		disclosure exacerbates the problem.	
13.3. Part 4 of Rule published for comment and Form 51-103F1 published for comment	<i>Annual and semi annual reports</i>	<p>Forty-one commenters discussed the annual reports generally. Their comments include the following:</p> <ul style="list-style-type: none"> • Requirement in annual report to provide FLI on business objectives, key performance targets and milestones and related information unfairly exposes venture issuers to secondary market civil liability in a manner not required of senior issuers. • Requirement to provide FLI may be unduly burdensome, may carry inherent risk to the extent performance targets are not met and will oblige venture issuers to regularly update the FLI. • The information required by item 17 of proposed Form 51-103F1 addresses many of the items contemplated by item 18 of the Form. • Market would be better served by a quarterly report similar to the semi-annual report if issuers elect to provide voluntary information. To be meaningful and comparable to other periods the information should be accompanied by MD&A and certified. • If mandatory Q1 and Q3 interim reports are not eliminated then there should be quarterly reports that contain the same information as the semi-annual report (as is the case in the US 10-K and 10-Q). Recommend that amendments to reports be readily identifiable. • Concept of annual report good, but the contents of the annual report should reflect current disclosure requirements not those recommended by the proposal. • Propose including the element of materiality of 	<p>We thank the commenters for their input on the annual report generally. We are of the view that the current proposal is appropriately tailored specifically for the venture market, both venture issuers and their investors to a greater extent than is present in the current regime.</p> <p>We expect that there will be an initial transition period during which additional expense may be incurred. However, we expect the benefits of a disclosure system tailored to venture issuers and their investors to outweigh the costs. Venture issuers will adjust to these disclosure requirements and we expect that the new regime will allow them to provide disclosure that is commensurate with their stage of development. Note that we have removed the mid-year report requirement in favour of an interim quarterly report requirement with reduced narrative disclosure.</p> <p>We are of the view that the governance disclosure is important in the venture issuer setting to provide investors with information about the venture issuer's internal policies for compensation and governance.</p> <p>The guidance to section 37 of the instrument provides information about defences available to venture issuers with respect to secondary market civil liability. Section 37 requires venture issuers to have a reasonable basis for making this type of disclosure and also requires certain cautionary statements, both of which, if complied with, will assist the venture issuer with its defence. Venture issuers are currently subject to secondary market liability.</p>

		<p>contracts into definition of “material contract” in 51-103 to conform to 51-102 definition.</p> <ul style="list-style-type: none"> • The definition of material contract should conform to the definition of material contract in NI 51-102. • Part 1 Section 2 of Form 51-103F1 does not contain the phrase “You do not need to disclose information that is not material” as is the case with the Form 51-102F2. These should be harmonized. • Providing specific references to page numbers in information circular is not practical because the information circular is being amended up to the actual mailing deadline and there may be different page numbers for English and French. If a reference is necessary, a reference citing the section, appendix or schedule within the information circular is preferable. • The preparation of the annual and mid-year report, particularly given the additional required information, will require significant dedication of time and resources for initial preparation and first few years of implementation. • The time and costs savings associated with the proposal will be offset by: a) additional time and increased professional fees in preparing and becoming familiar with regime (including more involvement), b) additional costs associated with preparing annual and mid-year reports, c) requirement to prepare the annual report and information circular, d) the annual report will result in concise but less complete disclosure about venture issuers with complex business. • Differences in disclosure requirements for different 	<p>Generally, section 17 requires discussion of the venture issuer’s history and section 18 requires discussion of the venture issuer’s plans for the future; however, there may be some overlap. As always, the venture issuer is not expected to unnecessarily repeat disclosure that has already been provided.</p> <p>The proposal has been revised to require mandatory interim reports for the first three quarters of the fiscal year.</p> <p>We have revised our definition of material contract to be substantially the same as that in NI 51-102.</p> <p>We have added “You do not need to disclose information that is not material” in Section 2 of Form 51-103F1.</p> <p>We acknowledge that providing specific page numbers from the information circular is not practical. We have amended the requirement to be a “reference to the location” of the disclosure in the information circular, which will allow flexibility as to how the location of disclosure within the information circular is provided.</p> <p>We have avoided incorporation by reference to the extent possible in order to create an annual disclosure document that contains most of the information that investors need. The goal is to reduce the number of documents that investors have to consult in order to make an informed investment decision.</p>
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		<p>issuers may result in lack of familiarity from agent’s counsel, increasing expenses, not reducing them.</p> <ul style="list-style-type: none"> • Support condensing venture issuer disclosure into the annual and mid-year report because management is more easily able to understand the regulatory framework; however, many of the commenter’s clients are not in favour of a comprehensive annual and mid-year report. • Recommend a simple, plain language and concise MD&A (see Australian Form 5B). • Many small entities will have logistical issues with preparing and distributing a longer annual report. Accordingly, entities should have the option of continuing to be able to incorporate certain documents by reference (for example, board and governance matters). • Do not think the disclosure in sections 34 and 41 of Form 51-103F1 should be included because the “honest” disclosure could make the processes and measures in place seem like shortcomings. This could encourage small issuers to paint an embellished picture of the situation. Removal of this requirement would not impact the quality of the information required. 	
13.4. Part 5 of Rule published for comment	<i>Communication with shareholders</i>	<p>Five commenters discussed communication with shareholders. Their comments include the following:</p> <ul style="list-style-type: none"> • Notice and access for proxy materials implementation in NI 51-103 is redundant as proposed since amendments to NI 54-101 already include a notice and access regime for all issuers. • The effectiveness of advance notice to shareholders 	<p>We thank the commenters for their input on communication with shareholders. We want issuers to deliver the annual report because it contains the annual financial statements that investors should receive. We plan to conform our delivery requirements to those in NI 54-101, which allows for “notice and access”, which should minimize additional costs for venture issuers.</p>

		<p>of the intent to utilize notice and access is questionable. If advance notice is required, suggest including it in the notice of meeting (30 days in advance of record date).</p> <ul style="list-style-type: none"> • Support delivery of disclosure documents only on request for all issuers. • Do not support requirement to “deliver” annual report to shareholders. Will mean increased printing and mailing costs as compared to non-venture issuers who are not required to send AIF. 	<p>The delivery of disclosure documents only on request is beyond the scope of this project.</p>
13.5. Rule published for comment	<i>Comparability of venture issuers to other issuers</i>	<p>Seven commenters discussed comparability of venture issuers to other issuers. Their comments include the following:</p> <ul style="list-style-type: none"> • Inclusion of management information in annual report as set out in the proposal should be applicable to all issuers and not only venture issuers. • Proposed instrument should apply to all segments of venture issuers to promote consistency and market comparison. • All companies should be providing the same executive compensation disclosure. Do not agree with allowing venture issuers to provide only two years. Do not agree with combining NEO and director compensation into one table. Combining NEO and director compensation could make disclosure less clear without reducing burden on venture issuers in a meaningful way. • Distinction between venture issuer disclosure and non-venture issuer disclosure may hamper the ability of analysts to compare venture issuers and non-venture issuers and may result in reduced 	<p>We thank the commenter for the input. The current regime is tailored to venture issuers and their circumstances and was developed by balancing an investor’s need for information and the need to sustain a vibrant capital market.</p>

		<p>analyst coverage.</p> <ul style="list-style-type: none"> • Support idea of consolidating all required disclosure into one report for all issuers, but does not agree it should be limited to venture issuers. • Support reduction of complexity and simplification of presentation, however, an initiative should be undertaken by CSA to ensure an “even playing field” for all reporting issuers regarding their regulatory obligations. All reporting issuers and their investors would benefit from streamlined regulatory instruments and simplified disclosure requirements. 	
13.6. Rule published for comment	<i>Confusion in the marketplace and impact of proposals</i>	<p>Four commenters discussed confusion in the marketplace. Their comments include the following:</p> <ul style="list-style-type: none"> • The effect of the proposals is to create three disclosure regimes in Canada i) rules applicable to non-venture issuers, ii) rules applicable to venture issuers (as defined in 51-103) and iii) rules applicable to senior unlisted issuers or other companies excluded from the definition of venture issuer. The result is an increase in complexity in the overall regulatory structure. • A single comprehensive guide to securities legislation that describes all applicable rules for venture issuers and the market better than the proposed amendments. • In support of the reduction of duplicate information, a brief summary of governance requirements and other attachments to the information circular could be provided (rather than the full documents) with web-links provided to the full documents on the listed issuer’s website. 	<p>We thank the commenters for their input. We agree that having TSX Venture-listed issuers being subject to two different regimes would be less than ideal.</p> <p>The disclosure regime for non-venture issuers and senior unlisted issuers remains largely the same. The primary change is for venture issuers, and as discussed throughout, the proposed regime is tailored to venture issuers and their circumstances and was developed by balancing an investor’s need for information and the need to sustain a vibrant capital market.</p> <p>The proposed regime is more than the creation of a comprehensive guide to securities law for venture issuers. The proposed regime is tailored to venture issuers and their circumstances and was developed by balancing an investor’s need for information and the need to sustain a vibrant capital market.</p>

		<ul style="list-style-type: none"> Proposed instrument must remain a national instrument with all CSA members participating to avoid TSX Venture-listed issuers being subject to two different and somewhat inconsistent regimes. 	
13.7. Part 3 of Rule published for comment and Part 8 of Form 51-103F1 published for comment	<i>Corporate governance</i>	<p>Seven commenters discussed corporate governance. Their comments include the following:</p> <ul style="list-style-type: none"> Do not support reducing corporate governance requirements further, in particular the removal of: a) the requirement to disclose and identify the independent and non-independent directors and the basis for that determination, b) the requirement to disclose the steps used to identify new candidates for board nominations, c) the requirement to identify other boards of which directors are a member. Members of boards of small companies, who may be inexperienced, should be focusing attention on their corporate governance practices in order to ensure that the company is well governed and built on an ethical foundation. Investors need information about a company's governance practices in order to assess the risk of their current investment and any potential investment. Describing statutory and contractual obligations of directors and officers in a disclosure document does not provide any additional information to investors as the obligations already exist in corporate statutes and the common law. Question whether the conflicts of interest provisions are necessary as most corporate laws include some kind of conflict of interest protection and market practices generally lead to similar provisions being 	<p>We thank the commenters for their input on corporate governance. The current regime is tailored to venture issuers and their circumstances and was developed by balancing an investor's need for information and the need to sustain a vibrant capital market.</p> <p>Participants in the Canadian capital markets are not limited to corporations or entities that are founded in a Canadian jurisdiction. Disclosure of the statutory or contractual obligations that may apply to officers and directors of a venture issuer in a foreign jurisdiction may be particularly relevant. For example, the requirement that a majority of the audit committee cannot be officers or employees of an issuer may be essential for a foreign corporation or other form of entity.</p> <p>Emerging market issues affect all reporting issuers and not just venture issuers. A coordinated approach would be more appropriate than specifically considering the issue in the context of this proposal.</p> <p>Item 35 of proposed Form 51-103F1 requires disclosure of whether members of the audit committee are financially literate. An investor can review this disclosure before making a voting or investment decision. We are of the view that requiring this disclosure strikes an appropriate balance between the costs to an issuer and the corresponding benefits to an investor.</p>

		<p>applied to non-corporate issuers.</p> <ul style="list-style-type: none"> • Do not oppose requirement to create and disclose policies and procedures to address conflicts of interest and insider trading but these obligations already exist in law and TSX-V listing requirements. • Requirement that a majority of the audit committee cannot be officers or employees of an issuer or its affiliates does not provide additional investor protection as these requirements already exist in the CBCA and OBCA, as well as the TSX-V listing requirements. • Propose requirement that all listed issuers be incorporated in a jurisdiction with corporate legislation that meets minimum corporate governance standards. The TSX-V currently imposes corporate governance obligations on directors and officers but those are contractual relationships between the TSX-V and the issuer and would be difficult for a shareholder to enforce if the issuer were incorporated in the British Virgin Islands or China, for example. • Do not support inclusion of requirement for board of directors to develop policies and processes to address conflicts of interest and to avoid insider trading. These obligations already exist in law and to include them (as presently worded) would create confusion. • If there is an audit committee requirement in law or listing requirements, no need for requirement in NI 51-103. • Propose that at least one member of the venture issuer’s audit committee be financially literate 	<p>We did not consider it appropriate to adopt the proposal that consultants not be considered independent for the purposes of the audit committee.</p> <p>We have amended the language to require disclosure in the annual report where no steps have been taken in respect of certain corporate governance and ethical matters.</p> <p>We did not consider it appropriate to adopt the material relationship test for the purpose of determining who is independent for the purpose of the audit committee.</p> <p>A venture issuer’s approach to keeping its obligations under paragraph 6(d) of the Proposed Instrument will be measured by the extent to which policies and procedures are reasonably designed to prevent securities violations by those with undisclosed material information. An issuer's policies and procedures could reasonably be different for a person or company in a special relationship with the issuer (but over who the issuer only has indirect influence) versus for the issuer's employees, officers, and directors (over who the issuer has greater influence). For example, it may be reasonable to design a policy for significant shareholders which requires any officer, director, employee or contractor of the issuer, that provides material information that has not been generally disclosed to a significant shareholder, to inform the significant shareholder in writing that the issuer considers the information to be material and any trading of the issuer’s securities by the significant shareholder when in</p>
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		<p>(section 1.6 of NI 52-110).</p> <ul style="list-style-type: none"> • Propose that consultants to an issuer should not be considered independent for the purposes of the audit committee. • Propose that Items 41(2) to (7) of Form 51-103F1 be redrafted to require that if the issuer does not take any steps or measures in respect of certain corporate governance and ethical matters that it disclose that fact in its annual report. This comment may apply to other sections of Form 51-103F1. • Requiring a venture issuer to become aware of and deter or prevent each company or person in a special relationship from insider trading or tipping is too broad and should be removed or narrowed to the issuer’s directors, officers, employees and perhaps consultants. • Do not think it is appropriate to require an issuer to “police” its insiders. Insider trading offences applies to insiders and not to the issuer. Market dictates most issuers already have insider policies. • Support introduction of corporate governance requirements related to conflict of interest, related party transaction and insider trading for all issuers. • Do not support the removal of the requirement for audit committees to pre-approve non-audit services provided by the external auditor. • Do not support removal of requirement to disclose the education and experience of audit committee members. • Do not support the removal of the requirement from the proposal to introduce into securities law the 	<p>possession of this information, prior to general disclosure, or sharing of the undisclosed material information with others, may be a contravention of securities legislation.</p>
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		<p>obligations on directors and officers to act honestly and in good faith, and to exercise care, skill and diligence.</p> <ul style="list-style-type: none"> • Better to adopt “material relationship” test from section 1.4 of NI 52-110 to determine who is independent for the purposes of the audit committee. 	
13.8. Rule published for comment	<i>Disclosure gap</i>	<p>Five commenters discussed the disclosure gap in the event interim financial reports are not filed. Their comments include the following:</p> <ul style="list-style-type: none"> • Where an issuer only files financial statements twice a year, it may need to provide more information in its press releases. • Partial disclosure of financial information in an interim period should trigger a requirement for a venture issuer to file quarterly financial reports (for example an announcement of revenue for the quarter). • There should be a requirement for issuers to assess, by 60 days after the end of each quarter, the issuer’s ability to continue as a going concern. Where management is aware of material uncertainties related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, then the entity should disclose those material uncertainties, if they have not been disclosed, by filing a material change notice. Requirements should also exist at the time of filing a prospectus. • Are in favour of an amendment to 17(5)(a)(iii) to alert investors when future operations may need to be curtailed significantly to allow an entity to 	<p>We thank the commenters for their input on the disclosure gap. Please see the discussion in section 1.1 of this summary.</p> <p>As with all new initiatives and amendments, we expect some initial training will be required.</p> <p>We note that the proposed rule does not prevent a venture issuer from providing financial information related to the target in the press release.</p>

		<p>continue to operate.</p> <ul style="list-style-type: none"> • Because removal of interim financial reports and BAR will place more reliance on material change reporting, issuers should be reminded of their responsibility to provide complete and timely information. • If the objective in the acquisition is for rapid information to the market, disclosure of the financial information related to the target in the press release is more useful than full financial statements. 	
13.9. Rule published for comment	<i>Drafting comments</i>	One commenter suggested that the wording of the proposal as currently drafted is overly complex, difficult to read and insufficiently punctuated.-The commenter recommended that we shorten sentences and make brief direct points.	We acknowledge the comment. Where possible, we follow the principles of plain language when drafting new rules.
13.10. Part 5 of Form 51-103F1 published for comment	<i>Executive compensation</i>	<p>Two commenters discussed executive compensation. Their comments include the following:</p> <ul style="list-style-type: none"> • Suggest executive compensation disclosure provisions (section 31 of 51-103F1) be redrafted to exempt issuers that have complied with IAS 24. NEOs may not meet the definition of “key management personnel” under IFRS if they do not have authority for planning, directing and controlling the activities of the entity. • Disclosure of criteria and goals for executive compensation is not meaningful in a small public company and will result in boilerplate disclosure. Instead, ask for explanation of how compensation was determined. 	<p>We thank commenters for their input on executive compensation. We have decided to remove what was the exemption in section 31 of 51-103F1.</p> <p>Item 18 of proposed Form 51-103F4 will require venture issuers to explain how compensation is determined.</p>
13.11. Rule published	<i>Preparation of pro-forma statements</i>	Three commenters discussed financial statement preparation. Their comments include the following:	We thank the commenters for this input, but are of the view that the information provided in pro forma

for comment		<ul style="list-style-type: none"> Recommend that CSA provide guidance in CP regarding the voluntary preparation of pro forma statements. If the information is considered useful, there will be a standard basis for preparation and that will allow auditors to perform procedures in CICA HB 7110.36. Rather than eliminate the pro-forma requirement, issuers should be able to seek exemptive relief from the pro-forma requirement if the information is not material or is unduly costly to produce. Only the pro forma balance sheet provides useful information where combining parties have insignificant results of operations (see 49.2 of TSX Venture Exchange Form 3D1-3D2). 	<p>financial statements is largely available elsewhere in the disclosure. As this disclosure is somewhat duplicative, we do not think it necessary to require pro forma financial statements.</p> <p>However, we note that in the context of a primary business in Form 41-104F4, pro forma financial statements are required (see sections 31.7 and 31.8 of Form 41-101F4).</p>
13.12. Form 51-103F4 published for comment	<i>Information circular</i>	<p>One commenter discussed information circulars. Their comments include the following:</p> <ul style="list-style-type: none"> Propose consistency between NI 51-103 and the information circular requirements under TSX-V Forms 3B1-3B2 and 3D1-3D2. 	<p>We thank the commenter for their input. We understand that the TSX Venture Exchange is aware of our proposal and any consequent differences between NI 51-103 and their requirements.</p>
13.13. Part 6 of Rule published for comment	<i>Material related-entity transaction</i>	<p>Two commenters discussed material related-entity transactions. Their comments include the following:</p> <ul style="list-style-type: none"> Requirement for press release where there is a decision by the management, but not yet the board, to implement a material related entity transaction requires management to predict whether board will approve. If retained, there should be a requirement for material change disclosure in case of a decision by the board not to approve. Question appropriateness and necessity of conflict of interest and material related entity transaction requirements. Requirements could be inconsistent 	<p>We thank the commenters for their input on material related-entity transactions. We are of the view that a subsequent decision of the board not to approve a material related entity transaction would be a material change requiring material change disclosure and therefore an additional requirement is not necessary.</p> <p>We are of the view that section 4 is an acceptable measure to ensure venture issuers are aware of and can appropriately address conflicts of interest and related entity transactions. Some venture issuers are neither subject to Canadian corporate statutes nor MI 61-101.</p>

		with constating documents and are an add-on to protections already in place (MI 61-101). If section 4 of 51-103 retained, a materiality standard should be introduced.	
13.14. Paragraph 4.2(1)(b.1) of proposed consequential amendments to NI 43-101 published for comment	<i>NI 43-101</i>	<p>Three commenters discussed the introduction of a technical report trigger on the filing of a short form prospectus. Their comments include the following:</p> <ul style="list-style-type: none"> Proposed change to NI 43-101 to add short form prospectus trigger for updated technical report will impose delays in financing, which impacts availability of financing. This change would also require that venture issuers comply with this provision but an issuer on the TSX would not. Proposed change to NI 43-101 to add short form prospectus trigger for updated technical report is not a consequential amendment. 	<p>We thank the commenters for their input. Under the proposed rules, all venture issuers will be eligible to file a short form prospectus as they will have filed an annual report. Unlike for an issuer subject to NI 51-102 where the annual information form is a trigger for an updated technical report, the venture issuer annual report will not be a trigger for a technical report. We did not want the annual report requirement to be overly burdensome to venture issuers by requiring more technical disclosure than we currently require under NI 43-101.</p> <p>In response to these comments, we have changed the proposed consequential amendment. Specifically, the proposed short form prospectus trigger in paragraph 4.2(1)(b.1) will only apply if the venture issuer has not in the 12 months preceding the date of the preliminary short form prospectus filed a technical report or qualified for and relied on the exemption in subsection 4.2(8) from filing a technical report. Also, the short form trigger in paragraph 4.2(1)(b) will continue to apply to venture issuers.</p>
13.15. Section 13 of Rule published for comment	<i>Optional interim financial reports</i>	<p>Five commenters discussed the optional interim financial report. Their comments include the following:</p> <ul style="list-style-type: none"> The requirement to file quarterly financial reports for two years once a quarterly report has been filed is too long because junior issuers could go through one or two significant acquisitions or changes of directors and management in that period which 	<p>We acknowledge the comments. Please see the discussion in section 1.1 of this summary.</p>

		<p>could change their rationale for investing.</p> <ul style="list-style-type: none"> • Support two year time frame requirement for issuers that voluntarily provide interim reports because it avoids voluntary disclosure of positive results and no disclosure of negative. • If mid-year financial reporting adopted, recommend allowing for the filing of an interim financial report solely for the purpose of the offering. • Two year requirement for voluntary interim reporting may require additional ways of ceasing to provide the reports. For example a major disposition in the two year window could result in interim reports no longer being useful. • Voluntary compliance with interim reporting should require MD&A and interim CEO and CFO certifications. • May be necessary to ensure interim financial reporting is not replaced by publication of selected information that may be perceived as a substitute for interim reports, such as statements of production volumes or sales figures. The CSA could set out examples of misleading or inappropriate disclosure or suggest entities not provide performance disclosure other than material change disclosure. • Could require shareholder approval of interim reporting frequency at annual meetings to ensure investors have a say in frequency of financial reporting. 	
13.16. Rule published	<i>Opt-out</i>	Four commenters discussed the ability to opt-out of the entire, or portions of the, venture regime. Their	We acknowledge these comments, but are of the view that the proposed rule is appropriate for venture issuers.

for comment		<p>comments include the following:</p> <ul style="list-style-type: none"> Propose an opt-in to the non-venture regime to allow venture issuers to be comparable to their TSX peers without having to graduate to TSX. CSA could require supplemental disclosure for venture issuers that opt-in. If no opt-in, the detrimental effect of the new regime may outweigh any potential benefits. Corporate information filed in the information circular of a non-venture issuer will be significantly different. NI 52-110 and NI 58-101 will be replaced by specific requirements for disclosure of conflicts of interest, related party transactions and insider reporting. Accordingly, it appears that boards of venture issuers and management and advisors will not be required to maintain a broad corporate governance perspective or to provide disclosure of such practices. 	<p>For those issuers whose circumstances are such that their peer group are non-venture issuers or are otherwise comparable to non-venture issuers, the CSA will consider, on a case-by-case basis, applications for exemptive relief to allow those venture issuers to comply with the disclosure requirements applicable to non-venture issuers. Further, venture issuers may always supplement the disclosure required under the proposed rule with disclosure required for non-venture issuers.</p>
13.17. Rule published for comment	<i>Penalties</i>	<p>One commenter proposed harsher penalties for illegal activities as opposed to increased compliance regulations. An unfair proportion of junior issuer capital is expended satisfying regulatory requirements rather than business objectives.</p>	<p>We thank the commenter for the input, but this is beyond the scope of this project.</p>
13.18. Rule published for comment	<i>Rights offering</i>	<p>One commenter proposed a simplification of the rights offering regime as it is the fairest method of financing for venture issuers. Suggest using the annual report as the base document.</p>	<p>We thank the commenter for the input, but this is beyond the scope of this project.</p>
13.19. Subsection 1(1) "major acquisition" and Part 6 of	<i>Significant acquisitions</i>	<p>Eight commenters discussed significant acquisitions. Their comments include the following:</p> <ul style="list-style-type: none"> Suggest the carve-out for an acquisition that does not include a business could be clearer (i.e., clarify that audited financial statements are not required 	<p>We thank the commenters for their input on significant acquisitions.</p> <p>We are of the view that clarifying further the concept of what constitutes a "business" would have to be a part of</p>

<p>Rule published for comment</p>		<p>where the property or assets purchased are not a business.</p> <ul style="list-style-type: none"> • BAR requirements should be removed completely as historic information is seldom relevant to the success and future fortunes of the new issuer. New funding and asset prospects are much more relevant to the investor. • Complete elimination of the BAR would not be an acceptable change because financial statements may not provide all the related information for significant acquisitions. • More attention should be given to definition of “business”. Very few issuers acquire businesses – they may be acquiring companies to get at the underlying properties, but that is an asset acquisition disguised as a business. • Support increasing the significant acquisition threshold and streamlining the test to a single standard. • Support significance test which permits significance to be calculated on the acquisition date instead of the announcement date for all issuers. • Support elimination of the BAR and introduction of enhanced material change disclosure, however the inclusion of audited financial statements for two prior fiscal years tends to be a very costly and time consuming exercise especially in respect of non-resource transactions. Matters occurring two years prior to the filing generally have little relevance to the transaction. • Suggest a lower threshold for “major acquisition” be 	<p>a broader policy project that also involved a review of its use in National Instrument 51-102 Continuous Disclosure Obligations, and likely other instruments. This review is outside the scope of the current project.</p> <p>We are of the view that removal of the BAR requirement combined with other reporting requirements in the instrument, in particular the requirements for material change reporting, captures the relevant information.</p> <p>Considering the overall scope of the project, we are not prepared to remove the requirement for audited financial statements where there has been a major acquisition at this time.</p> <p>We are of the view that consistent information should be provided to investors in both the primary and secondary markets, where possible. Further, in the offering context an issuer must meet the standard of “full, true and plain” disclosure. An issuer will have to evaluate its proposed disclosure in that case and make a determination as to whether additional or different disclosure would be necessary to meet the applicable standard.</p> <p>The requirements in securities law are not identical to accounting standards. We acknowledge that this may lead to disclosures being made for accounting purposes with are different or in addition to those required for securities regulatory purposes. Issuers and their auditors will need to ensure that they are comfortable with the level of disclosure required to comply with accounting and auditing standards as well as securities regulation.</p>
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		<p>adopted for inclusion in an information circular or prospectus. For an auditor to issue a consent for a prospectus, the auditor must be satisfied that subsequent event disclosures have been made in the prospectus (CICA 7110). For a recent major acquisition disclosure of information as contemplated by IAS 10.22(a) might be required, which likely has a threshold lower than 100%, meaning disclosure may still be required under auditing standards.</p>	
13.20. Rule published for comment	<i>Transition issues</i>	<p>One commenter discussed transition issues. Their comments include the following:</p> <ul style="list-style-type: none"> No guidance is provided in the rule for the following situations: a) issuer moves from venture to non-venture – would it be required to provide comparative Q1 and Q3 reports in the year of transition? b) issuer moves from non-venture to venture – would it be required to provide Q1 and Q3 for 2 years? c) implications for pro-forma financial statements when a non-venture issuer takes over a venture issuer (latest quarter)? 	<p>We acknowledge the comments. Please see the discussion in section 1.1 of this summary.</p>
13.21. Section 3 of Rule published for comment	<i>Venture issuer definition</i>	<p>Five commenters discussed the definition of venture issuer. Their comments include the following:</p> <ul style="list-style-type: none"> Do not agree with rationale for excluding issuers who would be venture issuers but for the fact that they are captured by BCI 52-509. In Ontario, these issuers would be venture issuers. Recommend these issuers should be treated as venture issuers in all jurisdictions. Definition of venture issuer may capture unlisted issuers that were not intended to be captured (for example, issuers that became a reporting issuer in 	<p>We thank the commenters for their input on the definition of venture issuer. We are of the view that, broadly speaking, venture issuers are appropriately classified in reference to the exchanges on which those issuers are listed.</p> <p>For those issuers whose circumstances are such that their peer group are non-venture issuers or are otherwise comparable to non-venture issuers, the CSA will consider, on a case-by-case basis, applications for exemptive relief to allow those venture issuers to comply with the disclosure requirements applicable to</p>

		<p>plan of arrangement, amalgamation or other reorganization or non-offering prospectus). Resolve by (a) amending the definition of “senior listed issuer”, (b) defining venture issuers as belonging to a junior exchange, and (c) creating an opt-out provision for 51-103.</p> <ul style="list-style-type: none"> • Suggest revising the definition of venture issuer to not refer to listing on a particular exchange and focus more on what actually constitutes a venture issuer (e.g., early stage, limited issuer, higher investment risk, less internal controls than senior issuer). Alternatively, use a bright line test similar to listing standards. Determination whether a company continues to be venture issuer could be done with an annual review. • Large market capital companies will be caught as venture issuers owing to listing despite significant investor interests. As of October 26, 2011, there are 8 venture issuers with market capitalization over \$500M and 25 venture issuers with market capitalization between \$250M and \$500M. Propose amendments should apply based on nature of operations and size of issuer rather than listing. • If regulators consider it undesirable for large issuers to remain listed exclusively on the TSXV to avoid reporting requirements, they may consider distinguishing among venture issuers according to size or other criteria. 	<p>non-venture issuers. However, a venture issuer may voluntarily file in addition to the documents required under NI 51-103, certain documents in the form required under NI 51-102 (for example MD&A). Furthermore, exemptive relief is not required in respect of such filings.</p> <p>We created MI 51-105 as a tailored regime for issuers listed on the US Over-the-Counter markets. Because of the unique nature of issuers subject to MI 51-105, we do not think it is appropriate for them to be subject to the same regime as venture issuers. At this time, the OSC has not found sufficient abusive activities being conducted in Ontario by OTC issuers to propose legislative amendments to the <i>Securities Act</i> (Ontario) that would allow the implementation of MI 51-105 in Ontario.</p>
13.22. Rule published for comment	<i>Voting</i>	<p>Two commenters discussed the disclosure of voting results. Their comments include the following:</p> <ul style="list-style-type: none"> • Support the inclusion of a requirement for venture issuers to disclose detailed voting outcomes of 	<p>We thank the commenter for the input, but venture issuers are not currently required to provide disclosure of detailed voting outcomes and we did not consider it appropriate to introduce this requirement.</p>

		meetings of shareholders as is currently the case for non-venture issuers under section 11.3 of NI 51-102. For minimal expense to an issuer, this would provide valuable information especially in the context of contested proxy situations.	
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LIST OF COMMENTERS
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

Request for Comment July 29, 2011

	COMMENTER	NAME	DATE
1.	Golden Oak Corporate Services Ltd.	Doris Meyer	September 8, 2011
2.	Millrock Resources Inc.	Larry J. Cooper	September 8, 2011
3.	Marrelli Support Services Inc.	Carmelo Marrelli	September 21, 2011
4.	Tribute Resources Inc.	Jennifer A. Lewis	September 22, 2011
5.	Clark Wilson LLP	Bernard Pinsky	October 7, 2011
6.	Fiore Financial Corporation	Gordon Keep	October 11, 2011
7.	Fraser Milner Casgrain LLP	Brian Abraham	October 21, 2011
8.	Cabo Drilling Corporation	Robin J. Preston	October 21, 2011
9.	Ansar Financial and Development Corporation	Pervez Nasim	October 24, 2011
10.	KPMG LLP	Laura Moschitto	October 26, 2011
11.	Ingrid Martin (French & English versions)	Ingrid Martin	October 26, 2011
12.	CNSX Markets Inc.	Rob Theriault	October 27, 2011
13.	Ronald P. Gagel	Ronald P. Gagel	October 27, 2011
14.	Adriana Resources Inc.	Daniel Im	October 27, 2011
15.	Daniella Dimitrov	Daniella Dimitrov	October 27, 2011
16.	Tres-Or Resources Ltd.	Laura Lee Duffett	October 27, 2011
17.	Canadian Coalition for Good Governance	Daniel E. Chornous	October 27, 2011
18.	Canadian Foundation for Advancement of Investor Rights (FAIR)	Ermanno Pascutto	October 27, 2011
19.	S. Mark Francis	S. Mark Francis	October 27, 2011
20.	Wildeboer Dellelce LLP	Mark Wilson	October 27, 2011

	COMMENTER	NAME	DATE
21.	TSX Venture Exchange Inc.	Zafar Khan	October 27, 2011
22.	Blake, Cassels & Graydon LLP	Brendan Reay	October 27, 2011
23.	Computershare Investor Services	Lara Donaldson	October 27, 2011
24.	Takara Resources Inc	Tania Iieva	October 27, 2011
25.	Ontario Bar Association	Arlene O'Neill	October 27, 2011
26.	Ernst & Young LLP	Douglas L. Cameron/ Matt Bootle	October 27, 2011
27.	Fiera Sceptre Inc.	Michael Chan	October 27, 2011
28.	George H. Gale	George H. Gale	October 27, 2011
29.	VECTOR Corporate Finance Lawyers	Graham H. Scott	October 27, 2011
30.	Peat Resources Limited	Patricia Mannard	October 27, 2011
31.	Darnley Bay Resources Limited	Patricia Mannard	October 27, 2011
32.	Canada Rare Earths Inc.	Dave McMillan	October 27, 2011
33.	Canada Gold Corporation	Dave McMillan	October 27, 2011
34.	Duran Ventures Inc.	Dan Hamilton	October 27, 2011
35.	Burnet, Duckworth & Palmer LLP	Burnet, Duckworth & Palmer LLP, Securities Department	October 27, 2011
36.	Morton & Company	James N. Morton	October 27, 2011
37.	Walton International Group Inc.	Kurtis T. Kulman	October 27, 2011
38.	Jiminex Inc.	Allan J. Willy	October 27, 2011
39.	Boughton Law Corporation	Rory S. Godinho	October 27, 2011
40.	Goldrush Resources Ltd.	Len Brownlie	October 27, 2011
41.	Tetra Tech Wardrop	Jeff Wilson	October 27, 2011
42.	San Gold Corporation	George Pirie	October 27, 2011
43.	PJX Resources Inc.	John Keating	October 27, 2011
44.	PJX Resources Inc.	Linda Brennan	October 27, 2011
45.	OSC Investor Advisory Panel	Members of the OSC Investor Advisory Panel	October 27, 2011
46.	Alpha Group	Alpha Group	October 27, 2011
47.	Rogue Resources Inc.	Stephen de Jong	October 27, 2011
48.	Desjardins Group (French & English versions)	Raymond Laurin	October 27, 2011

	COMMENTER	NAME	DATE
49.	BC Gold Corp.	Larry Okada	October 27, 2011
50.	RedQuest Capital Corp.	Larry Okada	October 27, 2011
51.	Laurentian Goldfields Ltd.	Nick Corea	October 27, 2011
52.	SLAM Exploration Ltd.	Roland Lovesey	October 28, 2011
53.	Kincora Copper Ltd.	Igor A. Kovarsky	October 28, 2011
54.	Platinex Inc.	James R. Trusler	October 28, 2011
55.	iCo Therapeutics Inc	John Meekison	October 30, 2011
56.	Talmora Diamond Inc.	Maria Grimes	October 31, 2011
57.	Lund Gold Ltd.	Chet Idziszek	October 31, 2011
58.	Madison Minerals Inc.	Chet Idziszek	October 31, 2011
59.	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	October 31, 2011
60.	Bear Creek Mining Corporation	Bradley J. Blacketor	October 31, 2011
61.	Dr. Desh B. Sikka, P. Geo.	Dr. Desh B. Sikka, P. Geo.	October 2011
62.	Murray Brook Minerals Inc.	Jean-Jacques Treyvaud	November 1, 2011
63.	The Canadian Institute of Chartered Accountants (CICA)	Thomas S. Chambers	November 4, 2011
64.	FONDS	Philippe Bonin	November 4, 2011
65.	Canadian Public Accountability Board (CPAB)	Brian Hunt	November 9, 2011
66.	Norton Rose OR LLP	Securities Group of Norton Rose OR LLP	November 11, 2011
67.	Pension Investment Association of Canada (PIAC)	Barbara Miazga	November 14, 2011
68.	BCF Business Law (English & French)	The securities team at BCF, LLP	-
69.	Caisse de depot et placement du Québec (English & French)	Marie Giguère	November 4, 2011

Annex B

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

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 2. Interpretation
 3. Application
- PART 2 GOVERNANCE RESPONSIBILITIES**
4. Conflicts of Interest and Related Entity Transactions
 5. Audit Committee
 6. Trading Policies
- PART 3 PERIODIC DISCLOSURE**
7. Approval and Filing of Annual Report
 8. Annual Report and Annual Financial Statements
 9. Approval and Filing of Interim Report
 10. Interim Report and Interim Financial Report
 11. First Annual Financial Statements and Interim Financial Reports After Becoming a Reporting Issuer
 12. Delivery Options for an Annual Report or Interim Report
- PART 4 PROXY SOLICITATION AND INFORMATION CIRCULARS**
13. Requirements for Proxy Form and Information Circular
 14. Delivery Options for Proxy Form
 15. Delivery Options for Information Circular and Proxy Related Materials
 16. Dissident Proxy Solicitation Exemption
 17. Other Solicitation Exemptions
- PART 5 MATERIAL CHANGES AND OTHER MATERIAL INFORMATION**
18. Disclosure of Material Changes and Other Material Information
 19. Contents of and Filing Deadline for Form 51-103F2 *Report of Material Change or Other Material Information*
 20. Confidential Report of Material Change
- PART 6 ADDITIONAL DISCLOSURE FOR MAJOR ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS**
21. Definitions
 22. Major Acquisitions
 23. Additional Disclosure for a Major Acquisition
 24. Filing Extension for Disclosure of a Major Acquisition
 25. Contents of Interim Financial Report - Canadian GAAP Applicable to Major Acquisitions of Private Enterprises
 26. Financial Statements for a Major Acquisition of a Related Business
 27. Exemption for Major Acquisitions Accounted for Using the Equity Method

28. Exemption for Major Acquisitions if Financial Year End Changed
29. Exemption from Comparatives if Interim Financial Report for a Major Acquisition Not Previously Prepared
30. Exemption for a Major Acquisition by Multiple Investments in the Same Business
31. Exemption for a Major Acquisition of an Interest in an Oil and Gas Property
32. Additional Disclosure and Financial Statements Required for Certain Significant Transactions
33. Filing Extension for Additional Disclosure Provided in Form 51-103F2 *Report of Material Change or Other Material Information*

PART 7 OTHER REQUIRED DISCLOSURE

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35. Change of Reporting Issuer Status or Name
36. Securityholder Documents and Material Contracts
37. Change of Auditor
38. Financial News Release
39. Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks
40. Disclosure Relating to Previously Disclosed Material Forward-Looking Information
41. Change in Year End
42. Reverse-takeovers
43. Refiling of a Continuous Disclosure Document

PART 8 EXEMPTIONS

44. Discretionary Exemptions
45. SEC Issuers
46. Exemptions for Exchangeable Security Issuers and Credit Support Issuers
47. Existing Exemptions

PART 9 LANGUAGE OF DOCUMENTS

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49. Effective Date
50. Transition

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 this 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

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;

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

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

“annual report” means a completed Form 51-103F1 *Annual and Interim Reports*, prepared as an annual report or, in the case of an SEC issuer that is a venture issuer, the alternative disclosure permitted under section 45;

“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 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;

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

“chief executive officer” includes an individual performing functions similar to a chief executive officer;

“chief financial officer” includes an individual performing functions similar to a chief financial officer;

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

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

“equity investee” means a business 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, for a venture issuer, an individual to which any of the following apply:

- (a) the individual is the chair, vice-chair or president;
- (b) the individual is a chief executive officer or chief financial officer;
- (c) the individual is a vice-president in charge of a principal business unit, division or function, including sales, finance or production;
- (d) the individual performs a policy-making function in respect of the issuer;

“founder” means, for a venture issuer, a person who,

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
- (b) has been actively involved in the issuer’s business at any time within
 - (i) the 2 most recently completed financial years, or
 - (ii) the current financial year;

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

“inter-dealer bond broker” means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“interim period” means,

- (a) in the case of a year other than a non-standard year or 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 non-standard year, a period commencing on the first day of the financial year and ending within 22 days of the date that is 9, 6 or 3 months before the end of the financial year; or

- (c) 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;

“interim report” means a Form 51-103F1 *Annual and Interim Reports*, completed for an interim period in accordance with Part 8 of that form or, in the case of an SEC issuer that is a venture issuer, the alternative disclosure permitted by section 45;

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

“major acquisition” has the same meaning as in section 22;

“marketplace” means any of the following but does not include an inter-dealer bond broker:

- (a) an exchange;
- (b) a quotation and trade reporting system;
- (c) a person or company not included in paragraph (a) or (b) that does all 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 that executes a trade of an exchange-traded security outside of a marketplace;

“material contract” means a contract that a venture issuer or any of its subsidiaries is a party to and that is material to the venture issuer;

“non-standard year” means a financial year, other than a transition year, that does not have 365 days, or 366 days if the financial year includes February 29;

“predecessor auditor” means the auditor of a venture issuer that is the subject of the most recent termination or resignation;

“principal securityholder” means a person or company that beneficially owns or controls or directs, directly or indirectly, 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;

“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” has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

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

“related business” means a business to which, in relation to a second business, any 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” means, for a venture issuer, a person or company that, at the relevant time, is any 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 director, executive officer or insider of the venture issuer or “close members of the family”, as defined under Canadian GAAP applicable to publicly accountable enterprises, of a director, executive officer or insider;
- (d) an affiliated person or company of any person or company referred to in any of paragraphs (b) or (c);
- (e) a person or company of which one or more persons or companies described in paragraphs (a) to (d) beneficially own or control, in the aggregate, more than 50% of any class of equity securities;

“related entity transaction” means one or more of the following, if the transaction is material to a 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 or an affiliate of the venture issuer is 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);

“restricted security” means an equity security of a venture issuer if any of the following apply:

- (a) there is another class of securities of the venture issuer that, to a reasonable person, appears to carry a greater number of votes per security relative to the equity security;
- (b) the conditions attached to the class of equity securities, the conditions attached to another class of securities of the venture issuer, or the venture issuer's constating documents have provisions that nullify or, to a reasonable person, appear to significantly restrict the voting rights of the equity securities;
- (c) the venture issuer has issued another class of equity securities that, to a reasonable person, appears to entitle the owners of securities of that other class to participate in the earnings or assets of the venture issuer to a greater extent, on a per security basis, than the owners of the first class of equity securities;

“reverse-takeover” means either of the following:

- (a) a reverse acquisition, which has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;
- (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 publicly accountable enterprises;

“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) it 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) it 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;

“securitized product” means 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, without limitation
 - (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, or
 - (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, without limitation
 - (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, or
 - (vi) a synthetic collateralized debt obligation of collateralized debt obligations;

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

“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(2)(b), 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;

“solicit”, in connection with a proxy,

- (a) includes
 - (i) requesting a proxy, whether or not the request is accompanied by or included in a form of proxy,
 - (ii) requesting a securityholder to execute or not to execute a form of proxy or to revoke a proxy,
 - (iii) 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
 - (iv) sending a form of proxy to a securityholder by management of a venture issuer,
- (b) but does not include
 - (i) sending a form of proxy to a securityholder in response to an unsolicited request made by or on behalf of the securityholder,
 - (ii) performing ministerial acts or professional services on behalf of a person or company soliciting a proxy,
 - (iii) sending, by an intermediary as defined in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, of the documents referred to in that instrument,
 - (iv) soliciting by a person or company in respect of securities of which the person or company is the beneficial owner,

- (v) publicly announcing, by a securityholder, how the securityholder intends to vote and the reasons for that decision, if that public announcement is made by
 - (A) a speech in a public forum, or
 - (B) 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,
- (vi) 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
- (vii) communicating, other than a solicitation by or on behalf of the management of the venture issuer, to securityholders in any of the following circumstances:
 - (A) 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
 - (I) a securityholder who is an officer or director of the venture issuer if the communication is financed directly or indirectly by the venture issuer,
 - (II) 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,
 - (III) 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,
 - (IV) 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

- (V) any person or company acting on behalf of a securityholder described in any of clauses (A) to (D);
- (B) 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;
- (C) 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
 - (I) 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,
 - (II) 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
 - (III) 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;
- (D) 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;

“successor auditor” means the person or company that becomes the venture issuer's auditor after the termination or resignation of the venture issuer's predecessor auditor when

- (a) that person or company is appointed,

- (b) the board of directors have proposed to holders of qualified securities that the person or company be appointed, or
- (c) the board of directors have decided to propose to holders of qualified securities that the person or company be appointed;

“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 as determined under section 3.

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, New Brunswick, Northwest Territories, Prince Edward Island, Québec and Yukon Territory.*
- (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 this 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.*

Interpretation

2. In this Instrument,

- (a) an issuer is an affiliate of another issuer if one of them is the subsidiary of the other or if each of them is controlled by the same person or company;
- (b) a person or company (the “first person”) is considered to control another person or company (the “second person”) if any of the following apply:
 - (i) the first person beneficially owns, or controls or directs, directly or indirectly, securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation;
 - (ii) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership;
 - (iii) the second person is a limited partnership and the general partner of the limited partnership is the first person;
- (c) paragraph (b) applies only to subsections (a) and (d);
- (d) an issuer is a subsidiary of another issuer if it is controlled by that other issuer.

Application

- 3.(1)** In this section, “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 Segmento de Capital de Riesgo de la Bolsa de Valores de Lima, the NASDAQ *OMX* First North or the Bolsa de Valores de Colombia.
- (2)** This Instrument applies to a reporting issuer unless, as determined at the applicable time set out in subsection (4), 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) Alpha Main;
 - (iii) an exchange registered as a “national securities exchange” under section 6 of the 1934 Act;
 - (iv) a marketplace outside of Canada or the United States, other than a venture market;
 - (c) Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*, as amended, applies to the issuer;
- Guidance:**
Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Market does not apply in Ontario.
- (d) the issuer is a senior-unlisted issuer.
- (3)** Despite subsection (2), paragraph 35(1)(c) applies to an issuer that was a venture issuer but has ceased to be a venture issuer.
- (4)** For the purposes of subsection (2), the applicable time of the determination is
- (a) the end of the most recently completed financial year for the purpose of
 - (i) determining whether it is required to file an annual report under this Instrument,
 - (ii) the definition of “applicable CD rule” under National Instrument 44-101 *Short Form Prospectus Distributions*,

- (iii) determining whether it is required to file an information circular in Form 51-103F4 *Information Circular*, or
- (iv) determining whether it is required to file a technical report under paragraph 4.2(1)(b.1) of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*,
- (b) the end of the venture issuer's applicable interim period for the purpose of determining whether it is required to file an interim report under this Instrument,
- (c) the acquisition date for the purpose of determining whether it is required to file a report in Form 51-103F2 *Report of Material Change or Other Material Information* under this Instrument disclosing a major acquisition, or
- (d) the date of the material change for the purpose of
 - (i) determining whether it is required to file a report in Form 51-103F2 *Report of Material Change or Other Material Information*, or
 - (ii) the definition of "material change report" under National Instrument 44-101 *Short Form Prospectus Distributions* and National Instrument 45-106 *Prospectus and Registration Exemptions*.
- (e) the date the prospectus is filed for the purpose of determining whether it is required to file a prospectus in Form 41-101F4 *Information Required in a Venture Issuer Prospectus*.

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/mrexchanges.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".*

PART 2 GOVERNANCE RESPONSIBILITIES

Conflicts of Interest and Related Entity Transactions

- 4. The board of directors of a venture issuer must develop and implement policies and procedures to ensure that each director is made aware of and has an opportunity to consider, discuss and address in a timely fashion, each of the following:

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

Guidance:

- (1) *Venture issuers have discretion in designing their policies and procedures to achieve the desired objectives. The policies and procedures could be implemented in a variety of ways. For example, through written corporate policies or by way of conditions in employment or consulting agreements.*
- (2) *In designing policies to address conflicts of interest and related entity transactions, boards of directors may consider similar corporate law requirements in this area.*
- (3) *Some of the matters that would likely be addressed in policies and procedures include*
 - (a) *definitions and possibly examples of what might constitute a conflict of interest or related entity transaction,*
 - (b) *a description of when directors and executive officers are required to report a conflict of interest or related entity transaction,*
 - (c) *a description of how directors and executive officers are generally expected to report conflicts of interest and related entity transactions, for example, in writing or verbally at a meeting,*
 - (d) *details on the type of information that would need to be reported to provide the board of directors with sufficient information to consider the nature, effect and significance of the conflict of interest or proposed related entity transaction,*
 - (e) *a description of the process the board of directors might follow in considering the report of a conflict of interest or related entity transaction, for example, calling a special board meeting or setting aside additional time at the next regularly scheduled board meeting and documenting any decision or response flowing from the report, and*
 - (f) *examples of circumstances in which it would be inappropriate for a director to vote on a particular issue.*
- (4) *In designing its procedures, boards of directors of venture issuers may want to consider establishing a requirement for periodic confirmations from the directors and executive officers that they are aware of the venture issuer's policies on conflicts of interest and related entity transactions. Similarly, setting aside a few minutes at each board meeting or establishing a schedule to periodically query the existence and nature of any conflicts*

of interest and related entity transactions could be of assistance in achieving the desired objectives.

Audit Committee

5. (1) The board of directors of a venture issuer must appoint an audit committee composed of at least 3 directors, a majority of whom are not executive officers, employees or control persons of the venture issuer or an affiliate of the venture issuer.
- (2) The audit committee of a venture issuer must do all of the following:
- (a) make a recommendation to the board of directors for the appointment of an auditor;
 - (b) oversee the performance of services provided to the venture issuer by the auditor and the auditor's interaction with the venture issuer's management, including by doing all of the following:
 - (i) be informed of all 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 of the venture issuer's annual financial statements;
 - (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 that are currently, or were previously, employed by or partners of the venture issuer's auditor or predecessor auditor;
 - (c) review the annual financial statements, the auditor's report relating to those annual financial statements and the associated management's discussion and analysis contained in the annual report, before it is filed or disclosed, and make a recommendation to the board of directors regarding whether to approve the financial statements and management's discussion and analysis;
 - (d) review the interim financial report and associated quarterly highlights contained in the interim report, before the report is filed or disclosed, and approve that disclosure, if authorized to do so, or make a recommendation to the board of directors regarding whether to approve that disclosure;

- (e) review each news release, before it is filed or disclosed, if it contains financial information derived from annual financial statements or an interim financial report;
- (f) establish procedures reasonably designed to ensure all of the following:
 - (i) the committee receives, has a reasonable opportunity to consider and address, and keeps a record of, each complaint or concern regarding questionable accounting, internal accounting controls or auditing matters;
 - (ii) a complaint or concern can be submitted to a member of the audit committee or another individual designated by the audit committee who is not an executive officer, employee or control person of the venture issuer or an affiliate of the venture issuer and is not a member of management or a family member of management;
 - (iii) employees and consultants of the venture issuer can submit a complaint or concern on a confidential basis or anonymously.

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, if authority has been delegated to the audit committee, approve the interim report.

Trading Policies

6. A venture issuer must develop and implement policies and procedures reasonably designed to
- (a) monitor information about the venture issuer's business activities,
 - (b) control access to information about the venture issuer's business activities,
 - (c) identify who is in a special relationship with the venture issuer, and
 - (d) deter a person or company that is in a special relationship with the venture issuer, when that person or company has knowledge of a material fact or material change with respect to the venture issuer that has not been generally disclosed, from violating securities legislation.

Guidance:

Activities that could lead to a violation of securities legislation include

- (a) *buying, selling or otherwise entering into a transaction with respect to a security when that person or company has knowledge of a material fact or material change with respect to the venture issuer that has not been generally disclosed,*

- (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 security.*
- (1) *Policies and procedures that could significantly assist the board of directors in complying with the obligation in section 6 include those that*
 - (a) *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,*
 - (b) *identify persons or companies who typically have access to undisclosed material information and establish procedures for reasonably limiting that group,*
 - (c) *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, and*
 - (d) *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, interim report or a news release containing material information.*
- (2) *Policies and procedures 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.*
- (3) *Part VI of National Policy 51-201 Disclosure Standards provides guidance on establishing corporate disclosure policies and insider trading policies and other useful disclosure practices.*
- (4) *Part III 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 IV of that policy provides guidance on assessing materiality.*

PART 3 PERIODIC DISCLOSURE

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. Examples of when those prohibitions may apply include making a misleading statement

- (a) that could reasonably be expected to have a significant effect on the market price or value of the securities,*
- (b) to securities regulatory authorities or in a document provided to securities regulatory authorities, or*
- (c) 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.*

Approval and Filing of Annual Report

- 7. (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 the venture issuer's 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 and associated management's discussion and analysis forming part of the annual report.

Annual Report and Annual Financial Statements

- 8. (1)** A venture issuer must prepare an annual report in accordance with Form 51-103F1 *Annual and Interim 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 IFRS", 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 chief executive officer and chief financial officer of the venture issuer must certify and date the annual report, and any revised annual report, as set out in sections 43 and 44 of Form 51-103F1 *Annual and Interim Reports*.
- (5) If a venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exchangeable for 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 under Part 10 of that instrument in the annual report.

Guidance:

- (1) *Form 51-103F1 Annual and Interim Reports requires that the venture issuer's annual financial statements and management's discussion and analysis, accompanied by the auditor's report, be included in the annual report. The annual report must also be certified by the chief executive officer and chief financial officer.*
- (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 comparative statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include one set of audited financial statements that contain 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)(c).*
- (4) *Venture issuers should consider the obligations imposed under section 34 of this Instrument. If a venture issuer sends a disclosure document that contains material information (for example, financial statements) to its security holders, or files it with a regulator in another jurisdiction, that document must be concurrently filed with the applicable securities regulatory authority or regulator. There is allowance under section 34 for instances where it is not reasonably practicable to file a document concurrently, but we are of the view that these circumstances will be rare.*

Approval and Filing of Interim Report

9. (1) A venture issuer must file an interim report for each interim 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 the venture issuer's most recently completed interim period.
- (3) The board of directors of the venture issuer, or the audit committee if authority is delegated to the audit committee, must approve the interim report before it is filed.

Interim Report and Interim Financial Report

10. (1) A venture issuer must prepare its interim report in accordance with Part 8 of Form 51-103F1 *Annual and Interim Reports*.
- (2) A venture issuer's interim report must contain an interim financial report that
 - (a) includes 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 comparative interim period in the immediately preceding financial year, if any,
 - (b) includes, for interim periods other than the first interim period in a venture issuer's financial year, a statement of comprehensive income for the 3 month period ending on the last day of the interim period and comparative financial information for the comparative period in the immediately preceding financial year, if any,
 - (c) 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),
 - (d) 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, if any,
 - (e) in the following circumstances, includes a statement of financial position as at the beginning of the immediately preceding financial year:
 - (i) the venture issuer discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*; and
 - (ii) the venture issuer

- (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,
- (f) in the case of a venture issuer's first interim financial report in the year of adopting IFRS, includes the opening IFRS statement of financial position at the "date of transition to IFRS," as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, and
- (g) includes notes to the interim financial report.
- (3) The chief executive officer and chief financial officer of the venture issuer must certify and date the interim report, and any revised interim report, as set out in sections 43 and 44 of Form 51-103F1 *Annual and Interim Reports*.

Guidance:

- (1) *An interim report is required to be prepared in the form of Form 51-103F1 Annual and Interim Reports. It is required to include the venture issuer's interim financial report and certain additional information, including quarterly highlights. It is required to be certified by the venture issuer's chief executive officer and chief financial officer.*
- (2) *The term "interim financial report" is defined in Canadian GAAP applicable to publicly accountable enterprises.*

First Annual Financial Statements and Interim Financial Reports After Becoming a Reporting Issuer

11. (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 interim period immediately following the periods covered by the financial statements and the interim financial report 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, the statements or report 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) on or before the 120th day after the end of the venture issuer's most recently completed financial year, and
 - (b) in the case of an interim financial report,
 - (i) the 10th day after the venture issuer became a reporting issuer,
 - (ii) on or before the 60th day after the end of the venture issuer's most recently completed interim period.
- (3) A venture issuer is not required to provide comparative financial information in the statements or report referred to in subsection (1) for interim 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 in the report;
 - (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 interim 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.*

Delivery Options for an Annual Report or Interim Report

12. A venture issuer must send its annual report and interim reports to each registered securityholder and beneficial owner using one or any combination of the following methods:

- (a) a method to which the registered securityholder or beneficial owner consents;
- (b) 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;
- (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 interim 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 or a link to the specific page on another website, at which the annual report or interim report, as applicable, can be viewed electronically;
 - (B) disclose that a registered securityholder or beneficial owner may receive, upon request, from the venture issuer a copy of the most recently filed annual report or interim report, as applicable, free of charge;
 - (C) disclose contact details through which the request can be made;
 - (iii) if a registered securityholder or beneficial owner of the venture issuer requests a copy of an annual report or interim report, the venture issuer must send the most recently filed annual report or interim report, as applicable, to the registered securityholder or beneficial owner, without charge, as soon as reasonably practicable following the request and, in any event, within 3 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, or
 - (B) any other method to which the registered securityholder or beneficial owner consents.

Guidance:

- (1) *Section 12 permits use of a notice and access system as an alternative to mailing the annual report or interim 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) *References to “interim financial report” and “interim management’s discussion and analysis” as used in section 4.6 of National Instrument 51-102 Continuous Disclosure Obligations mean, in the context of this Instrument, the interim report.*
- (3) *Securities regulatory authorities are of the view that “registered securityholder” is 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.*

PART 4 PROXY SOLICITATION AND INFORMATION CIRCULARS

Requirements for Proxy Form and Information Circular

- 13. (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 whose proxy is solicited, an information circular.
- (3)** A proxy form required to be filed or sent under this Part must be prepared in accordance with Form 51-103F3 *Proxy Form*.
- (4)** 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 3(2)(b) of Form 51-103F3 *Proxy Form*, and
 - (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.
- (5)** Despite subsection (4), 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.
- (6) An information circular required to be filed or sent under this Part must be prepared and dated in accordance with Form 51-103F4 *Information Circular*.
- (7) A person or company required to send a document under this Part, must promptly file the following:
- (a) a copy of that document;
 - (b) all other material sent to registered securityholders in connection with the applicable meeting.

Delivery Options for Proxy Form

14. 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 method to which that registered securityholder consents.

Delivery Options for Information Circular and Proxy Related Material

15. (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) a method to which the registered securityholder consents;
 - (b) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period;
 - (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 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;
- (F) a document in plain language that explains notice and access and includes the following information:
 - (I) why the person or company is using notice-and-access;
 - (II) if the person or company 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 the return of the instructions;
 - (V) reference to the location in 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) contact details the beneficial owner can use 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 document referred to in subparagraph (i);

- (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 under paragraph (b) 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, and
 - (B) maintain a 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 3 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 (b).
- (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 subparagraph (1)(c)(i) is posted.

Guidance:

- (1) *Section 15 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.*

Dissident Proxy Solicitation Exemption

16. (1) Despite subsection 13(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 transaction referred to in subsection 32(6),
 - (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 under sections 7 and 26(b) and (d) 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 clause (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 under clauses (1)(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 under Part 4 of Form 51-103F4 *Information Circular* is filed, and
 - (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 subsection (1) is not considered to be made to the public unless it is disseminated using one or more of the following methods that the person or company making the solicitation reasonably believes to be effective in reaching the market for the venture issuer's voting securities:
 - (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 transaction referred to in subsection 32(6), that would involve the venture issuer and the person or company or an affiliate of the person or company, if in relation to the transaction the securities of the person or company, or securities of an affiliate 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 under 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 under 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 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.

Other Solicitation Exemptions

- 17. (1)** Section 13(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 13 to 16 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 venture issuer, person or company in connection with the meeting.

**PART 5
MATERIAL CHANGES AND OTHER MATERIAL INFORMATION**

Disclosure of Material Changes and Other Material Information

- 18.** A venture issuer must, immediately after any of the following events occur, issue and file a news release authorized by an executive officer disclosing the event:
- (a)** a material change;
 - (b)** a related entity transaction;
 - (c)** a decision to implement a related entity transaction made by either of the following:
 - (i)** the board of directors of the venture issuer,
 - (ii)** senior management of the venture issuer who believe that confirmation of the decision by the board of directors is probable;

- (d) a major acquisition.

Contents of and Filing Deadline for Form 51-103F2 Report of Material Change or Other Material Information

- 19. (1)** As soon as practicable but in any case by the 10th day after any of the events referred to in section 18, a venture issuer must prepare and file a report
- (a) in accordance with Form 51-103F2 *Report of Material Change or Other Material Information*, or
 - (b) as the news release referred to in section 18, if that news release
 - (i) contains the information required under Form 51-103F2 *Report of Material Change or Other Material Information*, other than section 8 of Form 51-103F2 *Report of Material Change or Other Material Information*, and
 - (ii) includes a title stating that it is a Form 51-103F2 *Report of Material Change or Other Material Information*.
- (2)** A news release prepared and filed in accordance with paragraph (1)(b) is deemed to be a Form 51-103F2 *Report of Material Change or Other Material Information*.
- (3)** A Form 51-103F2 *Report of Material Change or Other Material Information* that discloses a material change as required under paragraph 18(a) is a material change report.

Guidance:

- (1) *National Instrument 13-101 requires that a Form 51-103F2 Report of Material Change or Other Material Information be filed in the SEDAR category for material change reports.*
- (2) *If a Form 51-103F2 Report of Material Change or Other Material Information is prepared in the form of a news release under paragraph 19(1)(b) and filed in the SEDAR category for material change reports, it does not need to also be filed as a news release. However, the reverse is not true. If a Form 51-103F2 Report of Material Change or Other Material Information 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 report must also be filed in the SEDAR category for material change reports.*
- (3) *Whether the venture issuer chooses to prepare its report in the form of a Form 51-103F2 Report of Material Change or Other Material Information or in the form of a news release under paragraph 19(1)(b), that report is considered a “core document” for purposes of secondary market civil liability.*

Confidential Report of Material Change

- 20. (1)** Despite sections 18 and 19, a venture issuer may delay generally disclosing a material change that is not a related entity transaction if
- (a) the venture issuer immediately delivers the report required under section 19 marked to indicate that it is confidential, together with written reasons for non-disclosure, 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 under section 18 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 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 18(a);
 - (b) if the material change consists of a decision of the type referred to in subparagraph (1)(b)(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), the venture issuer must promptly generally disclose the material change in the manner referred to in sections 18 and 19 upon the venture issuer becoming aware, or having reasonable grounds to believe, that a person or company is purchasing or selling securities of the venture issuer with knowledge of the material change that has not been generally disclosed.

PART 6 ADDITIONAL DISCLOSURE FOR MAJOR ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

Definitions

- 21.** In this Part

“business” 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 been specifically attributed;

“market capitalization” means the sum of the aggregate market value of each class of equity securities of a venture issuer, where the market value of each class of securities is calculated by multiplying the number of securities of that class that were outstanding immediately before the announcement of the acquisition by the last trading price before the announcement of the acquisition;

“trading price” means,

- (a) if the class of equity securities is traded on a published venture market, the 10 day volume-weighted average closing price of those securities as reported by the published venture market on the last trading day before the announcement of the acquisition,
- (b) if the class of equity securities is not traded on a published venture market but the venture issuer has made application to have that class of securities listed or quoted on a published venture market and,
 - (i) if the venture issuer is conducting an initial public offering in connection with its application to list or quote that class of securities, then either
 - (A) the initial public offering price per security, if the initial public offering price has been determined, or
 - (B) the price per security at which the board of directors reasonably anticipates the securities will be issued on the initial public offering, if the initial public offering price has not been determined,
 - (ii) if the venture issuer is not conducting an initial public offering in connection with its application to list or quote that class of securities, then either
 - (A) the price per security of the concurrent financing, if the venture issuer is conducting a concurrent financing, or
 - (B) the price per security at which the board of directors reasonably anticipates the securities to commence trading on the published venture market, if the venture issuer is not conducting a concurrent financing, or

- (c) if the class of equity securities is not traded on a published venture market and no application to list or quote that class of securities on a published venture market has been made, the fair value of the outstanding securities of that class the day before the announcement of the acquisition.

Guidance

For this purpose, the securities regulatory authority or regulator will consider as evidence of the fair value such things as fairness opinions, valuations and letters from registered dealers.

Major Acquisition

- 22. (1) A direct or indirect acquisition of a business or related business by a venture issuer or a subsidiary of a venture issuer is a major acquisition if the pre-announcement value of the consideration to be transferred for the business or related business, calculated reasonably, equals 100% or more of the market capitalization of the venture issuer.
- (2) For the purpose of subsection (1), an acquisition includes a lease or an option to acquire.
- (3) For the purpose of the calculation in subsection (1), the consideration transferred must be determined without re-measuring previously held equity interests.
- (4) For the purpose of subsection (1), the pre-announcement value of any securities to be transferred for the business or related business is obtained by multiplying the number of securities to be transferred by the last trading price of the securities before announcement of the acquisition.

Guidance:

- (1) *The “pre-announcement value” in (1) is only used for the purpose of calculating whether an acquisition is a major acquisition. The actual value of the securities to be transferred, as required to be reported in the issuer’s financial statements is calculated as at the acquisition date.*
- (2) *Under section 23, a venture issuer that has made a major acquisition must include in its Form 51-103F2 Report of Material Change or Other Material Information certain financial statements of each business acquired. When determining whether a venture issuer is acquiring a “business”, consideration should be given to the particulars of the acquisition. The CSA generally considers a separate entity, a subsidiary or a division to be a business. In certain circumstances, a smaller component of a company may also be a business, whether or not that business previously prepared financial statements.*
- (3) *In determining whether a venture issuer is acquiring a business, a venture issuer should consider the continuity of business operations, including the following factors:*
 - (a) *whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition; and*

- (b) *whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the venture issuer instead of remaining with the seller after the acquisition.*

Additional Disclosure for a Major Acquisition

23.(1) A report filed under section 18 for 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.

Guidance:

Venture issuers are reminded that National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards sets out the accounting principles and auditing standards that must be used to prepare and audit the financial statements required for major acquisitions.

- (3) A report filed under section 18 for 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 interim 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 an interim period, before the acquisition date, or

- (ii) in the case of a period other than an interim period, after the interim 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.

Guidance:

Section 5 of Form 51-103F2 Report of Material Change or Other Material Information 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.

Filing Extension for Disclosure of a Major Acquisition

24. (1) Despite section 19(1), a venture issuer may file the disclosure required under subsection 23(1), 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.

(2) If a venture issuer relies on the exemption in subsection (1) the disclosure must

- (a) be filed as a Form 51-103F2 *Report of Material Change or Other Material Information*, and
- (b) be accompanied by a notice
 - (i) entitled “Addendum to Form 51-103F2 *Report of Material Change or Other Material Information*”, stating that the annual financial statements and interim financial reports, as applicable, are for a business acquired by the issuer that was a major acquisition and the acquisition date, and
 - (ii) stating the date of each Form 51-103F2 *Report of Material Change or Other Material Information* that has been filed relating to the major acquisition.

Contents of Interim Financial Report - Canadian GAAP Applicable to Major Acquisitions of Private Enterprises

25.(1) If a venture issuer is required under subsection 23(3) to include an interim financial report in the report required to be filed under section 19 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 interim 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 year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any;
 - (c) notes to the interim financial report.

Financial Statements for a Major Acquisition of a Related Business

- 26.** If a venture issuer is required under section 23 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.

Exemption for Major Acquisitions Accounted for Using the Equity Method

- 27.** A venture issuer is exempt from section 23 if
- (a) the acquisition is, or will be, of an equity investee;
 - (b) the report required to be filed under section 19 includes disclosure for the periods for which financial statements are otherwise required under subsection 23(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;
 - (d) the report required to be filed under section 19
 - (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 or the financial information referred to in paragraph (d).

Exemption for Major Acquisitions if Financial Year End Changed

- 28.** If under section 23 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, if the transition year is at least 9 months.

Exemption from Comparatives if Interim Financial Report for a Major Acquisition Not Previously Prepared

- 29.** A venture issuer is not required to provide comparative information for an interim financial report required under subsection 23(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 interim period of the acquired business,
 - (b) the prior-period information that is available is presented in the report, and
 - (c) the notes to the report disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

Guidance:

- (1) *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.*
- (2) *Section 29 provides that a venture issuer does not have to provide comparative financial information for an acquired business if specific requirements are met. This exemption may, for example, apply to an acquired business that was, before the acquisition, a private entity. In this example, the venture issuer may be unable to prepare the comparative financial information because it is impracticable to do so.*

- (3) *Relief may be granted from the requirement to include certain financial statements of an acquired business or related business in some situations that may include the following:*
- (a) *the business's historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the venture issuer may be requested by the securities regulatory authority or regulator to*
 - (i) *represent in writing to the securities regulatory authority or regulator, no later than the time Form 51-103F2 Report of Material Change or Other Material Information is required to be filed, that the venture issuer made every reasonable effort to obtain copies of, or reconstruct the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and*
 - (ii) *disclose in Form 51-103F2 Report of Material Change or Other Material Information the fact that the historical accounting records have been destroyed and cannot be reconstructed; or*
 - (b) *the business has recently emerged from bankruptcy and current management of the business and the venture issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the venture issuer may be requested by the securities regulatory authority or regulator to*
 - (i) *represent in writing to the securities regulatory authority or regulator, no later than the time Form 51-103F2 Report of Material Change or Other Material Information is required to be filed that the venture issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful; and*
 - (ii) *disclose in Form 51-103F2 Report of Material Change or Other Material Information the fact that the business has recently emerged from bankruptcy and current management of the business and the venture issuer are denied access to the historical accounting records.*

Exemption for a Major Acquisition by Multiple Investments in the Same Business

- 30.** Despite section 23, 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 the report required to be filed under section 19 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.

Exemption for a Major Acquisition of an Interest in an Oil and Gas Property

31.(1) A venture issuer is exempt from the requirements in section 23 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, unless the seller transferred the business to that other issuer which
 - (i) was created for the sole purpose of facilitating the acquisition, and
 - (ii) other than assets or operations relating to the transferred business, has no substantial assets or operating history;
- (b) the venture issuer is unable to provide the financial statements or interim financial reports in respect of the major acquisition required under section 23, or as otherwise permitted by sections 25, 27, 28, 29 or 30 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 23, or as otherwise permitted by sections 25, 27, 28, 29 or 30, Form 51-103F2 *Report of Material Change or Other Material Information* 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 23(1) is audited; and
- (f) the report required to be filed under section 19 discloses both 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 both of the following apply:
 - (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 required to be filed under section 19 discloses this fact.

Additional Disclosure and Financial Statements Required for Certain Transactions

- 32. (1)** If a venture issuer conducts a transaction referred to in subsection (6) it must disclose, or incorporate by reference, information, including annual financial statements and interim financial reports, if applicable, for each of the following:
- (a) the venture issuer if it has not filed all documents required under this Instrument;
 - (b) each person or company, 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 person or company after the transaction referred to in subsection (6) is completed;
 - (c) each person or company that would result from the transaction referred to in subsection (6), if the venture issuer's securityholders will have an interest in that person or company after the transaction referred to in subsection (6) is completed.
- (2) The disclosure required under subsection (1) for the venture issuer and each person or company referred to in paragraphs (1)(b) or (1)(c) 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 person or company, respectively, would be eligible to use immediately prior to the sending and filing of the information circular in respect of the transaction referred to in subsection (6) for a distribution of securities in the jurisdiction.
- (3) If the venture issuer's securityholders are solicited in respect of a transaction referred to in subsection (6), the disclosure required under this Part must be included in the information circular prepared for the meeting of securityholders.
- (4) If disclosure will not be provided in an information circular, the disclosure required under this Part must be included in a Form 51-103F2 *Report of Material Change or Other Material Information*.
- (5) Despite subsections (3) and (4), if disclosure of a transaction referred to in subsection (6) has been included in 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 including in the information circular or Form 51-103F2 *Report of Material Change or Other Material Information* required under this section a statement:

- (a) indicating that the applicable disclosure is incorporated by reference from another document and identifying that other document by name and date;
 - (b) identifying the location of the relevant disclosure in the other document;
 - (c) indicating that the other document is available on SEDAR at www.sedar.com.
- (6) The disclosure required under subsections (1) and (2) is required for each of the following transactions involving a venture issuer:
- (a) a reverse-takeover;
 - (b) an amalgamation, merger, arrangement or reorganization;
 - (c) a transaction or series of transactions in which the venture issuer acquires assets and issues securities where both of the following apply immediately after the transaction
 - (i) the venture issuer has issued that number of voting securities that is at least 50% of the number of voting securities outstanding prior to the transaction, and
 - (ii) one or more persons or companies described in subsection (7) meet either of the following conditions:
 - (A) alone or with their associates or affiliates are able to materially affect control of the venture issuer;
 - (B) alone or with their associates or affiliates hold more than 20% of the outstanding voting securities of the venture issuer, unless there is evidence showing that holding those securities does not materially affect the control of the venture issuer;
 - (d) any other transaction or series of transactions similar to the transactions listed in paragraphs (a) to (c).
- (7) The persons or companies referred to in paragraph (6)(c)(ii) are any of the following:
- (a) the sellers of the assets;
 - (b) a person or company who, alone or with that person or company's associates or affiliates, did not, prior to the transaction, meet either of the following conditions:

- (i) have the ability to materially affect the control of the venture issuer;
 - (ii) hold more than 20% of the outstanding voting securities of the venture issuer;
- (c) a combination of persons or companies, acting together, who did not, prior to the transaction, meet either of the following conditions:
- (i) have the ability to materially affect the control of the venture issuer;
 - (ii) hold more than 20% of the outstanding voting securities of the venture issuer;
- (d) one or more individuals who, prior to the transaction, were not management of the venture issuer.
- (8) Despite subsection (4), disclosure under subsections (1) and (2) is not required for 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:

Section 5 of Form 51-103F2 Report of Material Change or Other Material Information 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.

Filing Extension for Additional Disclosure Provided in Form 51-103F2 Report of Material Change or Other Material Information

- 33. (1)** Despite section 18, if the additional disclosure required under subsection 32(1) is included in a Form 51-103F2 *Report of Material Change or Other Material Information*, a venture issuer may file the disclosure,
- (a) within 75 days after the date of closing of the transaction, or
 - (b) if the most recently completed financial year of a person or company for which additional disclosure is required ended 45 days or less before the date of closing of the transaction, within 60 days after the date of closing.
- (2)** If a venture issuer relies on the exemption in subsection (1) the disclosure must be accompanied by a notice
- (a) entitled "Addendum to Form 51-103F2 *Report of Material Change or Other Material Information*", stating that the annual financial statements and interim financial reports, as applicable, are for a person or company with which the venture issuer conducted a significant transaction, including a brief description of that transaction and the date of closing of the transaction, and

- (b) stating the date of each Form 51-103F2 *Report of Material Change or Other Material Information* that has been filed relating to the transaction.

PART 7 OTHER REQUIRED DISCLOSURE

Disclosure Made in Other Jurisdictions or Sent to Securityholders

- 34. (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 of the following apply:
- (a) it sends the disclosure document to its securityholders;
 - (b) it files the disclosure document with a securities regulatory authority or regulator in another province or territory;
 - (c) in the case of an SEC issuer, it files the disclosure document 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;
 - (d) it files the disclosure document 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 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 34 it must comply with National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

Change of Reporting Issuer Status or Name

- 35. (1)** An issuer must file a notice as soon as practicable, and in any event, not later than the deadline for the first filing required under this Instrument, after the occurrence of any of the following:
- (a) the issuer becomes a venture issuer;
 - (a) the venture issuer changes its name;

- (c) the issuer ceases to be a venture issuer.
- (2) The notice required under subsection (1) must disclose each of the following:
- (a) the circumstances of 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, of 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.
- (3) 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 5 and files a copy of the report required to be filed under section 19 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.

Securityholder Documents and Material Contracts

- 36. (1)** A venture issuer must file a copy of each of the following documents and a copy of any material amendment to the following, unless previously filed:
- (a) articles of incorporation, amalgamation, continuation or any other constating or establishing documents of the venture issuer;
 - (b) the venture issuer's by-laws or other corresponding instruments currently in effect;
 - (c) any securityholder or voting trust agreement that the venture issuer has access to and that can reasonably be regarded as material to an investor in securities of the venture issuer;

- (d) any 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) Despite paragraph (1)(e), a venture issuer is not required to file a copy of a material contract entered into in the ordinary course of business unless the material contract is any of the following:
- (a) a contract to which directors, executive officers, or founders are parties other than a contract of employment;
 - (b) a continuing contract to sell the majority of the venture issuer's products or services or to purchase the majority of the venture issuer's requirements of goods, services or raw materials;
 - (c) a franchise or license or other agreement to use a patent, formula, trade secret, process or trade name;
 - (d) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions;
 - (e) an external management or external administration agreement;
 - (f) a contract on which 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.*

- (3) A venture issuer may omit or mark a provision of a material contract so that it is 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, or
 - (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 marked to be unreadable in the material contract, immediately below the omitted or unreadable provision.
- (4) Unless previously filed, a venture issuer must file a copy of a material contract entered into
- (a) within the last financial year, or
 - (b) before the last financial year if that material contract is still in effect.
- (5) The documents required to be filed under (1) must be filed no later than the earlier of
- (a) the date the venture issuer files a report in Form 51-103F2 *Report of Material Change or Other Material Information*, if the making of the document is a material change for the issuer, or
 - (b) the date that 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 36(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.*
- (3) *The CSA will consider schedules, side letters or exhibits referred to in a material contract to be part of the material contract for purposes of section 36 and these documents or attachments are also required to be filed. Subsection 36(3) allows the venture issuer to omit or make provisions of material contracts unreadable in certain circumstances; this provision extends to the schedules, side letters or exhibits.*

- (4) *Whether the venture issuer entered into a contract in the ordinary course of business is determined based on a review of the facts surrounding the contract including consideration of the venture issuer's business and industry.*

Change of Auditor

37. (1) This section does not apply to

- (a) a change of auditor required by legislation,
- (b) a change of auditor resulting from a reverse takeover, amalgamation, merger, arrangement or reorganization of the venture issuer if the reason for the change of auditor is not a situation referred to in subparagraph (2)(d)(i), (ii) or (iii), or
- (c) a change of auditor that arises from an amalgamation, merger or other reorganization of the auditor.

(2) If there is a change of auditor, the venture issuer must prepare a notice that includes the following information:

- (a) the date of termination or resignation;
- (b) whether the termination or resignation of the predecessor auditor and any appointment of the successor auditor were considered or approved by the audit committee of the venture issuer's board of directors or the venture issuer's board of directors;
- (c) whether the predecessor auditor
 - (i) resigned on the predecessor auditor's own initiative or at the venture issuer's request,
 - (ii) declined to stand for re-election or was removed, or
 - (iii) was not reappointed or has not been proposed for reappointment.
- (d) whether the change of auditor is a result of any of the following:
 - (i) a difference of opinion related to the content or presentation of the venture issuer's previously issued annual financial statements or interim financial reports or the predecessor auditor's audit report or communication of the results of the auditor's review of the issuer's interim financial report;
 - (ii) a difference of opinion related to the content or presentation of the venture issuer's annual financial statements or interim financial reports proposed to be issued or the predecessor auditor's proposed audit report or

communication of the results of the auditor's proposed review of the issuer's interim financial report;

- (iii) a consultation, unresolved issue or any other reason unrelated to the content or presentation of the venture issuer's annual financial statements or interim financial reports referred in subparagraphs (i) and (ii).
- (3) The notice required under subsection (2) must be filed with the securities regulatory authority or regulator and must be delivered to the venture issuer's predecessor auditor and, if applicable, its successor auditor on the earlier of
- (a) 30 days after the change of auditor, or
 - (b) the next filing deadline for the venture issuer's annual report required under this Instrument.
- (4) If a predecessor or successor auditor concludes that the venture issuer's notice required under subsection (2) fails to fairly and fully provide the information required by subparagraphs (2)(d)(i), (2)(d)(ii) and (2)(d)(iii), the auditor must, within 7 days, deliver a letter to the securities regulatory authority or regulator that provides notice of the deficiency and an explanation of the inaccuracy.

Guidance:

- (1) *In situations described in subparagraph 2(d)(i) where management of the venture issuer does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation, and amend the financial statements in circumstances where the auditor believes they need to be amended, Canadian Auditing Standards require that the auditor notify management of the venture issuer that the auditor will seek to prevent future reliance on the auditor's report. If, despite such notification, management do not take the necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report.*
- (2) *If a venture issuer is required to describe a consultation under subparagraph 2(d)(iii), the description should include both the predecessor auditor and successor auditor advice, if applicable. Advice includes both oral and written forms.*
- (3) *Form 51-103F4 Information Circular requires that the notice required under subsection (2) 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.*

Financial News Release

38. 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 reviewed by the audit committee before it is issued.

Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks

- 39. (1)** This section applies to forward-looking information that is disclosed by a venture issuer other than forward-looking information contained in oral statements.
- (2)** A venture issuer that discloses material forward-looking information must have a reasonable basis for that information, and must do each of the following, in connection with disclosing that information:
- (a)** identify the statements that contain the forward-looking information;
 - (b)** caution users of the forward-looking information that actual results may vary and identify material known and reasonably foreseeable risk factors that could cause actual results to differ materially;
 - (c)** state the material factors or assumptions used to develop the forward-looking information;
 - (d)** describe any policy of the venture issuer for updating forward-looking information, beyond that which is required under section 40.
- (3)** 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 “future oriented financial information”, or presented in some other manner, that is a “financial outlook”, if
- (a)** at the time of disclosure, the assumptions supporting the financial outlook or future oriented financial information 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.
- (4)** A venture issuer that discloses information described in subsection (3) must, in addition to making the disclosure required under paragraph (2),

- (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.
- (5) Subsections (3) and (4) do not apply 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 (3)(a) if that exemption has not been removed.

Guidance:

- (1) *The provisions dealing with forward-looking information in section 39 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.
- (3) *Examples of financial outlooks include expected revenue, profit or loss, earnings per share and research and development spending. A financial outlook relating to profit or loss is commonly referred to as “earnings guidance”.*
- (4) *An example of forward-looking information that is not a financial outlook or future oriented financial information would be an estimate of future store openings by an issuer in the retail industry. This type of information may or may not be material, depending on whether a reasonable investor’s decision whether or not to buy, sell or hold securities of that issuer would be influenced or changed if the information were omitted or misstated.*

- (5) *Paragraph 39(3)(b) requires a venture issuer to limit the period covered by future oriented financial information or a financial outlook to a period for which the information can be reasonably estimated. In many cases that time period will not go beyond the end of the venture issuer's next fiscal year. Some of the factors a venture issuer should consider include the venture issuer's ability to make appropriate assumptions, the nature of the venture issuer's industry and the venture issuer's operating cycle.*
- (6) *Venture issuers may consider using tables and other methods of presentation that clearly link specific material risk factors and material factors and assumptions to the particular forward-looking information.*

Disclosure Relating to Previously Disclosed Material Forward-Looking Information

- 40. (1)** If a venture issuer previously disclosed material forward-looking information to the public, other than forward-looking information referred to in section 39(5), it must update that disclosure in accordance with section 22(1) of Form 51-103F1 *Annual and Interim Reports*.
- (2)** If, during the period to which an annual report or interim report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, the venture issuer must provide disclosure in accordance with section 22(2) of Form 51-103F1 *Annual and Interim Reports*.

Change in Year End

- 41. (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 that decision, file a notice disclosing the following:
 - (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, including comparative periods, of each interim financial report and the annual financial statements to be filed for its transition year and new financial year;
 - (d) the filing deadlines, respectively, for the interim reports 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 interim period after an old financial year must not exceed 4 months.

- (3) Despite section 8, a venture issuer is not required to file an interim report for any period in its transition year that ends not more than one month
 - (a) after the last day of its old financial year, or
 - (b) 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 each of the following 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;
 - (d) in the case of the venture issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS.

- (5) If the interim period for the venture issuer's transition year ends 3, 6, 9 or 12 months after the end of its old financial year, the venture issuer must include each of the following as comparative financial information in each interim financial report:
 - (a) during its transition year, the comparative financial information required under section 10, except if an interim 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;
 - (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 interim period in the new financial year;
 - (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 interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* and that
 - (i) applies an accounting policy retrospectively in its interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or
 - (iii) reclassifies items in its interim financial report;
 - (d) in the case of the venture issuer's 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.
- (6)** If the interim period for a venture issuer's transition year ends 12, 9, 6 or 3 months before the end of the transition year, the venture issuer must include each of the following as comparative financial information in each interim financial report:
- (a) during its transition year, a statement of financial position as at the end of its old financial year, and 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 interim period in the transition year;
 - (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 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 interim period in the new financial year;
 - (c) in the case of a venture issuer that discloses in its interim financial report an unreserved 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 interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or
 - (iii) reclassifies items in its interim financial report;
- (d) in the case of the venture issuer's 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.

Guidance:

For assistance with determining filing requirements for changes in year end, venture issuers may wish to consult Appendix A of Companion Policy 51-102CP – Continuous Disclosure Requirements.

Reverse-takeovers

42. (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 interim 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 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 or Other Material Information*, 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 under subsection (1) must be filed by the later of

- (a) the 20th day after the date of the reverse-takeover, or
- (b) the 120th day after the end of the financial year.

- (3) The interim financial reports for interim periods required under 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 interim period, or
 - (c) the filing deadline in subsection (2).
- (4) A venture issuer is not required to provide comparative interim 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, and 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 interim reports of the reverse-takeover acquiree for each annual financial year and interim 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 regarding the meaning of the word "impracticable".*
- (4) *If a venture issuer changes its year end in connection with a reverse-takeover, section 41 requires that it file a notice.*

Refiling of a Continuous Disclosure Document

- 43.(1) If a venture issuer makes a decision to re-file a document filed under this Instrument or under National Instrument 51-102 *Continuous Disclosure Obligations* and the information in the re-filed document will differ materially from the information originally filed, then the venture issuer must immediately issue and file a news release that describes the nature and substance of the change or proposed change and that news release must be authorized by an executive officer.

- (2) If any revisions are made to an annual report or to an interim report that differ materially from the information originally filed, then the entire revised annual report or interim report must be re-filed and recertified.

PART 8 EXEMPTIONS

Discretionary Exemptions

44. (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.

SEC Issuers

45. (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 paragraph (a), the information required under Item 402 “Executive Compensation” of Regulation S-K under the 1934 Act other than, as a foreign private issuer, by providing the information required under 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 under 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 under the following items of Form 51-103F1 *Annual and Interim Reports*:
 - (i) subsections 18(3) to (5) (management’s discussion and analysis disclosure for venture issuers without significant revenue);
 - (ii) section 19 Business Objectives, Performance Targets and Milestones;

- (iii) section 21 Significant Equity Investee;
 - (iv) section 22 Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks;
 - (v) section 26 Outstanding, Escrowed and Fully-Diluted Securities;
 - (vi) section 29 Trading Price and Volume;
 - (vii) section 30 Directors' and Executive Officers' Biographical Information, Securityholdings and Conflicts of Interest, but only as it relates to securityholdings, and
- (e) files together or concurrently with the report referred to in paragraph (a), the certificates required under subsection 8(4), modified as necessary to indicate that the certification applies to the disclosure required under paragraphs (b) and (d), if the disclosure required under paragraphs (b) or (d) is not included in the report referred to in paragraph (a).
- (2) A venture issuer that is an SEC issuer satisfies the requirements of section 10, with respect to an interim report for an interim period, if it
- (a) files each Form 10-Q or Form 6-K required under the 1934 Act that was prepared for an interim period and contained the venture issuer's quarterly interim financial report and management's discussion and analysis,
 - (b) is in compliance with the SOX 302 rules and files the signed certificates required under the SOX 302 rules relating to the report referred to in paragraph (a) together or concurrently with that report.
- (3) Section 12(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 41 if it
- (a) complies with the requirements of U.S. federal securities laws relating to a change of fiscal year, and
 - (b) 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 interim reports, no later than the filing deadlines prescribed under sections 9 and 11.
- (5) Section 37 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 34(1)(c) 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.

Exemptions for Exchangeable Security Issuers and Credit Support Issuers

- 46. (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.

Existing Exemptions

- 47. (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*;
 - (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 LANGUAGE OF DOCUMENTS

Language of Documents

48. (1) A document required to be filed under this Instrument may 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 the version in the other language 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.
- (4) In Québec, a venture issuer must comply with linguistic obligations and rights prescribed by Québec law.

PART 10 EFFECTIVE DATE AND TRANSITION

Effective Date

49. This Instrument comes into force [●].

Transition

50. Despite section 49, Parts 3, 4 and 7 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 [●].

FORM 51-103F1
ANNUAL AND INTERIM REPORTS

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FORM 51-103F1
ANNUAL AND INTERIM REPORTS

PART 1 INSTRUCTIONS

1. Overview of Annual and Interim Reports

Audited annual financial statements and associated management's discussion and analysis 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 related entity transactions. The specific requirements for the content of an annual report are in Parts 2 – 7, 9 and 10.

An interim report consists primarily of the interim financial report and quarterly highlights. The specific requirements for the content of an interim report are in Part 8.

The last part of this form includes a disclosure certificate that must be signed by the chief executive officer and chief financial officer and included in an annual report and an interim report. By signing the certificate, the chief executive officer and chief financial officer 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. You do not need to disclose information that is not material.

Guidance:

For purposes of item 17(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.

For purposes of item 30(4), disclose all orders, bankruptcies, penalties and sanctions.

3. Guidelines for Management's Discussion and Analysis

Management's discussion and analysis must 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. A repetition of the information provided in the financial statements or a summary of the financial statement changes as compared to the prior financial year is not

sufficient. Changes in the venture issuer's financial performance and financial condition must be explained. Avoid boilerplate discussion.

The purpose of management's discussion and analysis 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 must discuss information that may not be clearly or fully reflected in the financial statements, 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 17 to 21 must be based on the reverse-takeover acquirer's financial statements and interim financial reports.

4. Quarterly Highlights

The purpose of the quarterly highlights reporting is to obtain a brief narrative update about the business activities and financial position of the venture issuer. Provide a short, focused discussion that gives an accurate picture of the venture issuer's business activities during the interim period.

If there was a change to the venture issuer's accounting policies during the quarter, include a description of the material effects resulting from the change.

5. Defined Terms

For terms used in this form that are not defined in the form, refer to the Instrument and, if not defined in the Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

Guidance:

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 the Instrument.

6. Repetition and Incorporating Information by Reference

Unless indicated otherwise in this form, it is not necessary to repeat disclosure that the venture issuer has provided elsewhere in the form.

Incorporating material into this form by reference is not permitted, unless expressly stated.

Despite the above restriction, a capital pool company may incorporate by reference the disclosure required by sections 16 and 17 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 the business for the capital pool company. 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.

7. 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.

8. 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.

9. 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.

10. 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 interim report as at the last day of the most recently completed interim 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, update that information to the date of filing and clearly indicate the date to which the information is current. The accompanying disclosure certificate must be dated as of the date the report is filed.

11. Forward-Looking Information

Any forward-looking information provided in a report must comply with section 39 of the Instrument.

12. 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 management's discussion and analysis or quarterly highlights, as applicable, the prior period information relating to financial performance that is available.

13. 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.

14. Table of Contents

Include a table of contents with an annual report.

PART 2 DISCLOSURE OF BUSINESS

15. Cover Page

- (1) On or near the front or back of the annual report, disclose each of 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 and exists;
 - (c) the venture issuer's registered address and head office address, 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;
 - (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 annual 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 management’s discussion and analysis for interim periods. 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.

This 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 annual report or interim report is a revised report, identify it as a “revised” report.

16. Corporate Structure

- (1) Disclose the relationship between the venture issuer and each subsidiary 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 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;
- (c) for a partnership, the agreement or agreements under which it operates and the laws under which it was created.

17. Business Description

(1) General – Disclose each of the following:

- (a) the venture issuer's industry and a description of its current business and its operating segments that are reportable segments as those terms are described in the issuer's GAAP;
- (b) the number of employees, and the number of consultants retained on an on-going basis, of the venture issuer;
- (c) the principal location(s) of the venture issuer's business.

Guidance:

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;*
- *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;*
- *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 subparagraph (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, and
 - (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 17(2), the venture issuer may satisfy the disclosure requirements in subsection 17(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 is subject to National Instrument 43-101 Standards of Disclosure for Mineral Projects, which requires a venture issuer to 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) **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:

National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities requires venture issuers to disclose reserves and resources using the appropriate terminology and categories as prescribed by the “COGE Handbook”, as that term is defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

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

Guidance:

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.*

- (6) **Issuers Engaged in Research and Development** – Describe each of the venture issuer’s products or services that are in the research or 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;
- (f) whether contracts exist with major suppliers or customers.

18. Two Year History and Management’s Discussion and Analysis 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 acquisitions and dispositions and 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) 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

- (1) *To the extent that any of the key operating statistics and performance measures in (2)(c) are "non-GAAP financial measures", refer to the CSA Staff Notice 52-306 Non-GAAP Financial Measures and Additional GAAP Measures for further guidance about how to disclose these items.*
- (2) *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.*
- (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 2 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, and
- (c) 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, and
 - (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 on the operations of the venture issuer and how the deficiency is anticipated to be remedied, and
 - (iii) whether the venture issuer reasonably expects to have sufficient funds to maintain activities and fund planned growth or development activities;
 - (b) the amount, nature and purpose of 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 and how the venture issuer intends to cure the defaults or arrears or address the risk of anticipated defaults or arrears;
- (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, and
 - (iii) debt, equity or other available financing resources.

19. 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, 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.
- (4) 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 39 of the Instrument.*
- (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*
- (a) *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, and*
 - (b) *ensure that a statement proximate to the forward-looking information is made which contains reasonable cautionary language which*
 - (i) *identifies the forward-looking information,*
 - (ii) *identifies the material factors that could cause actual results to differ materially from the forward-looking information, and*
 - (iii) *states the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection in the forward-looking information.*

20. 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 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.

21. Significant Equity Investee

- (1) A venture issuer that has a significant equity investee must disclose
 - (a) summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss, and
 - (a) 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;
- (2) Provide the disclosure in subsection (1) for the following periods:
 - (a) the 2 most recently completed financial years;
 - (b) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial report included in the prospectus, if any.
- (3) Subsection (1) does not apply if
 - (a) the information required under that subsection has been disclosed in the financial statements included in the annual report, or
 - (b) the issuer files separate financial statements of the equity investee for the periods referred to in subsection (2).

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.*

22. Forward-Looking Information, Future Oriented Financial Information 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 39(5) of the Instrument, disclose either

(a) both of the following:

- (i) all events or circumstances that have occurred in the period to which the annual report or interim 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 future oriented financial information, any material differences from actual results for the period to which the annual report or interim report relates, or

(b) 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.

Guidance:

- (1) *For the purpose of subsection (1), disclosure will be considered to be made to the public if it is filed, made in a press release, in a newspaper, magazine or other publication generally available to the public or published on a website or in marketing material.*
- (2) *The following is an example of disclosure that must be updated: a venture issuer published future oriented financial information for the current year assuming no change in the prime interest rate, but by the end of the second quarter the prime interest rate increased by 2%. In its disclosure for the second quarter, the venture issuer should discuss the interest rate increase and its expected effect on results compared to those indicated in the previously disclosed future oriented financial information.*
- (3) *A venture issuer should also consider whether the events and circumstances that trigger updating this disclosure also trigger material change reporting under Part 5 of the Instrument.*
- (4) *Under (a)(ii) a venture issuer should disclose and discuss material differences for material individual items included in the future oriented financial information or financial outlook, including assumptions.*

(5) *For example, if the actual dollar amount of revenue approximates forecasted revenue but the sales mix or sales volume differs materially from what the venture issuer expected, the venture issuer should explain the differences.*

- (2) If, during the period to which an annual report or interim report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, disclose either
- (a) the withdrawal and explain the reasons for the withdrawal, including the assumptions for the forward-looking information that are no longer valid, or
 - (b) 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.

23. Risk Factors - Disclose the risk factors of the venture issuer, by first identifying the risks that are most significant to the venture issuer.

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.*

24. 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, and 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.

25. Material Contracts - List each material contract required to be filed under paragraph 36(1)(e) of the Instrument 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

26. 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 or exchangeable securities that may be converted or exchanged 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 or exchangeable securities that may be converted or exchanged into voting or equity securities were converted or exchanged;
- (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*.

27. Founders, Principal Securityholders and Control Persons - To the extent reasonably ascertainable, identify each founder who was a founder during the most recently completed financial year, each principal securityholder 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.

28. Reporting Insiders - Identify each person or company, other than executive officers of the venture issuer, 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.

29. 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, and
 - (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.
- (3) Provide the information required under subsection (1) on an annual basis for each year.

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

30. 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 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) Provide notes to the table above to:
- (a) identify whether securities are held directly, indirectly or whether control or direction is exercised,
 - (b) for convertible or exchangeable securities, disclose the conversion or exchange 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, and
 - (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) Disclose orders, bankruptcies, penalties or sanctions 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, chief executive officer or chief financial officer 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, chief executive officer or chief financial officer of the entity, or

- (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the entity that resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, 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 RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS

31. 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 subsidiaries, 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 subsidiaries 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, including the rate of interest and the term to maturity, and any circumstances where repayment may be limited,
 - (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.

32. Other Related Entity Transactions

- (1) Except to the extent disclosed previously in Part 4 or section 31,
 - (a) disclose the purpose and terms of each related entity transaction that has occurred during the most recently completed financial year and each related entity transaction that senior management has proposed and that it is probable the board of directors will approve, and
 - (b) include the disclosure required under item 10 of Form 51-103F2 *Report of Material Change or Other Material Information* for each of the related entity transactions required to be disclosed.
- (2) If the disclosure required by this section, in respect of any related entity transaction, will be disclosed in the notes to the financial statements of the venture issuer which form part of the annual 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 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 6 INTERESTS OF EXPERTS

33. 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 the Instrument or National Instrument 51-102 *Continuous Disclosure Obligations* by the issuer 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".

34. Interests of Experts

- (1) Disclose all securities, other than securities held through mutual funds, or other property of the venture issuer, its subsidiaries 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 33 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 33, or
 - (ii) at any time since the time specified in subparagraph (i), or
 - (b) are to be directly or indirectly received by an expert named in section 33 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 33,
 - (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 33, 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 33, 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 33, 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 33, and
 - (iii) any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in section 33.

- (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 subsidiaries or an affiliate, disclose the fact or expectation.
- (6) Despite subsection (1), disclosure is not required for the auditor of a business acquired by the venture issuer or one of its subsidiaries 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.

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 7 BOARD AND GOVERNANCE MATTERS

35. 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 the following table, for members of the audit committee, indicate whether or not
- (a) the member is an executive officer, employee or control person;
 - (b) the member, or a family member of the member, receives compensation for services provided to the venture issuer or to a subsidiary of the venture issuer, other than compensation for serving as a director; and
 - (c) the board of directors considers the member to be financially literate.
- (4) Disclose the factors the board of directors considered to determine whether a member of the audit committee is financially literate.

Guidance:

In assessing the financial literacy of an audit committee member, consider the individual's

- (a) *understanding of 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 provisions,*
- (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, and*
- (d) *understanding of internal controls and procedures for financial reporting.*

Name of director	Board committees on which director serves	Executive officer, employee or control person?	Financially literate? (Audit 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 judgment in a particular circumstance.
- (6) Disclose the number of board meetings held in the most recently completed financial year and indicate for each director the number of meetings attended.

- (7) Disclose for each board committee, the number of meetings held in the most recently completed financial year and indicate for each committee member, the number of meetings attended.

36. 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.
- (2) If any of the requirements in (1) 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.

- (3) Disclose whether or not the board takes any steps to encourage and promote a culture of ethical business conduct and, if so, describe those steps.
- (4) 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 subsidiaries and the directors and executive officers of the venture issuer, and
 - (b) the board of directors' process for identifying related entities, related entity transactions and for reviewing and approving related entity transactions.
- (5) 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 interim reports does not contain misrepresentations or misleading information.

Guidance:

When responding to subsection 36(5), 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.

- (6) Describe any steps taken by the venture issuer (including, for example, educational efforts, confidentiality agreements and the adoption of policies or procedures), or disclose that no such steps are taken, 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 or exchangeable 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.
- (7) Describe any steps taken to provide an orientation to new directors and to provide continuing education for directors, or disclose that no such steps are taken.
- (8) Disclose what steps, if any, the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively, or disclose that no such steps are taken.

37. 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, and if not, state that in bold type.
- (2) If the pre-approval in (1) was conducted under a pre-approval policy, describe that policy.
- (3) Disclose whether the audit committee recommended the appointment and compensation of the external auditor for the most recently completed financial year, and if not or if the recommendations were not adopted, state that in bold type, explain why not and state who made the recommendations and why.
- (4) Using the following table, disclose the fees billed to the venture issuer or any of its subsidiaries by its external auditor for professional services relating to each of the 2 most recently completed financial years, and 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		

(5) 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 8 CONTENTS OF AN INTERIM REPORT

38. Interim Report Contents - Include cover page disclosure in an interim report as described by paragraphs (1)(a), (c) and (d) and subsection (2) of section 15 – Cover Page, and any other items referenced in section 15, if those other items have changed since the date of the latest annual or interim report.

39. Interim Report Quarterly Highlights

- (1) Provide a short discussion of the venture issuer’s operations and liquidity, and in your discussion please address known trends, demands, major operating statistics and changes thereto, commitments, events, expected or unexpected, or uncertainties that have materially affected the venture issuer’s operations and liquidity in the quarter or are reasonably likely to have a material effect going forward.

Guidance:

Focus your discussion on business activities; while these summaries are to be clear and simple, they are subject to the normal prohibitions against false and misleading statements.

- (2) Provide the disclosure required by section 22, if applicable, modified as necessary to refer to the most recently completed interim period and interim financial report.

Guidance:

- (1) *It is conceivable that a venture issuer with no operations or simple operations could satisfy the requirements of subsection (1) with very brief statements. For instance, a capital pool company may appropriately limit its discussion to: “This quarter we continued to look for a qualifying transaction. Management reviewed a number of proposals but there are no further developments to report at this time”; a mining venture issuer, might appropriately limit its discussion to: “This quarter we continued drilling and general exploration on our Nevada property completing 2 drill holes totaling 500 feet and plan to continue to do so”; and an oil and gas venture issuer might appropriately limit its discussion to: “This quarter our production increased 100 bbl per day. We completed 4 wells and are continuing with our plan to drill 2 more. Production expenses have increased on a per bbl basis due to higher water production”.*
- (2) *Describing as “Management’s Discussion & Analysis” or “MD&A” disclosure that is provided optionally outside of the annual or the interim report, may be misleading unless the optional disclosure is prepared in accordance with items 18, 20 and 21¹ of this Form, Form 51-102F1 Management’s Discussion & Analysis, or as permitted by section 45 of the Instrument.*

40. Interim Financial Report in Interim Report

- (1) Include the interim financial report in the interim report.
- (2) If the venture issuer did not engage an auditor to review an interim financial report, state that fact.
- (3) If a venture issuer engaged an auditor to review an interim financial report and the auditor was unable to complete the review, the interim financial report must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial report, and the reasons why the auditor was unable to complete the review.
- (4) If an auditor has performed a review of the interim financial report and the auditor has expressed a reservation of opinion in the auditor’s interim review report, include the review report.

¹ The 41-101F4 Prospectus Form (items 5.6-5.10) requires comparable information to items 18, 20 and 21 of Form 51-103F1.

41. Certification of Interim Report - Include in the interim report the applicable disclosure certificate set out in Part 10.

PART 9 ANNUAL FINANCIAL STATEMENTS

42. Annual Financial Statements - Include the annual financial statements, including the accompanying auditor's report, in the annual report.

Guidance:

Because the definition of annual financial statements in the Instrument includes both the financial statements for the most recently completed financial year and the comparative statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include one set of audited annual financial statements that contain the 2 most recently completed financial years.

PART 10 DISCLOSURE CERTIFICATE

43. Required Certificate

- (1) Attach a certificate in the form set out in section 45 to each annual report and interim 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 an interim 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 "interim report";
 - (iii) references to "interim MD&A" are read as "quarterly highlights";
 - (iv) the certificate is modified, as necessary, to refer to the interim report and quarterly highlights.

Guidance:

- (1) *A venture issuer providing a certificate in accordance with subsection (2) would comply with Part 4 or 5 of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, as applicable, as if the venture issuer were a senior-unlisted issuer.*
- (2) *The Instrument requires that the certificate be dated and signed by the chief executive officer and the chief financial officer. If the individual signing in the capacity of chief executive officer or chief financial officer does not hold the title of chief executive officer or chief financial officer, indicate the individual's title.*
- (3) *If an annual report or interim report is refiled, the Instrument requires redating and re-signing of the certificate by the chief executive officer and the chief financial officer. Date the certificate as of the date of refiling.*

44. Date of Certificate - Sign and date the certificate as of the date that the annual report, interim report, or revised report as applicable, is filed.

45. Chief Executive Officer and Chief Financial Officer Certificate – The form of certificate required is as follows:

“As [Chief Executive Officer/Chief Financial Officer],

- (a) I acknowledge my responsibility for the disclosure of information in this [annual report/interim report] including the [annual financial statements/interim financial report] and [management's discussion and analysis/quarterly highlights].
- (b) I confirm I have reviewed the [annual report/interim report] to which this certificate is attached, and for greater certainty, all documents and information incorporated by reference into the [annual report/interim report] for the [financial year/interim period] ended [insert date] and, based on my knowledge, having exercised reasonable diligence, the [annual report/interim 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/interim 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/interim report].

[print name and title of Chief Executive Officer]

[print name and title of Chief Financial Officer]

[signature of Chief Executive Officer]

[signature of Chief Financial Officer]

Date: _____

Note to Reader: [insert name of venture issuer], as a venture issuer, is not required to establish and maintain disclosure controls and procedures 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, interim reports and other disclosures provided by it under securities legislation.”

Guidance:

- (1) *If a venture issuer provides a certificate in the form of section 45, it is not required to discuss in its annual report or interim report the design or operating effectiveness of disclosure controls and procedures or internal control over financial reporting.*
- (2) *If a venture issuer provides a certificate in the form of section 45, and chooses to discuss in its annual report, interim 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.*
- (3) *A selective discussion in a venture issuer’s management’s discussion and analysis 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*

likely not provide transparent disclosure of the state of the venture issuer's disclosure controls and procedures or internal control over financial reporting.

- (4) *With respect to the content of certificates, Part 10 requires the annual and interim certificates to be filed in the exact wording prescribed by the required form, including the form number and form title, without any amendment, except the modifications set out in section 43. Failure to do so will be a breach of the Instrument.*

FORM 51-103F2
REPORT OF MATERIAL CHANGE OR OTHER MATERIAL INFORMATION

PART 1 INSTRUCTIONS

1. Information Being Reported

Indicate whether the report is being filed to report a material change, a related entity transaction, a major acquisition or one of the transactions specified in subsection 32(6) of the Instrument.

If the transaction being reported falls in more than one of these categories, indicate each of the applicable categories.

Guidance

For example, if the transaction is a material change and also a major acquisition, indicate this.

2. Format

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

3. Defined Terms

Refer to the Instrument 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, related entity transaction, major acquisition or other transaction. 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 been provided in another document filed by a venture issuer, the venture issuer may comply with the disclosure requirements of this form by stating the name and date of that other document, that it is available on SEDAR at www.sedar.com and by including 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, Related Entity Transaction, Major Acquisition or Other Transaction - Disclose the following, as applicable:

- (a) the date of the material change;
- (b) the date of the decision to implement a related entity transaction;
- (c) the date of the related entity transaction;
- (d) the acquisition date for a major acquisition or transaction specified in subsection 32(6) of the Instrument.

8. News Release - State the date of the news release issued under section 18 of the Instrument and the news wire or service used to disseminate it.

9. Summary of Material Change, Related Entity Transaction, Major Acquisition or Other Transaction - Briefly summarize the nature and substance of the material change, related entity transaction, major acquisition or other transaction being reported.

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

- (1) Describe the material change, related entity transaction, major acquisition or other transaction so that a reader can appreciate management's assessment of the reasonably anticipated significance and impact of the material change, related entity transaction, major acquisition or other transaction 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, related entity transaction or major acquisition.

- (2) Disclose the purpose of and reasons for the material change, related entity transaction, major acquisition or other transaction.
- (3) Disclose, in respect of the material change, related entity transaction, major acquisition or other transaction, each of the following that are applicable, if material:
 - (a) the date 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 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) a description for each asset, business, related business or liability acquired, disposed of or leased, 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, and
 - (v) for acquisitions, where consideration includes a cash payment, the source of funds;
- (g) risks related to the material change, related entity transaction, major acquisition or other transaction;
- (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 securityholder or control person in connection with the material change, related entity transaction, major acquisition or other transaction.

11. Additional Disclosure for Major Acquisitions and Certain Transactions

- (1) If disclosure is required for a major acquisition that is not a transaction specified in subsection 32(6) of the Instrument include the additional disclosure, financial statements or other information required by sections 23, 25 and 26 of the Instrument.
- (2) If disclosure is required for a transaction specified in subsection 32(6) of the Instrument include the disclosure required by subsections 32(1) and 32(2) of the Instrument.

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

- If the material change, had it occurred on or before the effective date of information included in the statement most recently filed by the venture issuer under item 1 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, would have resulted in a significant change in the information contained in that statement, include the disclosure required by subsection 6.1(2) of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

13. Confidential Reports of Material Change - If this report is being delivered on a confidential basis in reliance on section 20 of the Instrument, state the reasons for such reliance.

Guidance

Refer to section 20 of the Instrument concerning continuing obligations about confidential reports of material change.

14. Omitted Information

- (1) State whether any information has been omitted on the basis that it is confidential information.
- (2) In a separate letter to the applicable regulator or securities regulatory authority marked "confidential", provide the reasons for the venture issuer'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, 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 the Instrument 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) 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 on at the meeting.
- (2) 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) Provide a specific blank space for each of the following:
 - (a) the date of the proxy;
 - (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) 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, and also provide instructions regarding how this right can be exercised.
- (2) Provide a space 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) 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) 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, describe the limitations or conditions.
- (5) If the proxy form confers discretionary authority, include a specific statement conferring that authority and state 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).

4. Access to Information Regarding Matters to be Voted Upon

- (1) Indicate in bold-face type that the information circular, annual report, interim 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) State whether management of the venture issuer is using the notice and access system permitted by section 12 of the Instrument 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 - Disclose that a securityholder may obtain upon request, and free of charge, a copy of the most recent information circular, annual report and interim report and identify how that request may be made, including identifying a contact person with an address, telephone number and, if applicable, an email address.

FORM 51-103F4
INFORMATION CIRCULAR

PART 1 INSTRUCTIONS

1. Defined Terms

Refer to the Instrument 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 the Instrument.

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, that it is available on the venture issuer's profile on SEDAR at www.sedar.com and by including 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. Present information in tables, when possible, if doing so will make the information circular easier for securityholders to understand.

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

- (1) Date the information circular with a date that is not more than 30 days before the date the information circular is first sent to any securityholder of the venture issuer.
- (2) Unless otherwise required by this form, all information in the information circular must be current to the date provided in (1).

7. Solicitation

- (1) Indicate who is making or on whose behalf the solicitation is being made, and 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.
- (3) 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 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 required under item 26(6) of Form 51-103F1 *Annual and Interim Reports*.

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 interim 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) indebtedness of directors and executive officers,
 - (b) governance of the venture issuer by the board of directors, and
 - (c) fees paid to the auditor.
- (4) State that information relating to each of the matters in (3) can be found in the applicable document and that the document is available on the SEDAR website at www.sedar.com.
- (5) 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, include in the information circular the disclosure required to be included in an annual report under Parts 3, 4, 5 and 7 of Form 51-103F1 *Annual and Interim Reports*.
- (6) Disclose how a securityholder may request a copy of the venture issuer's most recent annual report and interim report.

PART 4 ELECTION OF DIRECTORS

12. Biographies of and Securities Held by Proposed Directors

- (1) This section applies only if directors are to be elected at the meeting.
- (2) 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.
- (3) 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 person or 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 a person or company 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 affiliates, is a principal securityholder 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 affiliates, and
 - (ii) state the name of each associate or affiliate of the proposed new director who is a principal securityholder;
 - (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 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 31 of Form 51-103F1 *Annual and Interim Reports*.
- (4) 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.
- (3) 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) State whether a proposed new director of the venture issuer or a personal holding company of the proposed new director is, as at the date of the information circular, or has been, within 10 years before the date of the information circular, a director, chief executive officer or chief financial 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, chief executive officer or chief financial 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.
- (2) State whether a proposed new director of the venture issuer 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.
- (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 COMPENSATION, OPTIONS AND INCENTIVE PLANS

15. Director and Executive Officer Compensation, excluding options

- (1) Use the following table, to the extent reasonably practicable, to disclose all compensation for each of the two most recently completed financial years, other than compensation disclosed under section 16, paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the venture issuer or any subsidiary 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 subsidiaries.

Guidance:

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

- *salaries,*
- *consulting fees,*

- *management 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, and*
 - *investment-related advice and expenses.*

Name and position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total

- (2) For the purposes of this section, a “named executive officer” means, in respect of the venture issuer and its subsidiaries, each of the following individuals:
- (a) each person who, during any part of the most recently completed financial year, served as chief executive officer;
 - (b) each person who, during any part of the most recently completed financial year, served as a chief financial officer;
 - (c) the most highly compensated executive officer other than the chief executive officer and chief financial officer, 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 (4), for that financial year;
 - (d) each individual who would be a named executive officer 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 named executive officer only applies when determining who is a named executive officer in a venture issuer's most recently completed financial year. If an individual is a named executive officer 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) In the table referenced in subsection (1), disclose compensation of the named executive officers first.
- (4) 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, and
 - (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.
- (5) 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.
- (6) Provide notes to the table to disclose each of the following:
 - (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;
 - (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;
 - (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.
- (7) If non-cash compensation, other than compensation required to be disclosed in section 17, was provided or is payable, disclose the fair market value of the compensation at the time it is earned or, if it is not possible to calculate the fair market value, disclose that fact and the reasons why.
- (8) 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*.

Guidance

For details and guidance regarding pension disclosure, see Form 51-102F6 Executive Compensation.

- (9) 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.
- (10) Do not provide information for a completed financial year if the venture issuer was not a reporting issuer at any time during the most recently completed financial year, unless the venture issuer became a reporting issuer as a result of a transaction specified under subsection 32(6) of the Instrument.
- (11) If the venture issuer was not a reporting issuer at any time during the most recently completed financial year and the venture issuer is completing the form because it is preparing a prospectus, discuss all significant elements of the compensation to be awarded to, earned by, paid to, or payable to named executive officers of the venture issuer once it becomes a reporting issuer, to the extent this compensation has been determined.

16. External Management Company

- (1) If one or more individuals acting as a named executive officer of the venture issuer are not employees of the venture issuer, disclose the names of those individuals.
- (2) If an external management company employs or retains one or more individuals acting as named executive officers or directors of the venture issuer and the venture issuer has entered into an understanding, arrangement or agreement with the external management company to provide executive management services to the venture issuer, directly or indirectly, disclose any compensation that:
 - (a) the venture issuer paid directly to an individual employed, or retained by the external management company, who is acting as a named executive officer or director of the venture issuer; and
 - (b) the external management company paid to the individual that is attributable to the services they provided to the venture issuer, directly or indirectly.

17. Stock Options, and Compensation Securities and Instruments

- (1) Using the following table, disclose all stock options, securities, convertible securities, exchangeable 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 subsidiaries for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiaries in the most recently completed financial year, and disclose each of the following:
 - (a) on an individual basis, each grant or issuance made to a director or named executive officer;
 - (b) grants or issuances to persons or companies other than directors and named executive officers, which disclosure may be aggregated;
 - (c) if disclosure is provided on an aggregate basis, each issue or grant price (and for convertible or exchangeable securities the price at which they convert or exchange) and the number of securities, convertible securities, exchangeable securities or similar instruments issued or granted at each such price.

Stock Options, and Compensation Securities and Instruments							
Name and position	Type of security or other instrument	Number of securities or instruments or for convertible or exchangeable 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 15(1).
- (3) Provide notes to the table to disclose:
 - (a) the material terms of the class of security, convertible security, exchangeable security or instrument or a cross-reference to such description provided elsewhere in the annual report;
 - (b) vesting provisions;
 - (c) restrictions or conditions with respect to converting convertible securities or exchanging exchangeable securities.
- (4) Provide notes to the table to disclose any security, convertible security, exchangeable 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, 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	Total

18. 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 subsidiaries that were
 - (a) performed by a director or named executive officer, or
 - (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 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 subsidiaries;
 - (b) the provisions, if any, with respect to change of control, severance, termination or constructive dismissal;
 - (c) the estimated incremental payments that are triggered by, or result from, change of control, severance, termination or constructive dismissal;
 - (d) any relationship between the other party to the agreement and a director or named executive officer of the venture issuer or any of its subsidiaries.

19. 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,
 - (a) describe and explain all significant elements of compensation awarded to, earned by, paid or payable to the named executive officer for the most recently completed financial year, including at a minimum each element of compensation that accounts for 10% or more of the named executive officer'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, and
 - (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 named executive officer compensation.
- (4) Despite subsection (3), if a reasonable person would consider that disclosure of a previously undisclosed specific performance criterion or goal would seriously prejudice the venture issuer's interests, the venture issuer is not required to disclose it provided that the venture issuer does each of the following:
 - (a) discloses the percentage of the named executive officer'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.
- (5) For the purposes of the exemption provided in (4), 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).

20. 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 previously been approved by shareholders and, if applicable, when it is next required to be approved.
- (3) Disclosure is not required of plans, such as shareholder rights plans, that involve issuance of securities to all securityholders.

PART 6 APPOINTMENT OF AUDITOR

21. 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 37(2) of the Instrument.

PART 7 PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

22. 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;*
- *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, and also state what management intends to do if securityholders vote against the matter.

23. Additional Disclosure for Major Acquisitions and Other Transactions

- (1) If securityholders are asked to vote on a major acquisition where securities of the acquired business are being exchanged for the venture issuer's securities, provide the disclosure required under subsections 32(1) and 32(2) of the Instrument as if the major acquisition were a transaction specified in subsection 32(6) of the instrument.
- (2) If securityholders are asked to vote on a transaction specified in subsection 32(6) of the Instrument, provide the disclosure required under subsections 32(1) and 32(2) of the Instrument.
- (3) Despite subsections (1) and (2), if the disclosure required under subsections 32(1) and 32(2) of the Instrument has been included in a completed Form 51-103F2 *Report of Material Change or Other Material Information*, a venture issuer may comply with the disclosure requirements of this section by including each of the following:

- (a) the name and date of that other document and that it is available on SEDAR at www.sedar.com;
- (b) a statement that the applicable disclosure is incorporated by reference;
- (c) the location of the relevant disclosure in the other document.

24. 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, unless the sender of the dissident circular is proposing one of the transactions specified in subsection 32(6) of the Instrument involving the venture issuer and the sender, under which securities of the sender, or an affiliate 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 takeover” 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 takeover, as applicable.
- (3) For the purpose of subsection (2) only, the terms “qualifying transaction”, “CPC” and “reverse takeover” have the meanings provided in the TSX Venture Exchange Corporate Finance Manual.

25. Restricted Securities - 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, include disclosure in the information circular for each of the following:

- (a) 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;
- (b) 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;
- (c) the percentage of the aggregate voting rights attached to the venture issuer’s securities that are represented by the class of restricted securities;
- (d) 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;

- (e) 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 8 INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE VOTED ON

26. 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;
- (d) each associate or affiliate of any of the persons or companies listed in paragraphs (a) to (c).

27. Interpretation

- (1) For the purpose of section 26, each of the following persons and companies are persons or companies by whom or on whose behalf the solicitation is made ("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) Despite subsection (1), the following persons and companies are not 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 affiliates;
 - (d) an executive officer or director of, or a person or company regularly employed by, a solicitor.

Annex C

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) *inserting the following definition:*

“applicable time” has the same meaning as in section 3 of NI 51-103;

(b) *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, and

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

(c) *inserting the following definitions:*

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

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

“Form 51-103F2” means Form 51-103F2 *Report of Material Change or Other Material Information* of NI 51-103;

“Form 51-103F4” means Form 51-103F4 *Information Circular* 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:*

(2)

“information circular” has the same meaning as

- (a) in section 1.1 of NI 51-102 for an issuer other than a venture issuer,
- (b) in section 1 of NI 51-103 for a venture issuer;

(g) replacing the definition of “interim period” with the following:

“interim period” has the same meaning as in

- (a) section 1.1 of NI 51-102 for an issuer other than a venture issuer or an investment fund,
- (b) section 1 of NI 51-103 for a venture issuer,
- (c) section 1.1 of NI 81-106 for an investment fund;

(h) adding the following definitions:

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

“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(2)(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;

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

“IPO venture issuer” means an issuer

- (a) that files a long form prospectus,

(3)

- (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) Alpha Main,
 - (iii) a U.S. marketplace, or
 - (iv) a marketplace outside of Canada or the United States, other than a venture market as defined in subsection 3(1) of NI 51-103,
- (d) to which, at the date of the long form prospectus, Multilateral Instrument 51-105 *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;

(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) adding the following definitions:

“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 business that would be a major acquisition under NI 51-103, if the issuer was a venture issuer on the acquisition date and for the purpose of that determination the references to “venture issuer” are to be read as “IPO venture issuer” as defined in this Instrument;

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

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

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

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

“securitized product” means 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, without limitation
 - (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, or
 - (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, without limitation
 - (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, or
 - (vi) a synthetic collateralized debt obligation of collateralized debt obligations;

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

(l) 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) An issuer that is a venture issuer at the applicable time or an 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:

(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 31.5 or subsection 34.2(3) of Form 41-101F4 applies..

6. Section 5.1 is amended by adding

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

(ii.1) section 36.2 of Form 41-101F4., **and**

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

(ii.1) section 36.3 of Form 41-101F4.,

7. Subsection 17.1(2) is amended by replacing “Form 41-101F1 or Form 41-101F2” with “Form 41-101F1, Form 41-101F2 or Form 41-101F4”.

8. Form 41-101F1 is amended by

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

(b) in subsection 1.9(4), replacing the references to “IPO venture issuer”, wherever it occurs, with “IPO senior-unlisted issuer”,

(c) in paragraph 8.1(2)(a), replacing “venture issuer”, wherever it occurs with “senior-unlisted issuer”,

(d) in paragraph 8.1(2)(a), replacing the references to “IPO venture issuer”, wherever it occurs, in each of the following with “IPO senior-unlisted issuer”,

- (e) *in section 8.6(1) is amended by replacing "or an IPO venture issuer" with ", an IPO senior-unlisted issuer or a senior-unlisted issuer",*
- (f) *replacing "venture issuer", wherever it occurs, in each of the following with "senior-unlisted issuer":*
 - (i) *subparagraph 10.3(3)(a)(ii);*
 - (ii) *subparagraph 10.3(3)(b)(ii);*
 - (iii) *subparagraph 10.3(5)(b)(ii);*
 - (iv) *subsection 19.1(1);*
 - (v) *subsection 19.1(2);*
 - (vi) *subsection 19.2(1);*
 - (vii) *subsection 19.2(2),*
- (g) *replacing "IPO venture issuer", wherever it occurs, in each of the following with "IPO senior-unlisted issuer":*
 - (i) *subsection 19.1(1);*
 - (ii) *subsection 19.1(2);*
 - (iii) *subsection 19.2(1);*
 - (iv) *subsection 19.2(2);*
 - (v) *section 20.11,*
- (h) *replacing "venture issuer", wherever it occurs, in each of the following with "senior-unlisted issuer":*
 - (i) *subparagraph 32.2(1)(a)(ii);*
 - (ii) *subparagraph 32.2(2)(b);*
 - (iii) *subparagraph 32.2(6)(c)(ii);*
 - (iv) *subparagraph 32.3(1)(b)(ii);*
 - (v) *subparagraph 32.4(b)(ii)(B);*
 - (vi) *subparagraph 35.1(4)(b)(ii);*
- (i) *replacing "IPO venture issuer", wherever it occurs, in each of the following with "IPO senior-unlisted issuer":*
 - (i) *subparagraph 35.1(4)(b)(ii);*
 - (ii) *paragraph 35.3(2)(c), and*
- (j) *replacing "venture issuer", wherever it occurs, in each of the following with "senior-unlisted issuer":*
 - (i) *paragraph 35.3(2)(c);*
 - (ii) *subparagraph 38.1(1)(b)(ii);*
 - (iii) *subparagraph 38.2(1)(b)(ii).*

9. *The following 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 28 of this form.*
- (15) *Forward-looking information, as defined in NI 51-103, included in a prospectus must comply with section 39 of NI 51-103 and must include the disclosure described in subsection 39(1) of NI 51-103. In addition to the foregoing, future oriented financial information or a financial outlook, each as defined in NI 51-103, included in a prospectus must comply with subsection 39(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 39 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) describe the terms of the option, and
- (b) provide the following disclosure:

“A purchaser who acquires [*insert type of securities qualified for distribution under the prospectus*] 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.”

(3) If the distribution of the securities is to be on a best efforts basis and a minimum offering amount

- (a) is required for the issuer to achieve one or more of the purposes of the offering, provide totals for both the minimum and maximum offering amount, or

- (b) is not required for the issuer to achieve any of the purposes of the offering, state the following in boldface type:

“There is no minimum amount of funds that must be raised under this offering. This means that the issuer could complete this offering after raising only a small proportion of the offering amount set out above.”

- (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
- (a) 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, and
 - (b) 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.*
- (2) *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.*

- (3) *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 or series 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 and 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) 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 management’s discussion and analysis for interim periods. 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] also 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.

Enforcement of judgments against foreign persons or companies

1.12 If the issuer, a director of the issuer, a selling securityholder, or any other person or company that is signing or 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, state the following on the cover page or under a separate heading elsewhere in the prospectus, with the bracketed information completed:

“The [issuer, director of the issuer, selling securityholder, or any other person or company signing or 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 judgments 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 9.5, 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 9.5.
- (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, and 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;
 - (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 transaction specified in subsection 32(6) of NI 51-103, 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 and its operating segments that are reportable segments as those terms are described in the issuer's GAAP.
- (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 transaction specified in subsection 32(6) of NI 51-103 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 current business to disclose under paragraph 5.1(1)(a) 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 subsection 36(2) of NI 51-103);*
- *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 subsection 17(2) 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;*
- *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 or 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, including acquisitions and dispositions for which the prospectus includes annual financial statements and any subsequent period to the date of the prospectus and a discussion of changes and industry and economic conditions that have influenced the general development of the business, whether favourably or unfavourably.

(2) *Contemplated Changes* – Disclose any changes in the issuer's business that the issuer expects will occur during the current financial year.

(3) *Management's Assessment of Performance* - Disclose 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 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, and
 - (iii) 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.
- (4) *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 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 on the operations of the issuer and how the deficiency is anticipated to be remedied, and
 - (iii) whether the issuer reasonably expects to have sufficient funds to maintain activities and fund planned growth or development activities;
 - (b) the amount, nature and purpose of 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 and how the issuer intends to cure the defaults or arrears or address the risk of anticipated defaults or arrears;
 - (d) 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, and
 - (iii) debt, equity or other available financing resources.
- (5) ***Quarterly Highlights for Interim Periods*** - Provide the disclosure required by section 39 of Form 51-103F1 for the most recent interim financial report of the issuer included in the prospectus under Item 31.
- (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 "senior unlisted 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 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 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 31.6(1), the issuer is not required to update the MD&A already included in the prospectus under this Item.

Additional disclosure

- 5.8 (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;
 - (b) the most recent year-to-date interim 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, and
 - (b) research and development costs, whether expensed or capitalized.

Additional disclosure for issuers with negative cash flows

- 5.9 (1)** 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.
- (2)** In determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs.

Significant Equity Investees

5.10(1) An issuer that has a significant equity investee must disclose

- (a) summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss, and
 - (b) the issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the issuer's share of profit or loss.
- (2)** Provide the disclosure in subsection (1) for the following periods:
- (a) the two most recently completed financial years;
 - (b) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial report included in the prospectus, if any.
- (3)** Subsection (1) does not apply if
- (a) the information required under that subsection has been disclosed in the financial statements included in the prospectus, or
 - (b) the issuer includes in the prospectus separate financial statements of the equity investee for the periods referred to in subsection (2).

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 offering amount, provide disclosure of the use of proceeds for the minimum and maximum offering amounts.
- (3)** If all of the following apply, disclose how the proceeds will be used by the issuer, with reference to various potential thresholds of proceeds raised, in the event that the issuer raises less than the maximum offering amount:

- (a) the closing of the distribution is not subject to a minimum offering amount;
 - (b) the distribution of the securities is to be on a best efforts basis; and
 - (c) the issuer has significant short-term non-discretionary expenditures including those for general corporate purposes, or significant short-term capital or contractual commitments, and may not have other readily accessible resources to satisfy those expenditures or commitments.
- (4) If the issuer is required to provide disclosure under subsection (3), the issuer must discuss, in respect of each threshold, the impact (if any) of raising this amount on its liquidity, operations, capital resources and solvency.

INSTRUCTIONS

If the issuer is required to disclose the use of proceeds at various thresholds under subsections 6.3(3) and (4), include as an example a threshold that reflects the receipt of a small portion of the offering.

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 described 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: Earnings Coverage Ratios

Earnings coverage ratios

8.1(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;

(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) 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.
- (4) 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) *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;*
 - (d) *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;*
 - (e) *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 each of the following:*
- (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;*
 - (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) *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.”

- (6) *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.”

- (7) *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 9: Description of the Securities Distributed

Equity securities

- 9.1** If equity securities are being distributed, provide a 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

9.2 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.

Derivatives

9.3 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.

9.4 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, provide the following disclosure in the prospectus to indicate that holders of such securities have been provided with a contractual right of rescission:

“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

- 9.5(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

- 9.6** 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

- 9.7(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

- 9.8 (1)** If the issuer has asked for and received a credit rating, or if the issuer is aware that it has received any other kind of rating, including a stability rating or a provisional rating, from one or more credit rating organizations for securities of the issuer that are outstanding or will be outstanding and the rating or ratings continue in effect, disclose
- (a)** each rating received from a credit rating organization,
 - (b)** for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating,
 - (c)** a definition or description of the category in which each credit rating organization rated the securities 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 are not addressed by the rating,
 - (e)** any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities,
 - (f)** a statement that a credit 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 credit rating organization, and
 - (g)** any announcement made by, or any proposed announcement known to the issuer that is to be made by, a credit 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.
- (2)** If payments were, or reasonably will be, made to a credit rating organization that provided a rating described in subsection (1), state that fact and state whether any payments were made to the credit rating organization in respect of any other service provided to the issuer by the credit rating organization during the last two years.

INSTRUCTIONS

- (1) *There may be factors relating to a security that are not addressed by a credit rating organization 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 a credit 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.*
- (2) *A provisional rating received before the issuer's most recently completed financial year is not required to be disclosed under this section.*

Other attributes

- 9.9(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 10: Consolidated Capitalization and Outstanding and Fully-Diluted Securities

Consolidated capitalization

- 10.1** 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

- 10.2(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, and
 - (b) prepared as if the minimum and maximum offering, as applicable, were completed.

ITEM 11: Options to Purchase Securities

Options to purchase securities

- 11.1(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 12: Escrowed Securities

Escrowed securities

12.1(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.

Securityholder 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 13: Prior Sales

Prior sales

- 13.1** For each class or series of securities of the issuer distributed under the prospectus and for securities that are convertible or exchangeable into those classes or series 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

- 13.2(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 for the securities generally occurs, and
 - (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 fact and indicate how the securities are publicly traded.
- (3)** Provide the information required under subsection (1) on an annual basis for each year.

ITEM 14: Principal Securityholders and Selling Securityholders

Principal securityholders and selling securityholders

- 14.1(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 transaction specified in subsection 32(6) of NI 51-103, 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
- (a) the designation of the securities,
 - (b) the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement,
 - (c) the names and addresses of the voting trustees, and
 - (d) a brief outline of 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.
- (8) 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 15: Directors and Executive Officers

Name, occupation and security holding

15.1(1) Provide information for directors and executive officers of the issuer in accordance with section 30 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

15.2 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

15.3 In addition to the disclosure required by subsection 15.1(1) and to the extent not already provided, an issuer must provide the following information for each director, officer, employee and contractor whose expertise is critical to providing the issuer, its subsidiaries and proposed subsidiaries with a reasonable opportunity to achieve its stated business objectives:

- (a) the individual's name, age, position and responsibilities with the issuer and relevant educational background;
- (b) whether the individual works full time for the issuer or what proportion of the individual's time will be devoted to the issuer;
- (c) 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 and with respect to each organization that the individual was employed with as at the time such occupation or employment was carried on:
 - (i) its name and principal business;
 - (ii) whether the organization was an affiliate of the issuer;
 - (iii) positions held by the individual; and
 - (iv) whether it is still carrying on business, if known to the individual;
- (e) the individual's experience in the issuer's industry;
- (f) whether the individual has entered into a non-competition or non-disclosure agreement with the issuer.

ITEM 16: Director and Executive Officer Compensation

Disclosure

- 16.1** Include in the prospectus disclosure in accordance with each of the following sections of Part 5 of Form 51-103F4 *Information Circular* and describe any intention to make any changes to that compensation:
- (a) section 15;
 - (b) section 16;
 - (c) section 17;
 - (d) section 18.

ITEM 17: Related Entity Transactions and Indebtedness

Related entity transactions and indebtedness

- 17.1** Provide information for the issuer in accordance with section 31 of Form 51-103F1, modified to also include information to the date of the prospectus.

Other related entity transactions

- 17.2** 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 32 of Form 51-103F1 as if the references to Part 4 and section 31 of Form 51-103F1 referred to Item 15 and section 17.1 of this form.

ITEM 18: Audit Committees and Corporate Governance

Audit committees and corporate governance

- 18.1** Include in the prospectus the disclosure for the issuer in accordance with Part 7 of Form 51-103F1, as applicable.

ITEM 19: Plan of Distribution

Name of underwriters

- 19.1(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

- 19.2** 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

19.3 Outline briefly the plan of distribution of any securities being distributed other than on the basis described in section 19.2.

Minimum distribution

19.4 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

19.5 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

19.6 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

19.7 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

19.8 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

19.9 If an 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

19.10 If an 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 notice

19.11 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 management’s discussion and analysis for interim periods. 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] also 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.”

Constraints

19.12 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

19.13 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 20: Risk Factors

Risk factors

20.1(1) Disclose the risk factors of the venture issuer that would be likely to influence an investor’s decision to purchase securities of the issuer, by first identifying the risks that are most significant to the venture 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 the guidance after item 23 of Form 51-103F1 for examples of possible risk factors.*

ITEM 21: Promoters

Promoters

21.1(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 that was acquired within the two years before the date of the preliminary prospectus, or that is 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)** Disclose the order and describe the basis on which the order was made and whether the order is still in effect 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,

- (3) For the purposes of subsection (2), “order” means a cease trade order, an order similar to a cease trade order, or 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) State whether 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, 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.
- (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 22: Legal Proceedings and Regulatory Actions

Legal proceedings

- 22.1** Disclose any legal proceedings involving the issuer or any of its properties that are known to exist, are reasonably contemplated, or existed during the most recently completed financial year for which financial statements of the issuer are included in the prospectus, and 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.

INSTRUCTION

Information with respect to any proceeding that involves a claim for damages if the amount involved, exclusive of interest and costs, does not exceed 10% of the current assets of the issuer may be omitted. However, if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, include the amount involved in the other proceedings in computing the percentage.

Regulatory actions

- 22.2** Disclose all of the following:
- (a) penalties or sanctions relating to securities legislation imposed against the issuer by a court or 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 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 issuer with a court or securities regulatory authority within the three years immediately preceding the date of the prospectus.

ITEM 23: Underwriting Discounts

Underwriting discounts

- 23.1** 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 24: Relationship Between Issuer or Selling Securityholder and Underwriter

Relationship between issuer or selling securityholder and underwriter

- 24.1(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 25: Auditors, Transfer Agents and Registrars

Auditors

- 25.1** State the name and address of the auditor of the issuer.

Transfer agents, registrars, trustees or other agents

- 25.2** For each class of securities
- (a) 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
 - (b) 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 26: Material Contracts

Material contracts

26.1(1) Give particulars of all material contracts

- (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.
- (2) For the purpose of subsection (1), particulars of the contracts must include the dates of, parties to, consideration provided, general nature and key terms.

INSTRUCTION

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.

GUIDANCE

The CSA considers the material contracts required to be filed under 9.3 of the Instrument to be the same as those required to be filed under section 36 of NI 51-103.

ITEM 27: Experts

Names of experts

27.1 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

27.2 For each person or company referred to in section 27.1, provide the disclosure in accordance with section 34 of Form 51-103F1.

ITEM 28: Other Material Facts

Other material facts

- 28.1** 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 29: Rights of Withdrawal and Rescission

General

- 29.1** 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

- 29.2** 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.”

Convertible, exchangeable or exercisable securities

- 29.3** In the case of an offering of convertible, exchangeable or exercisable securities, provide a statement in the following form:

“In an offering of [state name of convertible, exchangeable or exercisable securities], investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial [or territorial] securities legislation, to the price at which the [state name of

convertible, exchangeable or exercisable securities] is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces [or territories], if the purchaser pays additional amounts upon [conversion, exchange or exercise] of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in such provinces [or territories]. The purchaser should refer to the applicable provisions of the purchaser's province [or territory] for the particulars of this right of action for damages or consult with a legal adviser.”

ITEM 30: List of Exemptions from Instrument

List of exemptions from Instrument

- 30.1** 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 31: Financial Statement Disclosure for Issuers

Interpretation of “issuer”

- 31.1(1)** The financial statements of an issuer that are 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 with which the issuer 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.
- (2)** A reporting issuer is not required to include the financial statements for an acquisition to which paragraph (1)(a) or (b) applies if

- (a) the issuer was a reporting issuer in any jurisdiction of Canada
 - (i) on the date of the acquisition, in the case of a completed acquisition; or
 - (ii) immediately before the filing of the prospectus, in the case of a proposed acquisition;
- (b) the issuer's principal asset is not cash, cash equivalents, or its exchange listing; and
- (c) the issuer provides disclosure in respect of the proposed or completed acquisition in accordance with Item 34.

INSTRUCTIONS

- (1) *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.*
- (2) *A reasonable investor might regard the primary business of the issuer to include businesses acquired or proposed to be acquired regardless of whether one or more of those businesses is considered a major acquisition.*

Annual financial statements

31.2(1) Subject to section 31.4, include annual financial statements of the issuer consisting of

- (a) a statement of financial position, 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, or
 - (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 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;
 - (C) reclassifies items in its annual financial statements,
 - (c) 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
 - (d) notes to the annual financial statements.
- (2) 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).
- (3) 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, or
 - (b) 120 days before the date of the prospectus, if the issuer is a venture issuer.
- (4) 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 (3) for a period from the date the issuer was formed to a date not more than 90 days before the date of the prospectus.
- (5) 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.
- (6) Despite subsection (5), all financial statements of the issuer for a transition year referred to in subsection (5) must be included in the prospectus.
- (7) Subject to section 31.4, 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 financial position, 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 financial position, 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) 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, or
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,
- (c) if an entity's or business's first IFRS financial statements are included under paragraphs (a) or (b), the opening IFRS statement of financial position at the date of transition to IFRS,
- (d) 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;
 - (C) reclassifies items in its financial statements, and
- (e) notes to the annual financial statements.

Interim financial reports

31.3(1) 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, or

(ii) 60 days before the date of the prospectus, if the issuer is a venture issuer.

(2) The interim financial report referred to in subsection (1) 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) for interim periods other than the first interim period in an issuer's financial year, a statement of comprehensive income for the three month period ending on the last day of the interim period and comparative financial information for the corresponding period in the immediately preceding financial year, if any,
- (d) 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;
 - (C) reclassifies items in its interim financial report,
- (e) 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
- (f) notes to the interim financial report.

(3) 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 (2).

- (4) If the issuer includes in the prospectus a comparative 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.
- (5) Subsection (4) 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

- 31.4** (1) Despite section 31.2, 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 31.2,
 - (ii) the business of the issuer is not seasonal, and
 - (iii) none of the financial statements required under section 31.2 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 31.1(c).

- (2) Paragraphs (1)(a) and (b) do not apply to an issuer
 - (a) whose principal asset is cash, cash equivalents or its exchange listing, or
 - (b) in respect of financial statements of a reverse takeover acquirer for a completed or proposed transaction by the issuer that was or will be accounted for as a reverse takeover.

Exceptions to audit requirement

31.5(1) 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 31.2, 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 31.2, if
 - (i) the issuer meets the conditions in subsection (2),
 - (ii) an auditor has not issued an auditor's report on those financial statements, and
 - (iii) the financial statements for the most recently completed financial year required under section 31.2 is not less than 12 months in length;
 - (c) each interim financial report required under section 31.3.
- (2) The issuer
- (a) files a preliminary prospectus,
 - (b) is not a reporting issuer in any jurisdiction,
 - (c) has total consolidated assets of less than \$10,000,00 as at the date of the most recent statement of financial position of the issuer included in the preliminary prospectus,

- (d) has consolidated revenue of less than \$10,000,000 in the most recent annual statement of comprehensive income of the issuer included in the preliminary prospectus, and
 - (e) has equity of less than \$10,000,000 as at the date of the most recent statement of financial position of the issuer included in the preliminary prospectus.
- (3) For purposes of paragraphs (2)(c), (d) and (e), the issuer must take into account all adjustments to asset, revenue and equity calculations necessary to reflect each of the following:
- (a) each proposed major acquisition that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high;
 - (b) each completed major acquisition.
- (4) For purposes of paragraph (3), include proposed major acquisitions and completed major acquisitions that occurred before the date of the preliminary prospectus and after the date of the issuer's most recent statement of financial position included in the preliminary prospectus as if each acquisition had taken place as at the date of the issuer's most recent statement of financial position included in the preliminary prospectus.
- (5) For purposes of paragraph (3), include proposed major acquisitions and completed major acquisitions that occurred after the last day of the most recent annual statement of comprehensive income of the issuer included in the preliminary prospectus as if each acquisition had taken place at the beginning of the issuer's most recently completed financial year for which a statement of comprehensive income is included in the preliminary prospectus.

Additional financial statements or financial information filed or released

- 31.6(1)** If the issuer files financial statements for a more recent period than required under section 31.2 or 31.3 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 31.2 or 31.3, the issuer must include the content of the news release or public communication in the prospectus.

Pro forma financial statements for an acquisition

- 31.7(1)** Include the pro forma financial statements prescribed in subsection (2) in respect of a completed or proposed acquisition for which financial statement disclosure is required under section 31.1 if

- (a) less than nine months of the acquired business operations have been reflected in the issuer's most recent audited financial statements included in the prospectus; and
 - (b) the inclusion of the pro forma financial statements is necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.
- (2) For the purposes of subsection (1), include the following:
- (a) a pro forma statement of financial position of the issuer, as at the date of the issuer's most recent statement of financial position included in the prospectus, that gives effect, as if it had taken place as at the date of the pro forma statement of financial position, to the acquisition that has been completed, or that will be completed, but is not reflected in the issuer's most recent statement of financial position for an annual or interim period;
 - (b) a pro forma income statement of the issuer that gives effect to the acquisition completed, or that will be completed, since the beginning of the issuer's most recently completed financial year for which it has included financial statements in its prospectus, as if it had taken place at the beginning of that financial year, for each of the following periods:
 - (i) the most recently completed financial year for which the issuer has included financial statements in its prospectus; and
 - (ii) the interim period for which the issuer has included an interim financial report in its prospectus, that started after the financial year referred to in subparagraph (i) and ended
 - (A) in the case of a completed acquisition, immediately before the acquisition date or, in the issuer's discretion, after the acquisition date; and
 - (B) in the case of a proposed acquisition, immediately before the date of the filing of the prospectus, as if the acquisition had been completed before the filing of the prospectus and the acquisition date were the date of the prospectus; and
 - (c) pro forma earnings per share based on the pro forma financial statements referred to in paragraph (b).
- (3) If an issuer is required to include pro forma financial statements in its prospectus under subsections (1) and (2),

- (a) the issuer must identify in the pro forma financial statements each acquisition, if the pro forma financial statements give effect to more than one acquisition,
- (b) the issuer must include in the pro forma financial statements
 - (i) adjustments attributable to the acquisition for which there are firm commitments and for which the complete financial effects are objectively determinable;
 - (ii) adjustments to conform amounts for the business to the issuer's accounting policies; and
 - (iii) a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment;
- (c) if the financial year-end of the business differs from the issuer's year-end by more than 93 days, for the purpose of preparing the pro forma income statement of the issuer's most recently completed financial year, the issuer must construct an income statement of the business for a period of 12 consecutive months ending no more than 93 days before or after the issuer's year-end, by adding the results for a subsequent interim period to a completed financial year of the business and deducting the comparable interim results for the immediately preceding year;
- (d) if a constructed income statement is required under paragraph (c), the pro forma financial statements must disclose the period covered by the constructed income statement on the face of the pro forma financial statements and must include a note stating that the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for the business included elsewhere in the prospectus;
- (e) if an issuer is required to prepare a pro forma income statement for an interim period required by paragraph (2)(b), and the pro forma income statement for the most recently completed financial year includes results of the business which are also included in the pro forma income statement for the interim period, the issuer must disclose in a note to the pro forma financial statements the revenue, expenses, and profit or loss from continuing operations included in each pro forma income statement for the overlapping period; and
- (f) a constructed period referred to in paragraph (c) does not have to be audited.

Pro forma financial statements for multiple acquisitions

31.8 Despite subsection 31.7(1), 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 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, and
- (b) is prepared as if each 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.

Exemption from financial statement disclosure for oil & gas acquisitions

31.9(1) The issuer is exempt from sections 31.2, 31.3 and 31.7 that apply to a completed or proposed acquisition by operation of section 31.1 if

- (a) the acquisition is an acquisition of a business which is an interest in an oil and gas property;
- (b) the acquisition is an acquisition to which section 31.1 applies;
- (c) the acquisition is not an acquisition of securities of another issuer, unless the vendor transferred the business referenced in paragraph (1)(a) to such other issuer which
 - (i) was created for the sole purpose of facilitating the acquisition; and
 - (ii) other than assets or operations relating to the transferred business, has no
 - (A) substantial assets; or
 - (B) operating history;
- (d) the issuer is unable to provide the financial statements in respect of the acquisition otherwise required under sections 31.2 and 31.3 because those financial statements do not exist or because the issuer does not have access to those financial statements;
- (e) the acquisition does not constitute a reverse takeover;
- (f) subject to subsections (2) and (3), in respect of the business for each of the financial periods for which financial statements would, but for this section, be required under sections 31.2 and 31.3, the prospectus includes

- (i) an operating statement for the business prepared in accordance with section 3.17 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
- (ii) a pro forma operating statement of the issuer that gives effect to the acquisition completed or to be completed since the beginning of the issuer's most recently completed financial year for which financial statements are required to have been filed, as if the acquisition had taken place at the beginning of that financial year, for each of the financial periods referred to in paragraph 31.7(2)(b), unless
 - (A) more than nine months of the acquired business operations have been reflected in the issuer's most recent audited financial statements included in the prospectus; or
 - (B) the inclusion of the pro forma financial statements is not necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed;
- (iii) a description of the property or properties and the interest acquired by the issuer; and
- (iv) disclosure of the annual oil and gas production volumes from the business;
- (g) the operating statement for the two most recently completed financial years has been audited;
- (h) the prospectus discloses
 - (i) the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the vendor of the person who prepared the estimates; and
 - (ii) the estimated oil and gas production volumes from the business for the first year reflected in the estimated disclosure under subparagraph (i).
- (2) An issuer is exempted from subparagraphs (1)(f)(i), (ii) and (iv) if
 - (a) production, gross revenue, royalty expenses, production costs and operating income were nil, or are reasonably expected to be nil for the business for each financial period; and
 - (b) the prospectus discloses the applicable facts referred to in paragraph (a).

- (3) An issuer is exempted from subparagraphs (1)(f) and (g) in respect of the second most recently completed financial year if the issuer has completed the acquisition and has included in the prospectus the following:
- (a) information in accordance with Form 51-101F1 as of a date commencing on or after the acquisition date and within 6 months of the date of the preliminary prospectus;
 - (b) a report in the form of Form 51-101F2 on the reserves data included in the disclosure required under paragraph (a);
 - (c) a report in the form of Form 51-101F3 that refers to the information disclosed under paragraph (a).

ITEM 32: Credit Supporter Disclosure, Including Financial Statements

Credit supporter disclosure, including financial statements

- 32.1** 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, 8, 15, 17, 20, 22, 24, 25, and 31, as 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 33: Exemptions for Certain Issues of Guaranteed Securities

Issuer is wholly-owned subsidiary of parent credit supporter

- 33.1** An issuer is not required to include the issuer disclosure required by Items 4, 5, 8, 17, 20, 22, 24, 25, and 31, 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

- 33.2** An issuer is not required to include the issuer disclosure required by Items 4, 5, 8, 17, 20, 22, 24, 25, and 31, or the credit supporter disclosure of one or more subsidiary credit supporters required by Item 32, if it complies with Item 34.3 of Form 41-101F1 *Information Required in a Prospectus*.

One or more credit supporters controlled by issuer

- 33.3** An issuer is not required to include the credit supporter disclosure for one or more credit supporters required by Item 32, if it complies with Item 34.4 of Form 41-101F1 *Information Required in a Prospectus*.

ITEM 34: Major Acquisitions

Definitions

- 34.1** For purposes of this Item, the definitions of "business" and "related business" in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* apply.

Application

- 34.2(1)** This Item does not apply to

- (a) 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, or
 - (b) a completed or proposed acquisition
 - (i) by the issuer if
 - (A) the issuer's principal asset is cash, cash equivalents or its exchange listing, or
 - (B) the issuer was not a reporting issuer in any jurisdiction
 - (I) on the acquisition date, in the case of a completed acquisition, and
 - (II) immediately before filing the prospectus, in the case of a proposed acquisition, and
 - (ii) to which Item 31 applies by operation of section 31.1.
- (2)** 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 a report under NI 51-103 or NI 51-102 has been filed

34.3 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 under Parts 5 and 6 of NI 51-103 or 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 under NI 51-103 or NI 51-102 because issuer was not reporting issuer on acquisition date

34.4(1)An issuer must include the disclosure required under subsection (2), if

- (a) the issuer completed an acquisition of a business or related businesses 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) 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 date was 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 filed under Parts 5 and 6 of NI 51-103, as if
- (a) the issuer was a venture issuer on the acquisition date,
 - (b) the report was filed as at the date of the prospectus, and
 - (c) references to financial statements filed or required to be filed meant financial statements included in the prospectus.

Financial performance consolidated in financial statements of issuer

34.5 Despite section 34.3 and subsection 34.4(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

34.6(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 34.3 or 34.4.

(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 filed under Parts 5 and 6 of NI 51-103 or Part 8 of NI 51-102, 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 filed under Parts 5 and 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 section 34.4, or
- (c) satisfactory alternative financial statements or other information.

Probable acquisitions

- 34.7(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 filed under Parts 5 and 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 filed under Parts 5 and 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 section 34.4, 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

- 34.8** If the issuer was required to file a business acquisition report under Part 8 of NI 51-102, despite sections 34.3 and 34.6, 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 the section in this Item that applies to the most recently completed acquisition.

Additional financial statements or financial information of business filed or released

- 34.9(1)** An issuer must include in its prospectus annual financial statements and an interim financial report 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 34.6 or 34.7 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 34.6 or 34.7, 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 35: Probable Reverse Takeovers

Probable reverse takeovers

- 35.1** 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, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 23, 24, 26, 27, 28 and 31.

ITEM 36: Certificates

Certificates

- 36.1** Include the certificates required by Part 5 of the Instrument or by securities legislation.

Issuer certificate form

- 36.2** An issuer certificate form must include a statement, in the following form, with the bracketed information completed:

“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

- 36.3** An underwriter certificate form must include a statement, in the following form, with the bracketed information completed:

“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

- 36.4(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 36.2 and 36.3.

- (2) For an amended and restated prospectus, change “prospectus” to “amended and restated prospectus” wherever it appears in the statements in sections 36.2 and 36.3.

Non-offering prospectuses

- 36.5** 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 36.2 and 36.3.

- 10.** This Instrument comes into force on ●.

**Proposed Changes to
Companion Policy 41-101CP to National Instrument 41-101
General Prospectus Requirements**

- 1. The changes proposed to Companion Policy 41-101CP to National Instrument 41-101 General Prospectus Requirements are set out in this schedule.**
- 2. Subsection 1.2(3) is changed by**
 - a. inserting, in the title, “, NI 51-103” after “NI 51-102”, and**
 - b. inserting “NI 51-103,” after “NI 51-102,”.**
- 3. Subsection 3.6(3) is changed by inserting “or Form 51-103F4, as applicable,” after “Form 51-102F6”.**
- 4. Section 3.8 is changed by**
 - a. inserting “or a current annual report, as applicable” after “current AIF”,**
 - b. inserting “or NI 51-103, as applicable” after “NI 51-102”,**
 - c. inserting “or section 33.2 of Form 41-101F4, as applicable” after “section 34.3 of Form 41-101F1”,**
 - d. inserting “or section 33.3 of Form 41-101F4, as applicable” after each occurrence of “section 34.4 of Form 41-101F1”, and**
 - e. inserting “or section 33.3 of Form 41-101F4, as applicable” after “subparagraph 34.4(e)(ii) of Form 41-101F1”.**
- 5. Section 3.11 is changed by inserting “or section 19.8 of Form 41-101F4, as applicable,” after “Form 41-101F1”.**
- 6. Section 4.2 is changed by inserting “or section 1.7 of Form 41-101F4, as applicable” after each occurrence of “section 1.7 of Form 41-101F1”.**
- 7. Subsection 4.3(1) is changed by**
 - a. inserting “or Form 41-101F4, as applicable,” after “Subsection 6.3(1) of Form 41-101F1”, and**
 - b. inserting “or section 20.1 of Form 41-101F4, as applicable” after “subsection 21.1(1) of Form 41-101F1”.**

8. *Subsection 4.3(2) is changed by inserting “or Form 41-101F4, as applicable” after “section 6.3 of Form 41-101F1”.*

9. *Section 4.4 is replaced by the following:*

4.4 MD&A (1) Additional information for senior unlisted issuers, IPO venture issuers and venture issuers without significant revenue - 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 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.

(2) Disclosure of outstanding security data - Section 8.4 of Form 41-101F1 or section 10.2 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.

(3) Additional disclosure for issuers with significant equity investees - 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 the thresholds provided in the guidance under Item 21 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.

10. *Subsection 4.6(1) is changed by inserting “or section 9.3 of Form 41-101F4, as applicable,” after “Form 41-101F1”.*

11. *Section 4.7 is changed by inserting “or section 9.5 of Form 41-101F4, as applicable,” after “Form 41-101F1”.*

12. *Section 4.8 is changed by inserting “or Item 32 of Form 41-101F4, as applicable” after “Item 33 of Form 41-101F1”.*

13. *Section 4.9 is changed by inserting “or Item 33 of Form 41-101F4, as applicable,” after “Form 41-101F1”.*

14. *Section 5.1.1 is changed by inserting “or subsections 31.2(2) and 31.3(3) of Form 41-101F4, as applicable” after “Form 41-101F1”.*

15. Section 5.2 is changed by inserting “or sections 31.6 and 34.6 of Form 41-101F4, as applicable,” **after** “Form 41-101F1”.

16. Subsection 5.3(1) is changed

a. by inserting “or Item 31 of Form 41-101F4, as applicable,” **after** “Item 32 of Form 41-101F1”,

b. by inserting “or a major acquisition, as applicable” **after** “subsection 35.1(4) of Form 41-101F1”, **and**

c. by inserting “A venture issuer should consider the instructions in section 31.1 of Form 41-101F4.” **after** “to determine whether a reasonable investor would regard the primary business of the issuer to be the acquired business or related businesses.”.

17. Subsection 5.3(2) is changed

a. by inserting “or under Item 31 of Form 41-101F4, as applicable,” **after** “Item 32 of Form 41-101F1”,

b. by inserting “or to sections 31.2 and 31.3 of Form 41-101F4, as applicable” **after** “sections 32.2 and 32.3 of Form 41-101F1”,

c. by inserting “or in paragraphs 31.4(a) through (c) of Form 41-101F4, as applicable” **after** “paragraphs 32.4(a) through (e) of Form 41-101F1”,

d. by inserting “but is not a venture issuer,” **after** “for an issuer that is a reporting issuer in at least one jurisdiction immediately before filing a long form prospectus,” **and**

e. by replacing “subparagraph 32.2(6)(a)” **with** “paragraph 32.2(6)(a)”.

18. Section 5.4 is changed by inserting “or Item 31 of Form 41-101F4, as applicable,” **after** “Form 41-101F1”.

19. Section 5.5 is changed by

a. inserting “or Item 31 of Form 41-101F4, as applicable,” **after** “Item 32 of Form 41-101F1”,

b. inserting “or sections 31.2, 31.3, 34.6 and 34.7 of Form 41-101F4, as applicable,” **after** “35.6 of Form 41-101F1”,

c. replacing “subparagraph 32.3(2)(e) and subsection 32.3(4) of Form 41-101F1” *with* “paragraph 32.3(2)(e) and subsection 32.3(4) of Form 41-101F1 or paragraph 31.3(2)(d) and subsection 31.3(4) of Form 41-101F4”,

d. inserting “or subsection 31.3(4) of Form 41-101F4, as applicable,” *after* “subsection 32.3(4) of Form 41-101F1”, *and*

e. inserting “or subsection 31.3(4) of Form 41-101F4, as applicable” *after* “Alternatively, pursuant to subsection 32.3(4) of Form 41-101F1”.

20. Section 5.6 is changed by

a. inserting “under Form 41-101F1” *after* “for an IPO”, *and*

b. inserting “years of audited historical financial statements and under Form 41-101F4 no less than two” *after* “no less than three”.

21. Subsection 5.8(2) is changed by

a. inserting “or Item 31 of Form 41-101F4, as applicable” *after* “Item 32 of Form 41-101F1”,

b. inserting “or Item 34 of Form 41-101F4, as applicable” *after* “Item 35 of Form 41-101F1”, *and*

c. inserting “or NI 51-103, as applicable” *after* “NI 51-102”.

22. Section 5.9 is replaced by the following:

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 Item 34 of Form 41-101F4 for major acquisitions, as applicable, follow the requirements in Part 8 of NI 51-102 or in sections 22 and 23 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”,
- (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 subsection 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 Form 51-103F2 *Report of Material Change and Other Material Information* 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 or section 22 and 23 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 or under section 22 of NI 51-103, as applicable.

For issuers 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.

For issuers 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 senior unlisted issuers are identical to the significance thresholds for 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 section 34.3 of Form 41-101F4, as applicable, are based on the principles under section 8.2 of NI 51-102 or section 24 of NI 51-103. For reporting issuers, subsection 8.2(2) of NI 51-102 or paragraph 24(1)(a) 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, paragraph 35.3(1)(d) of Form 41-101F1 imposes 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 for senior unlisted issuers under paragraph 8.2(2)(b) of NI 51-102. 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 Form 51-103F2 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 or would constitute a major acquisition under section 22 of 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 section 34.6 or section 34.7 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 Part 5 and Part 6 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 34.6(3) or subsection 34.7(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 Part 5 and Part 6 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, and 45 days for issuers that are not senior unlisted 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, or
- (c) for issuers that are not senior unlisted issuers, venture issuers or IPO venture issuers an interim period ended within 45 days before the date of the long form prospectus.

Examples of satisfactory alternative financial statements or other information that we will generally find acceptable include:

- (d) 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 Part 5 and Part 6 of NI 51-103, as applicable, 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;
- (e) a comparative interim financial report or other information for the acquisition or probable acquisition for 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 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;
- (f) 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 examples 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:
- whether the indirect acquisition would meet any of the significance tests in section 35.1(4) of Form 41-101F1 or would constitute a major acquisition for a venture issuer, as applicable, when the issuer applies each of those tests to its proportionate interest in the indirect acquisition of the business;
 - whether 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 sections 34.3 and 34.4 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 and section 23 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 or section 31 of NI 51-103.
- (7) Section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report under NI 51-102 or financial statements included in a report prepared in accordance with Form 51-103F2, 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.
23. *Appendix A is amended by replacing each occurrence of “Financial Statement Disclosure Requirements for Significant Acquisitions” with “Financial Statement Disclosure Requirements for Significant Acquisitions by Issuers Other than Venture Issuers”.*
24. These changes become effective on ●.

Annex D

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) *inserting the following definition:*

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

(b) *replacing the definition of “applicable CD rule” with the following:*

“applicable CD rule” means,

(a) for an issuer which was at the applicable time

(i) a reporting issuer but not a venture issuer, NI 51-102, or

(ii) a venture issuer, NI 51-103, and

(b) for an investment fund, NI 81-106;

(c) *inserting the following definitions:*

“applicable time” has the same meaning as in section 3 of NI 51-103;

“current annual report” means,

(a) if the venture issuer has filed an annual report for its most recently completed financial year, that annual report, or

(b) the venture issuer’s annual report filed for the financial year immediately preceding its most recently completed financial year if

(i) the venture issuer has not filed an annual report for its most recently completed financial year, and

(ii) the venture issuer is not yet required under the applicable CD rule to have filed its annual report for its most recently completed financial year,

(d) *replacing the definition of “material change report” with the following:*

“material change report” means,

- (a) for an issuer which was at the applicable time
 - (i) a reporting issuer but not a venture issuer, a completed Form 51-102F3 *Material Change Report*, or
 - (ii) a venture issuer, a completed 51-103F2 *Report of Material Change or Other Material Information* prepared for a material change, and
 - (b) for an investment fund, a completed Form 51-102F3 *Material Change Report* adjusted as directed by NI 81-106;.
 - (e) ***in the definition of “successor issuer”, adding “or, for a venture issuer, a transaction contemplated by subsection 32(6) of National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers,” after each instance of “restructuring transaction”.***
3. ***Section 2.2 is amended by replacing paragraph (d) with the following:***
- (d) the issuer has filed 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, or
 - (ii) in the case of a venture issuer, a current annual report;.
4. ***Section 2.3 is amended by replacing paragraph (1)(d) with the following:***
- (d) the issuer has filed 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, or
 - (ii) in the case of a venture issuer, a current annual report;.
5. ***Section 2.7(1) is amended by adding “or, for a venture issuer, an annual report,” after “file annual financial statements”.***
6. ***Subsection 2.7(2) is amended by***
- (a) ***adding “or, for a venture issuer, an annual report,” after the first instance of “file annual financial statements”,***
 - (b) ***adding “or, for a venture issuer, an annual report” after the second instance of “file annual financial statements” and***

- (c) **adding** “or, for a venture issuer, disclosure as required by section 32 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and subsection 22(1) in Form 51-103F4 *Information Circular*” after “14.5 of Form 51-102F5”.

7. **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, or
 - (C) any of paragraph (a), (b), (c) or (d) of subsection 36(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, or
 - (C) paragraph 36(1)(e) and subsection 36(2) of NI 51-103;

8. **Form 44-101F1 Short Form Prospectus is amended**

- (a) **by replacing instruction 13 with the following:**

(13) Forward-looking information included in a short form prospectus must

- (a) in the case of an issuer other than a venture issuer,
 - (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, and

(b) in the case of a venture issuer, comply with section 39 of NI 51-103.,

(b) in item 1 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 a venture issuer subject to the ongoing governance and disclosure requirements under NI 51-103.”,

(c) by adding the following after subsection 4.1(1):

(1.1) If the issuer is a venture issuer, state the total funds available and the following breakdown of those funds:

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

(d) in sections 4.2, 4.3, 4.4, 4.5, and 4.6 by adding “or, for a venture issuer, the funds available,” after each instance of “net proceeds”,

(e) in section 4.7 by adding “or, for a venture issuer, the funds available” after “net proceeds of the distribution under section 4.1”,

(f) by adding the following after section 4.10:

4.11 Actual use of financing proceeds

If the issuer is a venture issuer, unless previously disclosed, include a table comparing disclosure previously made by the 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 issuer’s ability to achieve its business objectives and performance targets.

4.12 Additional disclosure for venture issuers with negative cash flows

(1) For a venture 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 funds available are expected to fund the 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.

(2) In determining cash flows from operating activities, the issuer must include cash payments related to dividends and borrowing costs.

(g) by replacing section 9.1 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 annual report does not contain the disclosure required under subsection 17(2) or permitted under subsection 17(3) of Form 51-103F1 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under subsection 17(2) or subsection 17(3) of Form 51-103F1.,

(h) in section 10.2, by inserting the following subsections

(1.1) Subsection (1) does not apply to an issuer that was a venture issuer at the acquisition date.

(2.1) Subsection (2) does not apply to a venture issuer.,

(i) in item 10 by adding the following section:

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 business,

(a) that the issuer completed within 75 days prior to the date of the short form prospectus, or

(b) for which the issuer has not filed a Form 51-103F2 or related financial statements.

(2) Describe any proposed major acquisition of a business or related business 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 completed.,

(j) in item 10A

- (i) by adding “or, for a venture issuer, the venture issuer’s current annual report,” after “current AIF”, and**
- (ii) by adding “or, for a venture issuer, Form 41-101F4,” after each instance of “Form 41-101F1”.**

(k) by replacing subsection (1) of section 11.1 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 following documents, as applicable:
- 1. in the case of an issuer other than a venture issuer, the issuer’s current AIF, if it has one;

- 1.1 in the case of a venture issuer, the venture issuer's current annual report;
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 interim 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 annual report or has included annual financial statements in the short form prospectus;
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 annual report under paragraph 1.1, or
 - (b) the interim report required under paragraph 3.1;
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 5 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 or, for a venture issuer, current annual report 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 business acquisition report 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;
- 6.1 each completed Form 51-103F2 *Report of Material Change or Other Material Information* filed by the issuer under Part 5 and Part 6 of NI 51-103 for acquisitions completed since the beginning of the financial year in respect of which the issuer's current annual report is filed, unless the issuer incorporated at least 9 months of the acquired business or related businesses operations into the annual financial statements included in the issuer's current annual report;
7. each information circular filed by the issuer under Part 9 of NI 51-102, Part 12 of NI 81-106 or Part 4 of NI 51-103, as applicable, since the beginning of the financial year in respect of which the issuer's current AIF or, for a venture issuer, current annual report, 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, for a venture issuer, current annual report is in the form of Form 51-103F1, 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 or, for a venture issuer, current annual report 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 or, for a venture issuer, current annual report is filed,

(l) *in section 11.3 by*

- (i) **adding** “or, for a venture issuer, a current annual report,” **before** “and is relying”, **and**
 - (ii) **adding** “or, for a venture issuer, a current annual report” **after the first instance of** “related MD&A” **and** “or, for a venture issuer, a current annual report,” **after the second instance of** “related MD&A”.
- (m) **in section 11.4 by adding the following subsection:**
- (3) This section does not apply to a venture issuer that was a venture issuer at the acquisition date.,
- (n) **in item 11 by inserting the following section after section 11.4, and before the Instruction:**

11.5 Major Acquisition for which no Report of Material Change or Other Material Information has been filed

- (1) Include the financial statements and other information that are prescribed by Form 51-103F2 in respect of an acquisition of a business or related business that would have been a major acquisition if the issuer had been a venture issuer at the time of the transaction, for which the issuer has not filed a Form 51-103F2 and which was completed
 - (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., **and**
- (o) **by replacing the instruction at the end of Item 11 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..

- (p) **in item 15.2 by adding** “or, for a venture issuer, section 34 of Form 51-103F1” **after each instance of** “Form 51-102F2”.

9. This instrument comes into force on ●.

**Proposed Changes to
Companion Policy 44-101CP to National Instrument 44-101
*Short Form Prospectus Distributions***

1. *The changes proposed to Companion Policy 44-101CP to National Instrument 44-101 Short Form Prospectus Distributions are set out in this schedule.*
2. *Section 1.3 is changed by inserting “, NI 51-103” after each occurrence of “NI 51-102”.*
3. *Subsection 1.7(3) is replaced by the following:*
 - (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. 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 changed 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 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 senior unlisted issuer for the purposes of NI 51-102 can be expected to expire later than the AIF of an issuer that is not a senior unlisted issuer, due to the fact that the deadlines for filing annual financial statements under NI 51-102 are later for senior unlisted issuers than for other issuers.
 - (3.1) **Current Annual Report** – A venture issuer’s annual report, which is required to include its annual financial statements, or, in the case of an SEC issuer, the alternative disclosure permitted by section 36 of NI 51-103, filed under the applicable CD Rule is a “current annual report” until the venture issuer files an annual report for the next financial year, or is required by the applicable CD rule to have filed its annual report for the next financial year. If a venture issuer fails to file a new annual report by the filing deadline under the applicable CD rule, it will not have a current annual report and will not qualify under NI 44-101 to file a prospectus in the form of a short form prospectus. If a venture issuer files a revised or changed annual report for the same financial year as an annual report that has previously been filed, the most recently filed annual report will be the venture issuer’s current annual report.
4. *Subsection 2.1(2) is changed by inserting “, NI 51-103” after “NI 51-102”.*

5. *Section 3.5 is changed by inserting “or NI 51-103, as applicable” after “NI 51-102”.*
6. *Subsection 4.4(1) is changed by replacing “or section 5.2 in NI 51-102F2” with “, item 5.2 of Form 51-102F2 or item 23 of Form 51-103F1, as applicable”.*
7. *Section 4.9 is replaced by the following:*

4.9 Recent and Proposed Acquisitions

- (1) Subsections 10.2(2) and 10.3(2) of Form 44-101F1 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 or a major acquisition for the purposes of sections 22 and 23 of 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;
 - (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) For issuers other than venture issuers, subsection 10.2(3) of Form 44-101F1 requires 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. 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 10.2(4) of Form 44-101F1 provides that issuers must satisfy the requirements of subsection 10.2(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
- (ii) satisfactory alternative financial statements or other information.

Satisfactory alternative financial statements or other information may be provided to satisfy the requirements of subsection 10.2(3) when the financial statements or other information that would be required by Part 8 of NI 51-102 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, and 45 days before the date of the prospectus for issuers that are not senior unlisted 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) an interim period ended within 60 days before the date of the short form prospectus for issuers that are senior unlisted issuers or venture issuers and 45 days-for issuers that are not senior unlisted issuers.

An example of satisfactory alternative financial statements or other information that we will generally find acceptable would be

- (c) 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 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,
- (d) a comparative interim financial report or other information for the acquisition or probable acquisition for 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 senior unlisted issuers, and 45 days for issuers that are not senior unlisted issuers reviewed in accordance with section 4.3 of NI 44-101, and
- (e) 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:
 - (a) whether the indirect acquisition would meet any of the significance tests in Part 8 of NI 51-102 or in section 22 of NI 51-103, as applicable, when the issuer applies each of those tests to its proportionate interest in the indirect acquisition of the business;
 - (b) whether 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) of Form 44-101F1 discusses 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 other than financial statements. An example of “other information” would include, for an issuer other than a venture issuer, the operating statements, property descriptions, production volumes and reserves disclosures described under section 8.10 of NI 51-102.

8. Section 4.11 is replaced by the following:

4.11 General Financial Statement Requirements – A reporting issuer, other than a venture issuer, is required under the applicable CD rule to file its annual financial statements 90 days after year end (or 120 days if the issuer is a senior unlisted issuer as defined in NI 51-102). A venture issuer is required under NI 51-103 to file its annual report, which contains its annual financial statements, 120 days after year end. 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 endeavour 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.

- 9. Subsection 4.14(3) is changed by inserting “or section 39 of NI 51-103, as applicable” after “as required by section 5.8 of NI 51-102”.**

10. The Companion Policy is changed by adding the following section:

4.15 Incorporation by Reference Transition Issues (NI 51-103 - NI 51-102) – If since the end of the issuer’s most recently completed financial year, the issuer has transitioned from being an issuer other than a venture issuer to being a venture issuer, or from being a venture issuer to being an issuer other than a venture issuer, that issuer may be required to incorporate by reference into its short form prospectus certain documents required under both NI 51-103 and NI 51-102. An issuer determines which documents it is required to file based on the “applicable time” (see subsection 3(4) of NI 51-103). The applicable time for determining whether the issuer is subject to NI 51-103 or NI 51-102 is different depending on the disclosure required to be provided.

For example, a venture issuer with a year end of December 31 that lists on the TSX in June and files a short form prospectus in December will be obliged to incorporate into its short form prospectus its annual report, required under NI 51-103, and its interim financial report and MD&A for the 3rd quarter, required under NI 51-102. The issuer in this example would be required to incorporate by reference disclosure from both NI 51-103 and NI 51-102 because, at the applicable time for the purpose of the annual report, the issuer was a venture issuer and, at the applicable time for the purpose of the interim financial report and MD&A for the 3rd quarter, it was an issuer other than a venture issuer.

11. These changes become effective on ●.

Annex E

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 National Instrument 51-102 *Continuous Disclosure Obligations*;

(b) *adding the following definitions:*

"alternate AIF" means

(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, or

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

“applicable time” has the same meaning as in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

"interim report" has the same meaning as in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

“material change report” means, for an issuer which was at the applicable time

(a) a reporting issuer but not a venture issuer, a completed Form 51-102F3 *Material Change Report*, and

(b) a venture issuer, a report completed as required by section 19 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

(c) **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;
 - (C) an alternate AIF, and
 - (ii) a copy of all material incorporated by reference in the AIF and not previously filed,;

(d) **in the definition of "TFSA", replacing "." with "; and" after "(Canada)";**

(e) **adding the following definition:**

"venture issuer" has the same meaning as in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.,

3. **Subparagraph 2.11(b)(i) is amended by inserting "**, National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*" **after "Obligations".**

4. **Part 5 is amended**

- (a) **in paragraph 5.2(a) and in clauses 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 clause 5.2(e)(i)B), by adding "**, if any" **after "those financial statements",**
- (c) **in clause 5.2(e)(i)C) by adding "**, if any" **after "document",**
- (d) **by adding the following clause after subparagraph 5.2(e)(i)E):**
 - F) all interim reports filed after the date of the annual report but before or on the date of the TSX Venture Exchange offering document.,

(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*. 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.”.

5. ***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* (NI 51-103), 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

(a) NI 51-102 for a reporting issuer that is not a venture issuer, or

(b) NI 51-103 for a venture issuer,

(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,

(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, and
 - (b) in the case of an issuer that was a venture issuer, comply with section 39 of NI 51-103.
- 2.1 Additional guidance on forward-looking information may be found in the Companion Policy to NI 51-102.,
- (d) ***in Instruction C.1 by***
 - (i) ***adding "or alternate AIF" after "AIF",***
 - (ii) ***adding "or, for a venture issuer, annual report," after "audited financial statements", and***
 - (iii) ***adding "or, for a venture issuer, any annual report or interim reports," after "any financial statements".***
 - (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 for which an annual report is required to be filed or has been filed;
 - (iii) the issuer's alternate AIF for the most recently completed financial year for which annual financial statements are either required to be filed or have been filed.,
 - (ii) ***in paragraph (b) by inserting ", annual report or alternate AIF" after "AIF",***
 - (iii) ***in paragraph (c) by inserting "or interim report," after each occurrence of "interim financial report" and by replacing "have been filed" with "has been filed",***
 - (iv) ***in paragraph (d) by inserting "in the case of an issuer that was not a venture issuer," before "the comparative financial statements",***

- (v) ***in paragraph (e) by inserting "in the case of an issuer that was not a venture issuer," before "if, before the offering memorandum is filed,"***
- (vi) ***by inserting the following paragraph:***
 - (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
 - (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), or
 - (ii) the interim report required under (c),,
- (vii) ***in paragraph (f) by inserting "in the case of an issuer that was not a venture issuer," before "management's discussion and analysis (MD&A)"***,
- (viii) ***by replacing paragraph (g) with the following:***
 - (g) in the case of an issuer that was not a venture issuer, each business acquisition report required to be 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 or alternate AIF is filed, unless the issuer incorporated the business acquisition report by reference into its current AIF or alternate AIF or incorporated at least 9 months of the acquired business or related businesses operations into the issuer's current annual financial statements,,
- (ix) ***by inserting the following paragraph***
 - (g.1) in the case of an issuer that was a venture issuer, each report required to be filed by the issuer under sections Parts 5 and 6 of NI 51-103 for major acquisitions completed since the beginning of the financial year in respect of which the issuer's annual report is filed, unless the issuer incorporated at least 9 months of the acquired business, or related businesses operations into the issuer's current annual financial statements included in its annual report,,
- (x) ***in paragraph (h) by inserting ", annual report or alternate AIF" after "AIF",***

(xi) 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's annual report is in the form of Form 51-103F1;
 - (iii) the issuer is otherwise exempted from the requirements of NI 51-101,

(xii) in 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 if 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 significant 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 17(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 17(2) of Form 51-103F1, as applicable.
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*. 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. This instrument comes into force on ●.

**Proposed Changes to
Companion Policy 45-106CP to National Instrument 45-106
*Prospectus and Registration Exemptions***

1. *The changes proposed to Companion Policy 45-106 CP to National Instrument 45-106 Prospectus and Registration Exemptions are set out in this schedule.*
2. *Section 3.8 is changed by replacing subsection 2 with the following:*

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 or under NI 51-103, as applicable.

A qualifying issuer is a reporting issuer that has filed an AIF under NI 51-102, 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 or NI 51-103, as applicable, 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, senior unlisted issuers are not required to file AIFs. However, if a senior unlisted issuer wants to use Form 45-106F3, the senior unlisted issuer must voluntarily file an AIF under NI 51-102 in order to incorporate that AIF into its offering memorandum.

3. These changes become effective on ●.

Annex F

**Proposed Amendments to
National instrument 13-101
*System for Electronic Analysis and Retrieval (SEDAR)***

1. *National Instrument 13-101 System for Electronic Analysis and Retrieval (SEDAR) is amended by this Instrument.*
2. *Appendix A – Mandated Electronic Filings is amended by inserting, in the format and location indicated by reference to the shaded rows, the following non-shaded rows immediately under the row containing the words “6. Annual Information Form (Non-POP System)” in the “Applicable Filing” column:*

	Applicable Filing	Applicable Jurisdictions*
II	<i>Other Issuers (Reporting/Non-Reporting)</i>	
B.	Continuous Disclosure	
	(a) <u>General Filings:</u>	
	6.1 Annual Report (Part 3 of NI 51-103)	
	6.2 Interim Report (Part 3 of NI 51-103)	

3. 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 adding the following definitions:***

“applicable time” has the same meaning as in section 3 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

“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 adding the following paragraph:***
 - (b.1) a preliminary short form prospectus filed in accordance with National Instrument 44-101 *Short Form Prospectus Distributions*, if the issuer is a venture issuer at the applicable time that has not, within the 12 months preceding the date of the preliminary short form prospectus,
 - (i) filed a technical report required under this Instrument in respect of the property, or
 - (ii) qualified for and relied on the exemption in subsection (8) from filing a technical report required under this Instrument in respect of the property;
4. ***Subsection 4.2(3) is amended by***
 - (a) ***deleting “or” before “(b)” and inserting “,” 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 Changes to
Companion Policy 43-101CP to National Instrument 43-101
Standards of Disclosure for Mineral Projects**

1. *The changes proposed to Companion Policy 43-101CP to National Instrument 43-101 Standards of Disclosure for Mineral Projects are set out in this Schedule.*
2. *Section 3 of General Guidance is changed*
 - a. *by inserting “or section 39 of National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (NI 51-103), as applicable,” after “(NI 51-102)”, and*
 - b. *by inserting “or section 39 of NI 51-103” after “Part 4A of NI 51-102”.*
3. *Subsection 4.2(6) is changed by inserting “other than a venture issuer” after “Form 51-102F1, an issuer”.*
4. *These changes become effective on ●.*

Proposed Amendments to National Instrument 44-102
Shelf Distributions

- 1. *National Instrument 44-102 Shelf Distributions is amended by this Instrument.***
- 2. *Subparagraphs 2.2(3)(b)(i) and (ii) are replaced by the following:***
 - (i) the issuer, if not a venture issuer, does not have current annual financial statements or a current AIF and does not satisfy the requirements of the exemption in either of subsection 2.7(1) or (2) of NI 44-101,
 - (ii) the issuer, if a venture issuer, does not have a current annual report and does not satisfy the requirements of the exemption in either of subsection 2.7(1) or (2) of NI 44-101,.
- 3. *Subparagraphs 2.3(3)(b)(i) and (ii) are replaced by the following:***
 - (i) the issuer, if not a venture issuer, does not have current annual financial statements or a current AIF and does not satisfy the requirements of the exemption in either of subsection 2.7(1) or (2) of NI 44-101,
 - (ii) the issuer, if a venture issuer, does not have a current annual report and does not satisfy the requirements of the exemption in either of subsection 2.7(1) or (2) of NI 44-101,.
- 4. *Subparagraphs 2.4(3)(b)(ii) and (iii) are replaced by the following:***
 - (ii) unless the requirements of subparagraph 2.4(1)(b)(ii) of NI 44-101, but not the requirements of subparagraph 2.4(1)(b)(i) of NI 44-101, were satisfied at the time the issuer filed its base shelf prospectus, the credit supporter, if not a venture issuer, does not have current annual financial statements or a current AIF and does not satisfy the requirements of the exemption in either 2.7(1) or (2) of NI 44-101,
 - (iii) unless the requirements of subparagraph 2.4(1)(b)(ii) of NI 44-101, but not the requirements of subparagraph 2.4(1)(b)(i) of NI 44-101, were satisfied at the time the issuer filed its base shelf prospectus, the credit supporter, if a venture issuer, does not have a current annual report and does not satisfy the requirements of the exemption in either 2.7(1) or (2) of NI 44-101,.
- 5. *Subparagraphs 2.5(3)(b)(ii) and (iii) are replaced by the following:***
 - (ii) the credit supporter, if not a venture issuer, does not have current annual financial statements or a current AIF and does not satisfy the requirements of the exemption in either of subsection 2.7(1) or (2) of NI 44-101,

- (iii) the credit supporter, if a venture issuer, does not have a current annual report and does not satisfy the requirements of the exemption in either of subsection 2.7(1) or (2) of NI 44-101,.

6. Section 5.8 is amended by,

(a) in paragraph (a), adding "or Form 51-103F2 Report of Material Change or Other Material Information, as applicable" after "report", and

(b) in paragraph (b), adding "or Form 51-103F2 Report of Material Change or Other Material Information, as applicable" after "report".

7. Subparagraph 6.2(3) is amended by adding "or any unaudited financial statements included in an annual report or interim report," after "any unaudited financial statements,".

8. 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 Information Required in a Rights Offering Circular 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 sections:***
 - 17.2 **Venture issuers - For a venture issuer, as defined in section 1 of NI 51-103, forward-looking information, FOFI or a financial outlook, included in a rights offering circular, must comply with section 39 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 that is not a venture issuer..**
3. **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 adding the following definition:*
 - (a.01) "annual report" has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
3. *Section 2.3 is amended by inserting "or annual report" after "annual information form", wherever it occurs.*
4. This Instrument comes into force on ●.

**Proposed Changes to Companion Policy 51-101CP to
National Instrument 51-101 Standards of Disclosure for
Oil and Gas Activities**

1. *The changes proposed to Companion Policy 51-101CP to National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities are set out in this Schedule.*
2. *Section 2.4 is replaced by the following:*

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) **Information in Annual Information Form or Annual Report** - Form 51-102F2 *Annual Information Form* and Form 51-103F1 *Annual and Interim 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* 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 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 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.

3. *Subsection 5.10(1) is changed by*
 - a. *inserting “or Major Acquisitions” after “Significant Acquisitions”,*
 - b. *inserting “or major acquisition” after “significant acquisition”, and*
 - c. *. inserting “or major acquisitions” after “significant acquisitions”.*
4. These changes become effective 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 by*

(a) *by adding the following definitions:*

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

“securitized product” means 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, without limitation
 - (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, or
 - (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, without limitation
 - (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, or
- (vi) a synthetic collateralized debt obligation of collateralized debt obligations;

“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(2)(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; *and*
- (c) *by 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

This Instrument does not apply to an investment fund or 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) *section 5.3;*
- (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).*

6. *Form 51-102F1 Management's Discussion & Analysis is amended by replacing "venture issuer" in each of 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;*

7. *Paragraph 1.15(b)(i) of Form 51-102F1 Management's Discussion & Analysis is amended by replacing "Venture Issuers" with "Senior-Unlisted Issuers".*

8. *Instruction (vii) of section 2.2 of Form 51-102F1 Management's Discussion & Analysis is amended by replacing "venture issuer" with "senior-unlisted issuer".*

9. *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, without limitation,

- (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, without limitation,
 - (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..*

10. Form 51-102F6 Statement of Executive Compensation is amended by replacing "venture issuer" with "senior-unlisted issuer" in subparagraph 2.2(a)(i).

11. This instrument comes into force on ●.

**Proposed Changes to
Companion Policy 51-102CP to National Instrument 51-102
Continuous Disclosure Obligations**

1. *The changes proposed to Companion Policy 51-102CP to National Instrument 51-102 Continuous Disclosure Obligations are set out in this Schedule.*
2. *Subsection 1.1(1) is changed by inserting “and venture issuers” after “investment funds”.*
3. *Section 2.2 is replaced by the following:*

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.

4. *Section 5.2 is changed by*
 - a. *replacing “Venture Issuers” with “Senior-Unlisted Issuers”, and*
 - b. *replacing “venture issuers” with “senior-unlisted issuers”.*
5. *Subsection 8.2(2) is changed by replacing “venture issuers” with “senior-unlisted issuers”.*
6. *Subsections 8.7(5) and (9) are changed by replacing each instance of “venture issuer” with “senior-unlisted issuer”.*
7. These changes become effective 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) ***adding the following paragraphs to 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.1) included in a prospectus pursuant to Item 34 of Form 41-101F4 *Information Required in a Venture Issuer Prospectus*,
 - (b) ***adding the following definition:***

“IPO senior-unlisted issuer” has the same meaning as in section 1.1 of National Instrument 41-101 *General Prospectus Requirements*;
 - (c) ***by adding “and paragraph 31.1(1)(a) of Form 41-101F4 Information Required in a Venture Issuer Prospectus” after “in a Prospectus” in the definition of “predecessor statements”,***
 - (d) ***by adding “and paragraph 31.1(1)(b) of Form 41-101F4 Information Required in a Venture Issuer Prospectus” after “in a Prospectus” in the definition of “primary business statements”,***
 - (e) ***adding the following definition:***

“senior-unlisted issuer” has the same meaning as in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*; ***and***
 - (f) ***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*;
3. ***Section 2.1 is amended***
 - (a) ***in paragraph 2.1(2)(b), by adding “, 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".*

4. Paragraph 3.2(6)(a) is amended by

- (a) *deleting "or" and inserting a comma after "Exemptions", and*
- (b) *adding "or National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers" after "Obligations,".*

5. 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,".*

6. This Instrument comes into force on ●.

**Proposed Changes to
Companion Policy 52-107CP to National Instrument 52-107
Acceptable Accounting Principles and Auditing Standards**

1. *The changes proposed to Companion Policy 52-107CP to National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards are set out in this Schedule.*
2. *Section 1.1 is changed by inserting “, National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (NI 51-103)” after “(NI 51-102)”.*
3. *Section 2.9 is changed by*
 - a. *replacing “of NI 51-102 states” with “of NI 51-102 and subsection 32(4) of NI 51-103 state”,*
 - b. *inserting “and subsection 31.2(5) of Form 41-101F4” after “Form 41-101F1”, and*
 - c. *inserting “or section 31.2, as applicable” after each instance of “section 32.2”.*
4. *Section 2.11 is replaced by the following:*

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. Similarly, subsection 35.1(1) of Form 41-101F1 and subsection 34.2(1) of Form 41-101F4 indicate that Item 35, in respect of Form 41-101F1, and Item 34, in respect of Form 41-101F4, do 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 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 and paragraph 31.1(b) of Form 41-101F4 indicate that financial statements of an issuer required under Item 32, in respect of Form 41-101F1, and Item 31, in respect of Form 41-101F4, 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.

5. *Section 2.14 is changed by*

a. replacing “venture issuer and not an IPO venture issuer” with “venture issuer, an IPO venture issuer, a senior unlisted issuer or an IPO senior unlisted issuer”, and

b. replacing “non-venture issuers similar” with “issuers that are not venture issuers or senior unlisted issuers similar”.

6. *Section 2.16 is changed by replacing “venture issuer or IPO venture issuer” with “venture issuer, an IPO venture issuer, a senior unlisted issuer or an IPO senior unlisted issuer”.*

7. These changes become effective 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) ***repealing the definition of “non-venture issuer”,***
 - (b) ***inserting the following definitions:***

“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, ***and***
 - (c) ***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*;
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).***
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).***
6. ***Paragraph 4.2(1)(a) is amended by replacing “non-venture issuer” with “senior-listed issuer”.***

7. ***In each of the following, “venture issuer”, wherever it occurs, is replaced with “senior-unlisted issuer”:***
 - (a) ***paragraph 4.2(1)(b);***
 - (b) ***subsection 4.2(2).***

8. ***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).***

9. ***In each of the following, “non-venture issuer”, wherever it occurs, is replaced with “senior-listed issuer”:***
 - (a) ***section 4.5.;***
 - (b) ***paragraph 5.2(1)(a);***

10. ***In each of the following, “venture issuer”, wherever it occurs, is replaced with “senior-unlisted issuer”:***
 - (a) ***paragraph 5.2(1)(b);***
 - (b) ***subsection 5.2(2).***

11. ***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).***

12. ***Section 5.5 is amended by replacing “non-venture issuer”, wherever it occurs, with “senior-listed issuer”.***

13. ***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".***

14. ***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".***

15. ***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".***

16. ***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".***

17. This instrument comes into force on ●.

**Proposed Changes to
Companion Policy 52-109CP to National Instrument 52-109 Certification of Disclosure
in Issuers' Annual and Interim Filings**

- 1. The changes proposed to Companion Policy 52-109CP to National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings are set out in this Schedule.**
- 2. Section 1.1 is changed by inserting “and venture issuers” after “investment funds”.**
- 3. Section 1.3 is changed by replacing each instance of “venture issuers” with “senior-unlisted issuers”.**
- 4. Section 6.5 is changed by replacing “non-venture issuer” with “senior-listed issuer”.**
- 5. Sections 15.1, 15.2, 15.3 and 16.1 are changed by**
 - a. replacing each instance of “venture issuer” with “senior-unlisted issuer”,**
 - b. replacing each instance of “venture issuers” with “senior-unlisted issuers”,**
 - c. replacing each instance of “Forms 52-109FV1 and 52-109FV2” with “Forms 52-109SU1 and 52-109SU2”,**
 - d. replacing each instance of “Forms 52-109FV1 or 52-109FV2” with “Forms 52-109SU1 or 52-109SU2”, and**
 - e. replacing each instance of “non-venture issuer” with “senior-listed issuer”.**
- 6. These changes become effective 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) *adding the following definition:*

"senior-unlisted issuer" has the same meaning as in section 1.1 of NI 51-102; *and*
 - (b) *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*;
3. *Section 1.2 is amended by adding the following subsection:*
 - (a.1) *venture issuers;*
4. *In each of the following, "venture issuer" is replaced, 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 55-104
Insider Reporting Requirements and Exemptions

1. ***National Instrument 55-104 Insider Reporting Requirements and Exemptions is amended by this Instrument.***
2. ***Section 1.1 is amended by***
 - (a) ***in the definition of “stock dividend plan”, deleting “and” after “capital;”,***
 - (b) ***in the definition of “underlying security”, replacing “.” with “; and”, and***
 - (c) ***adding the following definition:***

“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 1.3(1) is amended by inserting “for issuers other than venture issuers, or in a report prepared as required under section 19 of National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers or under section 26 of Form 51-103F1 Annual and Interim Reports, for venture issuers,” after “Obligations,”.***
4. 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) *adding the following definition:*

"senior-unlisted issuer" has the same meaning as in section 1.1 of NI 51-102; *and*
 - (c) *repealing the definition of "venture issuer".*
3. *Section 1.3 is amended by adding the following subsection:*
 - (a.1) a venture issuer, as defined in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
4. *In each of the following provisions, "venture issuer" is replaced with "senior-unlisted issuer", wherever it appears:*
 - (a) *subsection 2.1(1);*
 - (b) *subsection 2.1(2);*
 - (c) *section 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 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) ***replacing the definition of "financial statements" with the following:***

“financial statements” includes interim financial reports,;
 - (b) ***adding the following definition:***

“major acquisition” has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;
 - (c) ***in the definition of “U.S. Market” deleting “; and”, and***
 - (d) ***adding the following definitions:***

“venture issuer” has the same meaning as in section 1 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

“venture issuer annual report” means a completed Form 51-103F1 *Annual and Interim Reports*, prepared as an annual report;

“venture issuer interim report” means a completed Form 51-103F1 *Annual and Interim Reports*, prepared as an interim report;.

3. ***Subparagraph 1.3(b)(i) is amended by***
 - (a) ***replacing "statement and MD&A filings" with "statements and MD&A filings, or, for a venture issuer, the venture issuer annual report and venture issuer interim report," and***
 - (b) ***replacing "or MD&A" with "or MD&A, or for a venture issuer, the venture issuer annual report or venture issuer interim report".***

4. *The following section is added after section 4.4*

4.4.1 Venture Issuer Annual Reports and Venture Issuer Interim Reports – An SEC foreign issuer that is a venture issuer satisfies securities legislation requirements relating to the preparation, approval, filing and delivery of venture issuer annual reports and venture issuer interim reports if it

- (a) complies with the requirements of U.S. federal securities law relating to financial statements and auditor’s reports on annual financial statements;
- (b) complies with the requirements of U.S. federal securities law relating to annual reports, quarterly reports, current reports and management’s discussion and analysis;
- (c) files the financial statements, auditor’s report on annual financial statements, annual report, quarterly report, current report and management’s discussion and analysis filed with or furnished to the SEC;
- (d) complies with section 3.2 of this Instrument; and
- (e) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (c)..

5. *The following section is added after section 4.5:*

4.5.1 Form 51-103F2 Report of Material Change and Other Material Information

An SEC foreign issuer that is a venture issuer satisfies securities legislation requirements relating to the preparation and filing of a report in accordance with Form 51-103F2 *Report of Material Change or Other Material Information* for a major acquisition if it complies with section 4.5 of this Instrument..

6. *The following section is added after section 5.5*

5.5.1 Venture Issuer Annual Reports and Venture Issuer Interim Reports – A designated foreign issuer that is a venture issuer satisfies securities legislation requirements relating to the preparation, approval, filing and delivery of venture issuer annual reports and venture issuer interim reports if it

- (a) complies with the foreign disclosure requirements relating to financial statements and auditor’s reports on annual financial statements;
- (b) complies with the foreign disclosure requirements relating to annual reports, quarterly reports and management’s discussion and analysis;

- (c) files the financial statements, auditor's report on annual financial statements, annual report, quarterly report and management's discussion and analysis required to be filed with or furnished to the foreign regulatory authority;
- (d) complies with section 3.2 of this Instrument; and
- (e) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (c)..

7. *The following section is added after section 5.6:*

5.6.1 *Form 51-103F2 Report of Material Change and Other Material Information*

A designated foreign issuer that is a venture issuer satisfies securities legislation requirements relating to the preparation and filing of a report in accordance with Form 51-103F2 *Report of Material Change and Other Material Information* for a major acquisition if it complies with section 5.6 of this Instrument..

8. This instrument comes into force on ●.

**Proposed Changes to
Companion Policy 71-102CP to National Instrument 71-102 *Continuous Disclosure and
Other Exemptions Relating to Foreign Issuers***

1. *The changes proposed to Companion Policy 71-102CP to National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers are set out in this Schedule.*

2. *Subsection 1.1(1) is changed by*

a. *inserting* “and National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (“NI 51-103”)” *after* (“NI 51-102”), *and*

b. *inserting* “or NI 51-103” *after* “NI 51-102”.

3. *Section 1.2 is changed by adding the following subsection:*

(2.1) NI 51-103;

4. *Section 6.2 is replaced by the following:*

6.2 SEC Foreign Issuers

NI 51-102 and NI 51-103 contain exemptions for SEC issuers from the change in year-end requirements in those rules. SEC foreign issuers under the Instrument will also meet the definition of SEC issuers under NI 51-102 or NI 51-103, and so will be able to rely on the change in year-end exemption in NI 51-102 or 51-103, as applicable.

5. *Section 6.3 is changed by*

a. *inserting* “or section 26 of NI 51-103” *after* “section 4.9 of NI 51-102”,

b. *inserting* “or section 25 of NI 51-103” *after* “section 11.1 of NI 51-102”, *and*

c. *inserting* “or section 26 of NI 51-103” *after* “section 11.2 of NI 51-102”.

6. *Section 6.4 is changed by,*

a. *in paragraph (b), inserting* “and in subsections 8(4) and 10(3) of NI 51-103” *after* “Annual and Interim Filings”, *and*

b. *in paragraph (c), inserting* “and in section 5 of NI 51-103” *after* “Audit Committees”.

7. *Subsection 7.1(3) is replaced with the following:*

- (3) If an issuer wishes to seek exemptive relief from NI 51-102, 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.

8. These changes become effective on ●.

ANNEX F
Proposed Amendments to
Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Markets

1. *Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Markets is amended by this Instrument.*
2. *Section 5 is amended by replacing “venture issuer”, wherever it occurs, with “senior-unlisted issuer”.*
3. 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, in the format indicated by reference to the shaded row, the following non-shaded row immediately under the row containing the words “Publication of material change” in the “Provision” column:*

Provision	BC	AB	SK	MB	Que	NS	NB	PEI	NL	YK	NWT	Nun	ON
Ongoing governance and disclosure requirements for venture issuers	NI 51-103												

3. This Instrument comes into force on [●].

Annex G

Proposed Changes to National Policy 12-202 *Revocation of a Compliance-Related Cease Trade Order*

1. *The changes proposed to National Policy 12-202 Revocation of a Compliance-Related Cease Trade Order are set out in this Schedule.*

2. *Subsection 3.1(1) is amended by inserting the following subparagraph:*

(a.1) National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*;

3. *Subsection 3.1(2) is replaced with the following:*

(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, interim MD&A, interim 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,

(c) for venture issuers, all outstanding interim reports (which include the applicable interim financial reports, which include the applicable comparatives from the prior fiscal year) for all interim periods in the current fiscal year required to be filed under applicable securities legislation, and

(d) for issuers other than venture issuers, interim financial reports (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.

4. These changes become effective on ●.

**Proposed Changes to
National Policy 12-203 Cease Trade Orders
for Continuous Disclosure Defaults**

1. ***The changes to National Policy 12-203 Cease Trade Orders for Continuous Disclosure Defaults are set out in this Schedule.***
2. ***Paragraph 1.2 (c) is replaced with the following:***

(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*;
- Subsection 7.2 of Form 51-102F5 *Information Circular*;
- Subsection 30(4) of Form 51-103F1 *Annual and Interim Reports*;
- 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.

3. ***Part 2 is amended by replacing the definition of "specified requirement" with the following:***

"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) an annual or interim management's discussion and analysis (MD&A) or an annual or interim management report of fund performance (MRFP),

(d) an annual information form (AIF),

(d.1) an annual report,

(d.2) an interim report, or

(e) certification of filings under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

4. Section 4.3 is replaced with the following:

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 5 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 or part 5 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 5 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.

5. *Section 4.5 is replaced with the following:*

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 and NI 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.

6. *Section 4.6 is amended by inserting the following after “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.

7. *Sections 4 and 5 of Appendix C - Sample Form of Consent are replaced by the following:*

4. The Issuer [is] [is not] [delete as applicable] a "venture issuer" as defined in National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (NI 51-103) and [is] [is not] [delete as applicable] a “senior-unlisted issuer” as defined in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102). 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,

c. management's discussion and analysis (MD&A) relating to the audited annual financial statements, as required by Part 5 of NI 51-102, and

d. 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).]

8. These changes become effective on ●.

**Proposed Changes to
National Policy 41-201 *Income Trusts and Other Indirect Offerings***

- 1. *The changes proposed to National Policy 41-201 Income Trusts and Other Indirect Offerings are set out in this Schedule.***
- 2. *Section 1.1 is changed by inserting “, National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (NI 51-103)” after “National Instrument 51-102 Continuous Disclosure Obligations”.***
- 3. *Section 2.8 is changed by inserting “or section 39 of NI 51-103, as applicable” after “National Instrument 51-102 Continuous Disclosure Obligations”.***
- 4. *Section 3.2 is changed by inserting “or annual report filed under NI 51-103, as applicable” after “National Instrument 51-102 Continuous Disclosure Obligations, or its successor (NI 51-102)”.***
- 5. *Section 3.3 is changed by***
 - a. *replacing “Rule 41-501 and NI 51-102” with “Rule 41-501, NI 51-102 and NI 51-103”, and***
 - b. *inserting “or annual report, as applicable” after “prospectus and AIF”.***
- 6. *Section 3.4 is changed by inserting “or annual report, as applicable” after “prospectus and AIF”.***
- 7. *Section 3.7 is changed by inserting “or annual report, as applicable” after “the income trust’s AIF”.***
- 8. *Section 3.11 is changed by inserting “or in the issuer’s annual report in accordance with section 23 of Form 51-103F1” after “Item 5.2 of Form 51-102F2 (or its successor)”.***
- 9. *Section 5.1 is changed by inserting “MD&A or quarterly highlights,” after “Issuers should include in their interim”.***
- 10. *Section 6.1 is changed by***
 - a. *inserting “or quarterly highlights, as applicable” after “annual financial statements together with corresponding MD&A”,***
 - b. *inserting “or an annual report, as applicable” after “an annual information form”, and***
 - c. *inserting “If a Form 51-103F2 Report of Material Change or Other Material Information is filed for the acquisition by the income trust of the operating entity, in***

accordance with Parts 5 and 6 of NI 51-103, the income trust must include within the report updated financial information about the operating entity.” *after* “the income trust issuer must include within the BAR updated financial information about the operating entity.”

11. *Paragraph 6.1(A) is changed by inserting* “or related annual MD&A or quarterly highlights prepared in accordance with NI 51-103” *after* “National Instrument 51-102 *Continuous Disclosure Obligations* or its successor,”.
12. *Section 6.2 is changed by*
 - a. *inserting* “MD&A or quarterly highlights, as applicable” *after* “predecessor business in their interim”,
 - b. *inserting* “or quarterly highlights, as applicable” *after* “the trust’s first interim MD&A”.
13. *Section 6.5.1 is changed by*
 - a. *inserting* “or Form 51-103F1, as applicable” *after* “Under Form 51-102F1”,
 - b. *inserting* “and Form 51-103F1” *after* “the instructions in Form 51-102F1”, *and*
14. *Section 6.5.2 is changed by*
 - a. *inserting* “MD&A or quarterly highlights, as applicable” *after* “providing information in its interim”,
 - b. *inserting* “or quarterly highlights, as applicable” *after* “In order to meet the requirements for MD&A”,
 - c. *inserting* “MD&A” *after* “including disclosure contained in annual”, *and*
 - d. *inserting* “or quarterly highlights, as applicable” *after* “and interim MD&A”.
15. *Section 7.2 is changed by inserting* “or annual report, as applicable” *after* “the issuer’s AIF (if an AIF is filed)”.
16. These changes become effective on ●.

**Proposed Changes to
National Policy 51-201 *Disclosure Standards***

1. *The changes proposed to National Policy 51-201 Disclosure Standards are set out in this Schedule.*
2. *Subsection 6.4(1) is changed by inserting “or National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers, as applicable” after “National Instrument 51-102 Continuous Disclosure Obligations”.*
3. These changes become effective on ●.

**Proposed Changes to
National Policy 58-201 Corporate Governance Guidelines**

1. *The changes proposed to National Policy 58-201 Corporate Governance Guidelines are set out in this Schedule.*
2. *Section 1.2 is amended by inserting “and venture issuers” after “other than investment funds”.*
3. These changes become effective on ●.

Annex H

LOCAL RULE 51-503 PRESCRIBING CORE DOCUMENTS FOR THE PURPOSES OF SECTION 161.1

PART 1 PRESCRIBING CORE DOCUMENTS

Annual Report and Report of Material Change or Other Material Information

1. The following documents are prescribed for the purpose of the definition of “core document” in section 161.1 of the *Securities Act*:
 - (a) annual reports under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, where used in relation to a person or company referred to in subsection (a) or (b) of the definition of core document;
 - (b) interim reports under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, where used in relation to a person or company referred to in subsection (a) or (b) of the definition of core document.

PART 2 EFFECTIVE DATE AND TRANSITION

Effective Date

2. This Instrument comes into force [●].

Proposed Amendments to Local Rule 11-501
Fees

1. *Local Rule 11-501 Fees is amended by this Instrument.*

2. *Section 1.1 is amended by adding the following definitions:*

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

“venture issuer annual report” means a completed Form 51-103F1 Annual and Interim Reports, prepared as an annual report; and

“venture issuer interim report” means a completed Form 51-103F1 *Annual and Interim Reports*, prepared as an interim report.,

3. *Subsection 2.4 is amended by replacing “annual financial statements” with “annual financial statements, including those contained in a venture issuer annual report,”*

4. *Subparagraph 3.1(n)(i) is amended by replacing “a news release” with “a news release or Form 51-103F2 Report of Material Change or Other Material Information”,*

5. *Subparagraph 3.1(n)(ii) is amended by replacing “an interim financial statement filed under NI51-102” with “an interim financial statement filed under NI51-102 or a venture issuer interim report”,*

6. *Section 3.1 is amended by adding the following after subparagraph (n)(v):*

(v.1) any filing made in compliance with Parts 5, 6 and 7 of NI 51-103,

7. This instrument comes into force on ●.