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## Notice and Request for Comments

### Draft Amendment Instruments concordant to Draft National Instrument 52-107 - *Acceptable Accounting Principles and Auditing Standards*

and

### Conforming amendments to certain Companion Policies

#### Introduction

The Autorité des marchés financiers (AMF) and the New Brunswick Securities Commission (NBSC) (together, "we") are publishing the following proposed materials for a 60-day comment period:

- Amendment Instrument to National Instrument 31-103 - *Registration Requirements and Exemptions*;
- Amendment Instrument to Companion Policy 31-103 relative to National Instrument 31-103 - *Registration Requirements and Exemptions*;
- Amendment Instrument to National Instrument 33-109 - *Registration Information*;
- Amendment Instrument to National Instrument 41-101 - *General Prospectus Requirements*;
- Amendment Instrument to Companion Policy 41-101 relative to National Instrument 41-101 - *General Prospectus Requirements*;
- Amendment Instrument to National Instrument 44-101 - *Short Form Prospectus Distributions*;
- Amendment Instrument to Companion Policy 44-101 relative to National Instrument 44-101 - *Short Form Prospectus Distributions*;
- Amendment Instrument to National Instrument 44-102 - *Shelf Distributions*;
- Amendment Instrument to Companion Policy 44-102 relative to National Instrument 44-102 - *Shelf Distributions* ("Companion Policy 44-102");

- Amendment Instrument to National Instrument 45-106 - *Prospectus and Registration Exemptions*;
- Amendment Instrument to Companion Policy 45-106 relative to National Instrument 45-106 - *Prospectus and Registration Exemptions*;
- Amendment Instrument to National Instrument 51-102 - *Continuous Disclosure Obligations*;
- Amendment Instrument to Companion Policy 51-102 relative to National Instrument 51-102 - *Continuous Disclosure Obligations*;
- Amendment Instrument to National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*;
- Amendment Instrument to Companion Policy 52-109 relative to National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*;
- Amendment Instrument to National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;
- Amendment Instrument to Companion Policy 71-102 relative to National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;
- Amendment Instrument to National Instrument 81-101 - *Mutual Fund Prospectus Disclosure*;
- Amendment Instrument to Companion Policy 81-101 relative to National Instrument 81-101 - *Mutual Fund Prospectus Disclosure*;
- Amendment Instrument to National Instrument 81-102 - *Mutual Funds*;
- Amendment Instrument to Companion Policy 81-102 relative to National Instrument 81-102 - *Mutual Funds* ("Companion Policy 81-102");
- Amendment Instrument to National Instrument 81-104 - *Commodity Pools*;
- Amendment Instrument to National Instrument 81-106 - *Investment Fund Continuous Disclosure*;
- Amendment Instrument to Companion Policy 81-106 relative to National Instrument 81-106 - *Investment Fund Continuous Disclosure*.

All proposed materials, except for the draft amendments to Companion Policy 81-102 and Companion Policy 44-102, were published for comment in fall 2009 by the other Canadian Securities Administrators (CSA). The draft amendments to Companion Policy 81-102 and Companion Policy 44-102 are being published for comment today only in Québec and New Brunswick, as they relate only to terminology changes to the French version of International Financial Reporting Standards (IFRS).

The proposed materials relate to the upcoming changeover to IFRS in Canada and must be adopted before January 1, 2011. They address primarily terminology changes resulting from IFRS, but also propose substantive changes. The background to this publication for comment in Québec and New Brunswick of proposed materials, as well as the proposed substantive changes, were presented in the following Notices, published concurrently with the corresponding Notices published in the other CSA jurisdictions:

- Autorité des marchés financiers and New Brunswick Securities Commission Staff Notice on Proposed Changes to: *National Instrument 41-101 - General Prospectus Requirements; Companion Policy relative to National Instrument 41-101 - General Prospectus Requirements; National Instrument 44-101 - Short Form Prospectus Distributions; Companion Policy relative to National Instrument 44-101 - Short Form Prospectus Distributions; National Instrument 44-102 - Shelf Distributions*. (published on September 25, 2009 for a 90-day comment period ended on December 24, 2009);

- Autorité des marchés financiers and New Brunswick Securities Commission Staff Notice on Proposed Changes to: *National Instrument 51-102 - Continuous Disclosure Obligations; Companion Policy relative to National Instrument 51-102 - Continuous Disclosure Obligations; National Instrument 71-102 - Continuous Disclosure and Other Exemptions Relating to Foreign Issuers; Companion Policy relative to National Instrument 71-102 - Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*. (published on September 25, 2009 for a 90-day comment period ended on December 24, 2009);

- Autorité des marchés financiers and New Brunswick Securities Commission Staff Notice on Proposed Changes to: *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings; Companion Policy relative to National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings*. (published on September 25, 2009 for a 90-day comment period ended on December 24, 2009);

- Autorité des marchés financiers and New Brunswick Securities Commission Staff Notice on Proposed Changes to: *National Instrument 45-106 - Prospectus and Registration Exemptions; Companion Policy relative to National Instrument 45-106 - Prospectus and Registration Exemptions*. (published on October 16, 2009 for a 90-day comment period ended on January 14, 2010);

- Autorité des marchés financiers and New Brunswick Securities Commission Staff Notice on Proposed Changes to: *National Instrument 81-106 - Investment Fund*

*Continuous Disclosure; Companion Policy relative to National Instrument 81-106 - Investment Fund Continuous Disclosure And Related Amendments.* (published on October 16, 2009 for a 90-day comment period ended on January 14, 2010);

- Autorité des marchés financiers and New Brunswick Securities Commission Staff Notice on Proposed Changes to: *National Instrument 31-103 - Registration Requirements and Exemptions; Companion Policy relative to National Instrument 31-103 - Registration Requirements and Exemptions; National Instrument 33-109 - Registration Information.* (published on October 23, 2009 for a 90-day comment period ended on January 21, 2010).

Since the substantive changes reflected in the proposed materials were part of a previous request for comment in the above Notices, market participants in Québec and New Brunswick are encouraged to comment particularly on French terminology changes.

## **Background**

The national instruments and companion policies captured by the proposed materials refer to and rely on references to existing Canadian generally accepted accounting principles (GAAP), which are established by the Canadian Accounting Standards Board (AcSB) and published in the CICA (Canadian Institute of Chartered Accountants) Handbook. Following a period of public consultation, the AcSB adopted a strategic plan to move financial reporting for Canadian publicly accountable enterprises to IFRS as issued by the International Accounting Standards Board (IASB). For financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

## **Substance and Purpose of the Proposed Materials**

The purpose of the proposed changes is to accommodate the transition to IFRS. We are proposing to update the accounting terms and references in the national instruments and companion policies contained in the proposed materials to reflect the fact that, for financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

## **Summary of the Proposed Materials**

The proposed materials are a result of Draft National Instrument 52-107 - *Acceptable Accounting Principles and Auditing Standards* (Draft National Instrument 52-107), published on September 25, 2009 for a 90-day comment period. Draft National Instrument 52-107 sets out the accounting principles and auditing standards that apply to financial statements filed in a jurisdiction.

As we discuss below, the proposed materials primarily relate to changes to accounting terms used in the national instruments and companion policies captured by the proposed materials.

The proposed materials we are publishing for comment will:

- Replace Canadian GAAP terms and phrases with IFRS terms and phrases;
- Change disclosure requirements in instances where IFRS contemplates different financial statements than existing Canadian GAAP;
- Clarify an existing provision or amend or delete it where part or all of the provision is no longer accurate or appropriate.

### ***Accounting Terms and Phrases***

The proposed materials include new terms and phrases that are consistent with those used in IFRS and replace terms and phrases used in existing Canadian GAAP.

The proposed materials do not reflect the impact of exposure drafts or discussion papers from the IASB prior to their adoption into IFRS. The proposed definition of IFRS in Draft National Instrument 14-101 - *Definitions* would take into account amendments made from time to time.

The proposed materials are not intended to substantively alter securities law requirements. For example, we are proposing to replace the existing Canadian GAAP term "results of operations" with the corresponding IFRS term "financial performance". This is intended to be a change in terminology only.

### **Appendices**

The appendices with this Notice contain the following and are organized as follows:

- a list of French and English terms modified in the proposed materials to reflect IFRS terminology (Appendix A),
- a list of French terms modified in the proposed materials to adopt IFRS or CAS terminology (Appendix B),
- a list of other terms, in French only or in French and English, modified in the proposed materials (primarily based on IFRS terminology) (Appendix C).

### **Request for Comments**

We request your comments on the proposed materials outlined above. Please provide your comments in writing by May 11, 2010. If you are not sending your comments by email, an electronic file containing the submissions should also be provided (Windows format, Word).

Deliver your comments only to the following address. Your comments will be distributed to the other participating CSA member jurisdictions.

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### **Questions**

Please refer your questions to any of:

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March 12, 2010

## Appendix A

### French and English terms modified in the proposed materials to reflect IFRS terminology

The following table presents the English and French terms that have been replaced in the proposed materials with corresponding IFRS terms. The French terms are derived from Part I of the *CICA Handbook – Accounting* published on January 20, 2010.

<b>Modified English term</b>	<b>Corresponding French term</b>
cash flow from operating activities (replaces operating cash flow)	flux de trésorerie provenant des activités opérationnelles (replaces flux de trésorerie provenant des activités d'exploitation)
finance lease (replaces capital lease)	location-financement (replaces location-acquisition)
financial performance (replaces results of operations)	performance financière (replaces résultats d'exploitation)
functional currency (replaces measurement currency)	monnaie fonctionnelle (replaces monnaie de mesure)
impairment loss (replaces impairment charge)	perte de valeur (replaces moins-value passée en charges)
interim financial report (replaces interim financial statements)	rapport financier intermédiaire (replaces états financiers intermédiaires)
modified opinion (replaces reservation of an (audit) opinion)	opinion modifiée (replaces restriction)
non-current (replaces long-term)	non courant (replaces à long terme)
present value of defined benefit obligation (replaces accrued obligation)	valeur actuelle de l'obligation au titre des prestations définies (replaces obligation au titre des prestations constituées)
profit or loss (replaces earnings/net earnings/income/net income, as appropriate)	résultat net (replaces bénéfice(s)/bénéfice net, le cas échéant)
publicly accountable enterprise (replaces public enterprise)	entreprise ayant une obligation d'information du public <sup>1</sup> (replaces société ouverte)
reportable segment (replaces segment)	secteur à présenter (replaces secteur/secteur isolable/unité d'exploitation)

<sup>1</sup> French term approved by the CICA that was modified after publication of Draft National Instrument 52-107 - *Acceptable Accounting Principles and Auditing Standards*. This term will be modified accordingly in the final version of this Draft National Instrument.

retrospective application (replaces retroactive application)	application rétrospective (replaces application rétroactive)
revenue (replaces revenues/operating revenues/sales/net sales, as appropriate)	To be determined <sup>2</sup> (existing terms: produits/produits d'exploitation/ventes/ventes nettes)
special purpose entity (replaces special purpose vehicle/variable interest entity)	entité ad hoc (replaces structure d'accueil/entité à détenteurs de droits variables)
statement of cash flows (replaces cash flow statement)	tableau des flux de trésorerie (replaces état des flux de trésorerie)
statement of changes in equity (replaces statement of retained earnings)	état des variations des capitaux propres (replaces état des bénéfices non répartis)
statement of comprehensive income (replaces income statement/statement of operations)	état du résultat global (replaces état des résultats)
statement of financial position (replaces balance sheet/statement of net assets)	état de la situation financière (replaces bilan/état de l'actif net)
summarized financial information (replaces summarized information)	information financière résumée <sup>3</sup> (replaces résumé de l'information)

<sup>2</sup> Since the corresponding IFRS French term is not yet final, further to consultation with the CICA, it was decided not to modify the current French terms at this time.

<sup>3</sup> The IFRS French term is plural. The AMF has opted for the singular form for consistency with predominant usage of the term "information," which is in the singular in securities legislation.



## Appendix B

### Terms modified in French only in proposed materials to adopt IFRS or CAS terminology

The following table presents the terms replaced in the proposed materials, in French only, with corresponding terms from Part I of the *CICA Handbook – Accounting* published on January 20, 2010.

English terms	Corresponding French terms
accounting policy	méthode comptable (replaces convention comptable) – IAS 8
audit	audit (replaces vérification) – Canadian auditing Standards (CAS)
audit report	rapport d’audit (replaces rapport de vérification) – CAS
auditing standards	normes d’audit (replaces normes de vérification) – CAS
auditor	auditeur (replaces vérificateur) – CAS
contingent consideration	contrepartie éventuelle (replaces contrepartie conditionnelle) – IFRS 3
current	courant (replaces à court terme) – IAS 1
defined benefit plan	régime à prestations définies (replaces plan à prestations déterminées) – IAS 19
defined contribution plan	régime à cotisations définies (replaces plan à cotisations déterminées) – IAS 19
earnings per share	résultat par action (replaces bénéfice par action) – IAS 33
equity method	méthode de la mise en équivalence (replaces comptabilisation à la valeur de consolidation) – IAS 28
equity security	titre de capitaux propres (replaces titre de participation) – IAS 34
GAAS	NAGR (replaces NVGR) – ISA
gross profit	marge brute (replaces marge bénéficiaire brute) – IAS 1
income taxes	impôts sur le résultat (replaces impôts sur les bénéfices) – IAS 12
measurement	évaluation

	(replaces mesure) – Framework
notes (to the financial statements)	notes (des états financiers) (replaces notes afférentes aux états financiers)
operating costs	coûts opérationnels (replaces frais d’exploitation) – IAS 1
operating expenses	charges opérationnelles (replaces frais d’exploitation/charges d’exploitation) – IAS 40
operating segment	secteur opérationnel (replaces secteur d’exploitation) – IFRS 8
separate financial statements	états financiers individuels (replaces états financiers distincts) – IAS 27

## Appendix C

### Other terms modified, in French only or in French and English, in proposed materials (primarily based on IFRS terminology)

The following table presents the English and French terms that are not derived from IFRS, but which have been modified in French only (or in French and English) in the proposed materials primarily, in most cases, for consistency with the terminology used in Part I of the *CICA Handbook – Accounting* published on January 20, 2010.

<b>English terms</b>	<b>Corresponding French terms</b>
debt instrument/debt security	titre de créance (replaces titre d'emprunt)
earnings coverage	couverture par le résultat (replaces couverture par le bénéfice)
equity compensation plan	plan de rémunération fondé sur des titres de capitaux propres (replaces plan de rémunération à base de titres de participation)
equity incentive plan and non-equity incentive plan	plan incitatif fondé sur des titres de capitaux propres and plan incitatif non fondé sur des titres de capitaux propres (replaces plan incitatif à base d'actions and plan incitatif autre qu'à base d'actions)
equity investee	entreprise mise en équivalence (replaces entité émettrice comptabilisée à la valeur de consolidation)
foreign disclosure requirements	règles étrangères sur l'information à fournir (replaces règles d'information étrangères)
operating income	résultat opérationnel (replaces bénéfice d'exploitation)
operating statement	compte de résultat opérationnel (replaces état des résultats d'exploitation)
option-based award	attribution fondée sur des options (replaces attribution à base d'options)
pro forma income statement	compte de résultat pro forma (replaces état des résultats pro forma)
share-based award	attribution fondée sur des actions (replaces attribution à base d'actions)
share option	option sur actions (replaces option d'achat d'actions)
statement of changes in financial position (replaces statement of changes in net assets)	état des variations de la situation financière (replaces état de l'évolution de l'actif net)

**Proposed Amendments to National Instrument 31-103 Registration Requirements  
and Exemptions and Companion Policy**

1. *National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.*
2. *Section 1.1 of National Instrument 31-103 is amended by adding the following definition before the definition of “investment dealer”:*

“interim period” means 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.

3. *Section 12.10 of the Instrument 31-103 is amended by*

*(a) repealing subsection (1) and substituting the following:*

- (1) Annual financial statements delivered to the regulator under this Division for financial years beginning on or after January 1, 2011 must include the following:
  - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
  - (b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
  - (c) notes to the financial statements.

*(b) repealing subsection (3).*

4. *Section 12.11 of National Instrument 31-103 is amended by repealing subsection (1) and substituting the following:*

- (1) Interim financial information delivered to the regulator under this Division for interim periods relating to financial years beginning on or after January 1, 2011 may be limited to the following:
  - (a) a statement of comprehensive income for the 3-month period ending on the last day of the interim period and for

the same period of the immediately preceding financial year, if any;

- (b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the interim period and as at the end of the same interim period of the immediately preceding financial year, if any.

5. *Section 12.12 is amended by striking out “quarter” wherever it occurs and substituting “interim period”.*

6. *Section 12.14 of National Instrument 31-103 is amended by striking out “quarter” wherever it occurs and substituting “interim period”.*

7. *Part 12 of National Instrument 31-103 is amended by adding the following after Section 12.14:*

**12.15 Exemptions for financial years beginning in 2011**

(1) Despite subsections 12.10(1), 12.11(1), 12.12(1) and (2), 12.13 and 12.14(1) and (2), the annual financial statements, the interim financial information, and the completed Form 31-103F1 *Calculation of Excess Working Capital*, for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial period.

(2) Despite subsection 12.12(2), the first interim financial information, and the completed Form 31-103F1 *Calculation of Excess Working Capital*, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45<sup>th</sup> day after the end of the interim period.

(3) Despite subsection 12.14(2), the first interim financial information, the completed Form 31-103F1 *Calculation of Excess Working Capital*, and the description of any net asset value adjustment, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45<sup>th</sup> day after the end of the interim period.

8. *Form 31-103F1 Calculation of Excess Working Capital is amended in the first line following “Notes” by striking out “unconsolidated basis” and substituting “non-consolidated basis; registrants must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook.”.*

9. *This Instrument only applies to periods relating to financial years beginning on or after January 1, 2011.*
10. *This Instrument comes into force on January 1, 2011.*

## **Proposed Amendments to Companion Policy 31-103CP *Registration Requirements and Exemptions***

- 1. *Companion Policy 31-103CP to National Instrument 31-103 Registration Requirements and Exemptions is amended by this document.***
- 2. *Companion Policy 31-103CP is amended by adding the following after section 12.6:***

### **12.10 Annual financial statements**

#### **Changeover to International Financial Reporting Standards**

Registrants are required to deliver financial statements and interim financial information prepared in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107). NI 52-107 contains transition provisions to address Canada's changeover from Canadian generally accepted accounting principles to International Financial Reporting Standards (IFRS). Depending on the financial year, a registrant will look to different parts of NI 52-107 to determine which accounting principles and auditing standards apply:

- Part 3 of NI 52-107 applies for financial years beginning on or after January 1, 2011
- Part 4 of NI 52-107 applies to financial years beginning before January 1, 2011.

Under Part 3 of NI 52-107, a registrant is required to prepare its annual financial statements and interim financial information, if applicable, in accordance with Canadian GAAP applicable to publicly accountable enterprises. This is IFRS as incorporated into the Handbook of the Canadian Institute of Chartered Accountants (the Handbook) as Part I. Registrants will be required to prepare their financial statements and interim financial information on a non-consolidated basis; they must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook.

Under Part 4 of NI 52-107, a registrant is required to prepare its annual financial statements and interim financial information in accordance with Canadian GAAP for public enterprises, which is Canadian GAAP as it existed before the mandatory effective date for the adoption of IFRS, included in the Handbook as Part IV. Section 4.2(2) of NI 52-107 specifies that financial statements and interim financial information delivered by a registrant must be prepared on a non-consolidated basis.

When preparing annual financial statements, interim financial information or Form 31-103F1 for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011, registrants may rely on the exemption in subsection 12.15(1) to exclude comparative information for the preceding financial year. If a registrant relies on

this exemption, its date of transition to IFRS will be the first day of its financial year beginning in 2011.

Canadian GAAP for publicly accountable enterprises (which is IFRS incorporated into the Handbook) requires financial statements contain comparative information for the preceding financial year. For periods beginning in 2011, subsection 3.2(4) of NI 52-107 provides an exemption from the Canadian GAAP requirement to provide comparative information for the preceding financial year. The exemption in NI 52-107 requires specific disclosure to be included in the annual financial statements when a registrant is relying on this exemption.

- 3. *These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.***
- 4. *These amendments become effective on January 1, 2011.***



**Proposed Amendments to National Instrument 33-109 *Registration Information***

- 1. *National Instrument 33-109 is amended by this Instrument.***
- 2. *Section 5.13 of Form 33-109F6 Firm Registration is amended by striking out “balance sheet” and substituting “statement of financial position”.***
- 3. *This instrument only applies to periods relating to financial years beginning on or after January 1, 2011.***
- 4. *This instrument comes into force on January 1, 2011.***

**Proposed Amendments to  
National Instrument 41-101 *General Prospectus Requirements***

*Although this amendment instrument amends section headers in National Instrument 41-101, section headers do not form part of the instrument and are inserted for ease of reference only.*

- 1. *National Instrument 41-101 General Prospectus Requirements is amended by this instrument.***
- 2. *Section 1.1 of National Instrument 41-101 is amended by***
  - (a) *after the definition of “acquisition”, adding the following definition:***

“acquisition date” has the same meaning as in section 1.1 of NI 51-102,;
  - (b) *repealing the definition of “date of acquisition”,***
  - (c) *after the definition of “custodian”, adding the following definition:***

“date of transition to IFRS” has the same meaning as in section 1.1 of NI 51-102,;
  - (d) *after the definition of “executive officer”, adding the following definitions:***

“financial statements” includes interim financial reports;

“first IFRS financial statements” has the same meaning as in section 1.1 of NI 51-102,;
  - (e) *repealing the definition of “income from continuing operations”,***
  - (f) *in the definition of “Form 52-110F1”, striking out “MI 52-110” and substituting “NI 52-110”,***
  - (g) *in the definition of “Form 52-110F2”, striking out “MI 52-110” and substituting “NI 52-110”,***
  - (h) *in the definition of “junior issuer”,***
    - (i) *striking out “balance sheet” wherever it occurs and substituting “statement of financial position”,***
    - (ii) *striking out “shareholders” wherever it occurs,***
    - (iii) *in paragraphs (d) and (g), striking out “annual income statement” and substituting “annual statement of comprehensive income”, and***

- (iv) *in subparagraph (g), striking out “an income statement” and substituting “a statement of comprehensive income”,*
  - (i) *repealing the definition of “MI 52-110”,*
  - (j) *in the definition of “NI 52-107”, striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “Acceptable Accounting Principles and Auditing Standards”,*
  - (k) *after the definition of “NI 52-107”, adding the following definition:*  
  
*“NI 52-110” means National Instrument 52-110 Audit Committees,;*
  - (l) *repealing the definition of “U.S. GAAS”,*
  - (m) *after the definition of “U.S. GAAP”, adding the following definition:*  
  
*“U.S. AICPA GAAS” has the same meaning as in section 1.1 of NI 52-107,; and*
  - (n) *before the definition of “U.S. marketplace”, adding the following definition:*  
  
*“U.S. PCAOB GAAS” has the same meaning as in section 1.1 of NI 52-107,;*
- 3. *Subsection 4.2(2) of National Instrument 41-101 is amended by striking out “interim financial statements” and substituting “an interim financial report”.*
- 4. *Paragraph 4.3(3)(a) of National Instrument 41-101 is repealed and the following substituted:*
  - (a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,
  - (a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),.
- 5. *Section 14.2 of National Instrument 41-101 is amended by striking out “shareholders” wherever it occurs.*
- 6. *Section 20.1 of National Instrument 41-101 is repealed and the following is substituted:*

## **Transition**

20.1(1) Despite section 20.2, the amendments to this Instrument which came into force on January 1, 2011 only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.,

7. ***Schedule 3 of Appendix A to National Instrument 41-101 is amended by,***

- (a) ***opposite*** “Northwest Territories”,
  - (i) ***striking out*** “Securities Registries” ***and substituting*** “Superintendent of Securities”, ***and***
  - (ii) ***striking out*** “www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.html” ***and substituting*** “www.justice.gov.nt.ca/SecuritiesRegistry”,
- (b) ***opposite*** “Nunavut”, ***adding*** “Superintendent of Securities” ***above*** “Government of Nunavut”, ***and***
- (c) ***opposite*** “Yukon”, ***striking out*** “Registrar of Securities” ***and substituting*** “Superintendent of Securities”.

8. ***The general instructions of Form 41-101F1 Information Required in a Prospectus are amended by,***

- (a) ***in instruction (3), striking out*** “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”,
- (b) ***in instruction (7), striking out*** “the Handbook” ***and substituting*** “Canadian GAAP”,
- (c) ***in instruction (8), striking out*** “special purpose vehicle” ***and substituting*** “special purpose entity”, ***and***
- (d) ***in instruction (15), striking out*** “Forward-looking information included” ***and substituting*** “Forward-looking information, as defined in NI 51-102, included”.

9. ***Section 1.5 of Form 41-101F1 is amended by striking out*** “reporting”.

10. ***Paragraph 4.2(4)(b) of Form 41-101F1 is amended by***

- (a) ***striking out*** “sales and operating revenues” ***wherever it occurs and substituting*** “revenue”, ***and***

- (b) *striking out* “do” *and substituting* “does”.
11. *Subsection 5.1(1) of Form 41-101F1 is amended by striking out* “as those terms are used in the Handbook”.
12. *Section 5.5 of Form 41-101F1 is amended by*
- (a) *in subsection (1), striking out* “balance sheet” *wherever it occurs and substituting* “statement of financial position”,
- (b) *in paragraph (1)(b), striking out* “income statement” *and substituting* “statement of comprehensive income”, *and*
- (c) *in subsection (4), striking out* “balance sheet” *and substituting* “statement of financial position”.
13. *Subsection 8.1(1) of Form 41-101F1 is amended by striking out* “or Item 303 of Regulation S-B”.
14. *Section 8.2 of Form 41-101F1 is amended by*
- (a) *in paragraph (1)(b), striking out* “interim financial statements” *and substituting* “interim financial report”,
- (b) *in subsection (2), striking out* “If the prospectus includes the issuer’s income statements, statements of retained earnings, and cash flow statements” *and substituting* “If the prospectus includes the issuer’s annual statements of comprehensive income, statements of changes in equity, and statements of cash flow”, *and*
- (c) *in subsection (3), striking out* “balance sheet” *and substituting* “statement of financial position”.
15. *Section 8.3 of Form 41-101F1 is repealed.*
16. *Section 8.6 of Form 41-101F1 is amended by*
- (a) *in paragraph (1)(a), striking out* “capitalized or expensed exploration and development costs” *and substituting* “exploration and evaluation assets or expenditures”,
- (b) *in paragraph (1)(c), striking out* “deferred development costs” *and substituting* “intangible assets arising from development”,
- (c) *in paragraph (1)(e), striking out* “capitalized, deferred or expensed” *and substituting* “expensed or recognized as assets”,

- (d) **in subsection (2), striking out** “capitalized or expensed exploration and development costs” **and substituting** “exploration and evaluation assets or expenditures”, **and**
- (e) **in paragraph (3)(b), striking out** “interim financial statements” **and substituting** “interim financial report”.

**17. Section 8.7 of Form 41-101F1 is amended by**

- (a) **striking out** “negative operating cash flow” **and substituting** “negative cash flow from operating activities”, **and**
- (b) **adding the following paragraph after paragraph (c):**

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

**18. Section 8.8 of Form 41-101F1 is amended by**

- (a) **in paragraph (1)(a), striking out** “summarized information as to the assets, liabilities and results of operations of the equity investee,” **and substituting** “summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss,”
- (b) **in paragraph (1)(b), striking out** “earnings” **and substituting** “profit or loss”, **and**
- (c) **in subsection (2), striking out** “interim financial statements” **and substituting** “interim financial report”.

**19. Section 9.1 of Form 41-101F1 is amended by**

- (a) **in paragraph (1)(c), striking out** “interim financial statements of the issuer have” **and substituting** “an interim financial report of the issuer has”,
- (b) **in paragraphs (2)(b) and (d), striking out** “annual or interim financial statements” **wherever it occurs and substituting** “annual financial statements or interim financial report”,
- (c) **in paragraph (2)(c), striking out** “annual or interim financial statements” **and substituting** “annual financial statements or interim financial report, and”,
- (d) **in paragraphs (2)(c) and (d), striking out** “long-term” **wherever it occurs,**
- (e) **in paragraph (2)(d), striking out** “prospectus, and” **and substituting** “prospectus.”,

- (f) *repealing paragraph (2)(e),*
- (g) *repealing subsection (3), and*
- (h) *in subsection (4), striking out “earnings required” and substituting “numerator required”.*

**20. The instructions under item 9 of Form 41-101F1 are amended by,**

- (a) *in instruction (2), striking out “entity’s earnings (the numerator) by its interest” and substituting “entity’s profit or loss (the numerator) by its borrowing costs”,*
- (b) *in instruction (3),*
  - (i) *in paragraph (a), striking out “net income before interest” and substituting “profit or loss before borrowing costs”,*
  - (ii) *repealing paragraph (c),*
  - (iii) *repealing paragraph (d) and substituting the following:*
    - (d) *for distributions of debt securities, the appropriate denominator is borrowing costs, after giving effect to the new debt securities issue and any retirement of obligations, plus the borrowing costs that have been capitalized during the period;*
  - (iv) *in subparagraph (e)(i), striking out “annual interest requirements, including the amount of interest that has” and substituting “annual borrowing cost requirements, including the borrowing costs that have”,*
  - (v) *in paragraph (f), adding “securities” after “effect of the debt”,*
- (c) *in instruction (4),*
  - (i) *striking out “interest obligations on all long-term debt” and substituting “borrowing cost obligations on all financial liabilities”,*
  - (ii) *repealing paragraph (a) and substituting 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;*
  - (ii) *in paragraph (b), adding “and” after “distributed;”,*

**(iii) repealing paragraph (c) and substituting the following:**

**(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., and**

**(iv) repealing paragraph (d).**

**(d) repealing instruction (5),**

**(e) in instruction (6), striking out “interest 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 earnings before interest and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s interest requirements” and substituting “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 before borrowing costs and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s borrowing cost requirements”, and**

**(f) in instruction (7), striking out “interest requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s earnings before interest and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]’s aggregate dividend and interest requirements” and substituting “borrowing cost requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s profit or loss 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”.**

**21. Paragraph 10.3(8)(b) of Form 41-101F1 is amended by striking out “income” and substituting “profit”.**

**22. The instruction under section 10.9 of Form 41-101F1 is amended by striking out “derivatives” and substituting “derivative instruments”.**

**23. Paragraph 32.1(c) of Form 41-101F1 is amended by striking out “continuity of interests” and substituting “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”.**



**24. *Item 32.2 of Form 41-101F1 is repealed and the following is substituted:***

**Annual financial statements**

- 32.2(1) Subject to section 32.4, include annual financial statements of the issuer consisting of
- (a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for each of the three most recently completed financial years ended more than
    - (i) 90 days before the date of the prospectus, 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 end of the two most recently completed financial years described in paragraph (a),
  - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
    - (i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and
    - (ii) does any of the following
      - (A) applies an accounting policy retrospectively in its annual financial statements,
      - (B) makes a retrospective restatement of items in its annual financial statements, or
      - (C) reclassifies items in its annual financial statements,
  - (d) in the case of an issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS, and
  - (e) notes to the annual financial statements.
- (1.1) If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (1).

- (2) If the issuer has not completed three 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, or
  - (b) 120 days before the date of the prospectus, if the issuer is a venture issuer.
- (3) If the issuer has not included in the prospectus financial statements for a completed financial year, include the financial statements described under subsection (1) or (2) for a period from the date the issuer was formed to a date not more than 90 days before the date of the prospectus.
- (4) If an issuer changed its financial year end during any of the financial years referred to in this section and the transition year is less than nine months, the transition year is deemed not to be a financial year for the purposes of the requirement to provide financial statements for a specified number of financial years in this section.
- (5) Notwithstanding subsection (4), all financial statements of the issuer for a transition year referred to in subsection (4) must be included in the prospectus.
- (6) Subject to section 32.4, if financial statements of any predecessor entity, business or businesses acquired by the issuer, or of any other entity are required under this section, then include
  - (a) statements of comprehensive income, statements of changes in equity, and statements of cash flow for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of comprehensive income, statements of changes in equity, and statements of cash flow are included in the prospectus, the results of the entities or businesses, either separately or on a consolidated basis, total three years,
  - (b) statements of financial position for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of financial position are included in the prospectus, the financial position of the entities or businesses, either separately or on a consolidated basis, total two years,
  - (c) if the entities or businesses have not completed three 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, or
  - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer.
- (d) if an entity's or business's first IFRS financial statements are included under paragraphs (a), (b) or (c), the opening IFRS statement of financial position at the date of transition to IFRS, and
- (e) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
- (i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and
  - (ii) does any of the following
    - (A) applies an accounting policy retrospectively in its financial statements,
    - (B) makes a retrospective restatement of items in its financial statements, or
    - (C) reclassifies items in its financial statements.

**25. *Section 32.3 of Form 41-101F1 is repealed and the following is substituted:***

**Interim financial report**

- 32.3(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, 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 the 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 compliance with International Accounting Standard 34 *Interim Financial Reporting*, and
    - (ii) does any of the following
      - (A) applies an accounting policy retrospectively in its interim financial report,
      - (B) makes a retrospective restatement of items in its interim financial report, or
      - (C) reclassifies items in its interim financial report,
  - (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 is required to include under subsection 32.3(1), a comparative interim financial report of the issuer for the second or third interim period 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.

**26. Section 32.4 of Form 41-101F1 is repealed and the following substituted:**

**Exceptions to financial statement requirements**

- 32.4** Despite section 32.2, an issuer is not required to include the following financial statements in a prospectus
- (a) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, if the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus,
  - (b) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the financial statements for the second most recently completed financial year, if
    - (i) the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus, and

- (ii) the issuer includes financial statements for a financial year ended less than
  - (A) 90 days before the date of the prospectus, or
  - (B) 120 days before the date of the prospectus, if the issuer is a venture issuer,
- (c) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the statement of financial position for the second most recently completed financial year, if the issuer includes financial statements for a financial year ended less than 90 days before the date of the prospectus,
- (d) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the financial statements for the second most recently completed financial year, if
  - (i) the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus,
  - (ii) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,
  - (iii) the business of the issuer is not seasonal, and
  - (iv) none of the financial statements required under section 32.2 are for a financial year that is less than nine months,
- (e) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the statement of financial position for the second most recently completed financial year, if
  - (i) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,
  - (ii) the business of the issuer is not seasonal, and

- (iii) none of the financial statements required under section 32.2 are for a financial year that is less than nine months, or
  - (f) the separate financial statements of the issuer and the other entity for periods prior to the date of the transaction, if the restated combined financial statements of the issuer and the other entity are included in the prospectus under paragraph 32.1(c).
- 27. **Paragraph 32.5(c) of Form 41-101F1 is amended by striking out “interim financial statements” and substituting “interim financial report”.**
- 28. **Subsection 34.1(1) of Form 41-101F1 is amended by**
  - (a) **in paragraph (c), striking out “revenues” and substituting “revenue”,**
  - (b) **in subparagraph (g)(i), striking out “sales or revenues” and substituting “revenue”,**
  - (c) **in subparagraph (g)(ii), striking out “income” and substituting “profit or loss”,**
  - (d) **in subparagraph (g)(iii), striking out “net earnings” and substituting “profit”, and**
  - (e) **in subparagraph (g)(iv), striking out “balance sheet” and substituting “statement of financial position”,**
- 29. **Subparagraph 34.2(e)(ii) of Form 41-101F1 is amended by striking out “interim and annual consolidated” and substituting “consolidated interim financial report and consolidated annual”.**
- 30. **Section 35.1 of Form 41-101F1 is amended by**
  - (a) **in subsection (1), striking out “accounted for as”, and**
  - (b) **in subsection (4),**
    - (i) **striking out “date of the acquisition” wherever it occurs and substituting “acquisition date”,**
    - (ii) **in subparagraph (b)(iv), striking out “income” and substituting “profit or loss”, and**
    - (iii) **in subparagraph (b)(vi), striking out “annual audited statements” and substituting “audited annual statements”.**
- 31. **Section 35.3 of Form 41-101F1 is amended by**

- (a) *in the title, striking out* “date of acquisition” *and substituting* “acquisition date”, *and*
  - (b) *striking out* “date of the acquisition” *wherever it occurs and substituting* “acquisition date”.
- 32. *Subsection 35.5(3) of Form 41-101F1 is amended by striking out* “date of acquisition” *wherever it occurs and substituting* “acquisition date”.
- 33. *Subsection 35.6(3) of Form 41-101F1 is amended by striking out* “date of the acquisition” *wherever it occurs and substituting* “acquisition date”.
- 34. *Subsection 35.8(1) of Form 41-101F1 is amended by*
  - (a) *striking out* “annual and interim financial statements” *and substituting* “annual financial statements and an interim financial report”, *and*
  - (b) *striking out* “date of the acquisition” *and substituting* “acquisition date”.
- 35. *Form 41-101F1 is amended by adding the following after Item 37:*

**ITEM 38: Transition**

**Interim financial report**

- 38.1(1) Despite subsection 32.3(1), an issuer may 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) 75 days before the date of the prospectus, or
    - (ii) 90 days before the date of the prospectus if the issuer is a venture issuer.
- (2) Subsection (1) does not apply unless
  - (a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011,



- (b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and
- (c) the final long form prospectus is filed before July 5, 2012.

**Asset-backed securities**

- 38.2(1) Despite subsection 10.3(5), all financial disclosure that describes the underlying pool of financial assets of the issuer for a transition year must be included in the prospectus for the most recent interim period, if any, ended
- (a) subsequent to the most recent financial year referred to in paragraphs 10.3(3)(a) and 10.3(3)(b) in respect of which financial disclosure on the underlying pool of financial assets is included in the prospectus, and
  - (b) more than
    - (i) 75 days before the date of the prospectus, or
    - (ii) 90 days before the date of the prospectus if the issuer is a venture issuer.
- (2) Subsection (1) does not apply unless
- (a) the financial disclosure in respect of the interim period is the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011,
  - (b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and
  - (c) the final long form prospectus is filed before July 5, 2012.

**36. *This instrument only applies to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.***

**37. *This instrument comes into force on January 1, 2011.***

**Proposed Amendment Instrument for  
NATIONAL INSTRUMENT 41-101  
GENERAL PROSPECTUS REQUIREMENTS**

*Although this amendment instrument amends section headers in National Instrument 41-101, section headers do not form part of the instrument and are inserted for ease of reference only.*

- 1. *National Instrument 41-101 General Prospectus Requirements is amended by this instrument.***
- 2. *The general instructions of Form 41-101F2 Information Required in an Investment Fund Prospectus are amended in instruction 3 by striking out “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”***
- 3. *Section 1.5 of Form 41-101F2 is amended by striking out “reporting”.***
- 4. *Section 1.15 of Form 41-101F2 is amended by striking out “interim financial statements” and substituting “interim financial report”.***
- 5. *Section 37.1 of Form 41-101F2 is amended by striking out “interim financial statements” and substituting “interim financial report”.***
- 6. *Subsection 38.1(4) of Form 41-101F2 is amended by striking out “opening balance sheet” and substituting “opening statement of financial position”.***
- 7. *Section 38.2 of Form 41-101F2 is amended by striking out “Interim Financial Statements” and substituting “Interim Financial Reports” in the section header.***
- 8. *This Instrument comes into force on January 1, 2011.***

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

1. *Companion Policy 41-101CP Companion Policy to National Instrument 41-101 General Prospectus Requirements is amended.*
2. *Section 1.3 is amended by adding the following after subsection (2):*

**Accounting terms**

- (3) The Instrument uses accounting terms that are defined, or referred to, in Canadian GAAP. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that NI 14-101 provides that a term used in the Instrument and 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 prospectuses; or (b) the context otherwise requires.

**Acceptable accounting principles other than Canadian GAAP**

- (4) If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP, then the issuer may interpret any reference in the Instrument to a term or provision defined, or referred to, in Canadian GAAP as a reference to the corresponding term or provision in the other acceptable accounting principles.
3. *Subsection 4.3(1) is repealed and the following substituted:*
    - 4.3(1) Subsection 6.3(1) of Form 41-101F1 requires disclosure of each of the principal purposes for which the issuer will use the net proceeds. If an issuer has negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included in the long form prospectus, the issuer should prominently disclose that fact in the use of proceeds section of the long form prospectus. The issuer should also disclose whether, and if so, to what extent, the issuer will use the proceeds of the distribution to fund any anticipated negative cash flow from operating activities in future periods. An issuer should disclose negative cash flow from operating activities as a risk factor under subsection 21.1(1) of Form 41-101F1. For the purposes of this section, in determining cash flow from operating activities, the issuer must include dividends and borrowing costs.
  4. *Subsection 4.4(1) is amended by striking out “capitalized, deferred or expensed” and substituting “expensed or recognized as assets”.*

5. *Part 5 is amended by adding the following after section 5.1:*

**Presentation of Financial Results**

**5.1.1** Canadian GAAP provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Instrument. (See subsections 32.2(1.1) and 32.3(3) of Form 41-101F1).

6. *Section 5.2 is amended by*

(a) *striking out* “annual or interim financial statements” *wherever it occurs and substituting* “annual financial statements or an interim financial report”, *and*

(b) *adding* “financial” *before* “statements for the purpose”.

7. *Section 5.5 is amended by adding the following after subsection (2):*

(3) An issuer is subject to certain additional disclosure requirements when it discloses an interim financial report for a period arising in the year of adopting IFRS, as set out in subparagraph 32.3(2)(e) and subsection 32.3(4) of Form 41-101F1. These requirements only apply to interim financial reports relating to periods in the year of adopting IFRS and therefore do not apply if the prospectus includes annual financial statements prepared in accordance with IFRS.

An issuer is required to provide an opening IFRS statement of financial position at the date of transition to IFRS. An issuer with, for example, a year-end of December 31, 2010 that files a prospectus for which it must include its first interim financial report in the year of adopting IFRS for the period ended March 31, 2011, must generally provide an opening IFRS statement of financial position at January 1, 2010.

An issuer must also include various reconciliations required by IFRS 1 to explain how the transition from previous GAAP to IFRS has affected its reported financial position, financial performance and cash flows. In the first interim period IFRS 1 requires certain additional reconciliations which relate to annual periods and the date of transition to IFRS. Where an issuer that was not a reporting issuer in at least one jurisdiction immediately before filing the prospectus includes an interim financial report in respect of the second or third interim period in the year of adopting IFRS, subsection 32.3(4) of Form 41-101F1 requires these additional reconciliations to be included in the prospectus. Alternatively, pursuant to subsection 32.3(4) of Form 41-101F1, the issuer may include the first interim financial report in the year of adopting IFRS as this report includes the required reconciliations.

These additional reconciliations may be summarized as follows:

- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the date of transition to IFRS (January 1, 2010 in the above-noted example);
- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP (December 31, 2010 in the above-noted example); and
- a reconciliation of the issuer's total comprehensive income (or total profit or loss) presented in accordance with previous GAAP to its total comprehensive income in accordance with IFRS for the most recent annual period presented in the prospectus in accordance with previous GAAP (year-ended December 31, 2010 in the above-noted example).

The reconciliations summarized above must give sufficient detail to enable investors to understand the material adjustments to the statement of financial position, statement of comprehensive income and statement of cash flows. If the issuer becomes aware of errors made under previous GAAP, the reconciliations summarized above must distinguish the correction of those errors from changes in accounting policies.

**8. Subsection 5.6(4) is amended by**

- (a) **striking out** "audited interim financial statements" **and substituting** "an audited interim financial report",
- (b) **adding** "comprehensive" **before** "income or cash flows", **and**
- (c) **striking out** "reservation of opinion" **and substituting** "modification to the opinion".

**9. Subsection 5.8(2) is amended by**

- (a) **striking out** "reservation if they were audited" **and substituting** "modified opinion if they were audited",
- (b) **striking out** "U.S. GAAS" **and substituting** "U.S. PCAOB GAAS",
- (c) **striking out** "subsection 6.2(6) of NI 52-107 only applies" **and substituting** "subsections 3.12(3) and 4.12(6) of NI 52-107 only apply",

- (d) **striking out** “reservation relating to opening inventory” **and substituting** “qualified opinion relating to opening inventory”, **and**
- (e) **striking out** “reservation and the business” **and substituting** “modified opinion and the business”.

**10. Section 5.9 is amended by**

- (a) **in subparagraph (1)(h)(iii), striking out** “or”,
- (b) **in subsection (2),**
  - (i) **striking** “date of acquisition” **and substituting** “acquisition date”, **and**
  - (ii) **striking out** “date of the acquisition” **wherever it occurs and substituting** “acquisition date”,
- (c) **in subsection (3), striking out** “Our interpretation of the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high” is consistent with the concept of a likely contingency in CICA Handbook section 3290 “Contingencies”. It is” **and substituting** “When interpreting the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high”, it is”,
- (d) **in paragraph (4)(d), striking out** “comparative interim financial statements” **and substituting** “a comparative interim financial report”, **and**
- (e) **adding the following after subsection (6)**
  - (7) Except in Ontario, section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report or prospectus to be prepared in accordance with Canadian GAAP applicable to 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.

**11. Subsection 6.4(7) is amended by**

- (a) **striking out** “Investment Dealers Association has adopted IDA by-law 29.13” **and substituting** “Investment Industry Regulatory Organization of Canada has adopted IIROC Rule 29.13”, **and**
- (b) **adding** “securities” **after** “whether debt or equity”.

**12. The following is added after Part 6:**

## **PART 7: TRANSITION**

### **Transition – Application of Amendments**

- 7.1** The amendments to this Policy which came into effect on January 1, 2011 only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.
- 13.** *These amendments only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*
- 14.** *These amendments become effective on January 1, 2011.*

**Proposed Amendment Instrument for  
National Instrument 44-102 *Shelf Distributions***

*Although this amendment instrument amends section headers in National Instrument 44-102, section headers do not form part of the instrument and are inserted for ease of reference only.*

**1. *National Instrument 44-102 Shelf Distributions is amended by this instrument.***

**2. *Subsection 6.2(4) is amended by***

**(a) *striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency”, and***

**(b) *repealing paragraph (a) and substituting the following:***

**(a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,**

**(a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),**

**3. *Paragraph 8.4(a) is amended by striking out “interim” and substituting “an interim financial report”.***

**4. *Part 12 is amended by adding the following after section 12.1:***

**12.2 Transition** — Despite section 12.1, the amendments to this Instrument which came into force on January 1, 2011 only apply to a base shelf prospectus, amendments to a base shelf prospectus or a shelf prospectus supplement of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

**5. *This instrument only applies to a base shelf prospectus, amendments to a base shelf prospectus or a shelf prospectus supplement of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.***

**6. *This instrument comes into force on January 1, 2011.***



**Proposed Amending Instrument for National Instrument 45-106 Prospectus and  
Registration Exemptions, Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers,  
and Form 45-106F3 Offering Memorandum for Qualifying Issuers**

***1. National Instrument 45-106 Prospectus and Registration Exemptions, Form 45 106F2 Offering Memorandum for Non-Qualifying Issuers, and Form 45-106F3 Offering Memorandum for Qualifying Issuers are amended by this Instrument.***

***2. National Instrument 45-106 Prospectus and Registration Exemptions is amended***

***(a) in section 1.1 by adding the following before ““founder””:***

“financial statements” includes interim financial reports; ,

***(b) in subparagraph 5.2(e)(i)(C) by striking out “statements” and substituting “reports” ,***

***(c) in subsection 6.2(1) by striking out “section 6.1(a)” and substituting “section 6.1(1) (a)” ,  
and***

***(d) in subsection 6.5(1) by striking out “subsection 2.9(12) or subsection 3.9(12) and substituting  
“subsection 2.9(15)”.***

***3. Item 4.2 of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended***

***(a) by striking out the heading “4.2 Long Term Debt” and substituting “4.2 Long Term Debt  
Securities”, and***

***(b) by striking out “the current portion of the long-term debt” and substituting “the portion of  
the debt” .***

***4. Item 8(b) of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is  
amended by striking out “sales” and substituting “revenue” .***

***5. Part B Financial Statements – General of the Instructions for Completing Form 45-106F2  
Offering Memorandum for Non-Qualifying Issuers is amended***

***(a) in section 1 by adding “aggregated amounts of” before “assets” , by adding “, revenues and  
profit or loss” after “liabilities”, by striking out “and results of operations” , by striking out  
“Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and  
substituting “Acceptable Accounting Principles and Auditing Standards” , and by striking out  
“Under NI 52-107, a non-qualifying issuer that uses Canadian GAAP cannot use differential  
reporting as set out in the Handbook.” and substituting “Under NI 52-107, financial statements  
are required to be prepared in accordance with Canadian GAAP applicable to publicly  
accountable enterprises. NI 52-107 does provide exemptions from this general requirement for***

foreign issuers or SEC issuers (as defined in NI 52-107). An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except for financial statements for a business referred to in C.1.” ,

**(b) in paragraph 3(a) by striking out “an income statement” and substituting “a statement of comprehensive income” , by striking out “statement of retained earnings” and substituting “statement of changes in equity” , and by striking out “cash flow statement” and substituting “statement of cash flows” ,**

**(c) in paragraph 3(b) by striking out “balance sheet” and substituting “statement of financial position” ,**

**(d) in paragraph 4(a) by striking out “an income statement” and substituting “a statement of comprehensive income” , by striking out “statement of retained earnings” and substituting “statement of changes in equity” , and by striking out “cash flow statement” and substituting “statement of cash flows” ,**

**(e) in paragraph 4(b) by striking out “balance sheet” and substituting “statement of financial position” and by striking out “and” ,**

**(f) in paragraph 4(c) by striking out “(c) notes to the financial statements.” and substituting:**

(c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that

(i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and

(ii) does any of the following

(A) applies an accounting policy retrospectively in its annual financial statements,

(B) makes a retrospective restatement of items in its annual financial statements, or

(C) reclassifies items in its annual financial statements,

(d) in the case of an issuer’s first IFRS financial statements (as defined in NI 51-102), the opening IFRS statement of financial position at the date of transition to IFRS (as defined in NI 51-102), and

(e) notes to the financial statements.

4.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under Item 4 above.

**(g) in section 5 by striking out “interim financial statements” and substituting “an interim financial report” ,**

**(h) in paragraphs 5(a) and 5(b) by striking out “an income statement” and substituting “a statement of comprehensive income” , by striking out “statement of retained earnings” and substituting “statement of changes in equity” , and by striking out “cash flow statement” and substituting “statement of cash flows” ,**

**(i) in paragraph 5(c) by striking out “balance sheet” and substituting “statement of financial position” , and by striking out “the periods required by paragraphs (a) and (b)” , and substituting “the period required by paragraph (a) and the end of the immediately preceding financial year” ,**

**(j) by adding the following after paragraph 5(c):**

(d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that

(i) discloses in its interim financial report compliance with International Accounting Standard 34 Interim Financial Reporting, and

(ii) does any of the following

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report,

(e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS, and

(f) for an issuer that is not a reporting issuer in at least one jurisdiction immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include:

(i) the issuer’s first interim financial report in the year of adopting IFRS, or

(ii) both

(A) the opening IFRS statement of financial position at the date of transition to IFRS, and

(B) 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, and

(g) notes to the financial statements.

5.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under item 5 above.

***(k) by adding the following as the last sentence in section 8:***

An issuer cannot rely on this exemption if the issuer previously prepared financial statements in accordance with a prior GAAP.

***(l) in section 13 by striking out “statements” and substituting “reports” ,***

***(m) in section 14 by adding “, as defined in NI 51-102,” after “Forward looking information” , and***

***(n) by adding the following after section 15:***

16. Despite section B.5, an issuer may 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 offering memorandum, and

(b) more than 90 days before the date of the offering memorandum.

This section does not apply unless:

(a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS,

(b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the offering memorandum, and

(c) the offering memorandum is dated before June 29, 2012..

***6. Part C Financial Statements – Business Acquisitions of the Instructions for Completing Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended***

***(a) in paragraph 2(a), 2(b), and section 2.1 by striking out “date of acquisition” and substituting “acquisition date” ,***

**(b) in paragraph 2(b) by adding the following after “offering memorandum for a proposed acquisition.” :**

For information about how to perform the investment test identified in this section 2(b), please refer to subsections 8.3(4.1) and (4.2) of NI 51-102 and subsections 8.2(3.1) and (4) of NI 51-102CP Continuous Disclosure Obligations. ,

**(c) in subparagraph 4(a)(i) by striking out “an income statement” and substituting “a statement of comprehensive income” , by striking out “statement of retained earnings” and substituting “statement of changes in equity” , and by striking out “cash flow statement” and substituting “statement of cash flows” ,**

**(d) in subparagraph 4(a)(i)(B) by striking out “date of acquisition” and substituting “acquisition date” ,**

**(e) in subparagraph 4(a)(ii) by striking out “balance sheet” and substituting “statement of financial position” ,**

**(f) in subparagraph 4(b)(i)(A) by striking out “an income statement” and substituting “a statement of comprehensive income” , by striking out “statement of retained earnings” and substituting “statement of changes in equity” , and by striking out “cash flow statement” and substituting “statement of cash flows” ,**

**(g) in subparagraph 4(b)(i)(A)(i) by striking out “date of acquisition” and substituting “acquisition date” ,**

**(h) in subparagraph 4(b)(i)(B) by striking out “balance sheet” and substituting “statement of financial position” ,**

**(i) by repealing subparagraph 4(b)(ii) and substituting the following:**

(ii) an interim financial report comprised of:

A) the following financial information:

(i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under C.4(b)(i)(A)i, and a statement of comprehensive income and a statement of changes in equity for the three month period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under C.4(b)(i)(A)i, or

(ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in C.4(b)(i) to a date before the acquisition date and after the period end in C.4(b)(i)(A)i, and

B) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,

C) a statement of financial position as at the end of the period required by subparagraph (A) and the end of the immediately preceding financial year, and

D) notes to the financial statements.

Refer to Instruction B.7 for the meaning of “interim period”.

*(j) in section 6 by striking out “date of acquisition” and substituting “acquisition date”, and*

*(k) in section 8 by striking out “accounted for as” and by striking out “, as that term is defined in the CICA Handbook,” .*

***7. Part D Financial Statement – Exemptions of the Instructions for Completing Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended***

*(a) in paragraph 2 by striking out “section 3.2(a)” and substituting “section 3.3(1)(a)(i)”,*

*(b) in paragraph 2(a) and 2(b) by striking out “balance sheet” and substituting “statement of financial position”,*

*(c) in subparagraph 3(a)(i) by adding “aggregated amounts of” before “assets”, by adding “, revenue and profit or loss” after “liabilities”, and by striking out “and results of operations”,*

*(d) in subparagraph 3(a)(ii) by striking out “earnings” and substituting “profit or loss”,*

*(e) in subparagraph 3(c)(ii) by striking out the following:*

If the financial information included in an offering memorandum under D.3(a) has been derived from financial statements of a business incorporated or organized in a foreign jurisdiction that have been prepared in accordance with foreign GAAP, the information must be accompanied by a note that explains and quantifies the effect of material differences between Canadian GAAP and the foreign GAAP.

*(f) in paragraph 4(b) by striking out “accounted for as”, by striking out ““reverse take-over”” and substituting “reverse take-over”, and by adding “and” after “NI 51-102,” ,*

*(g) by repealing paragraph 4(c),*

*(h) by adding the following to subparagraph 4(d)(i)(D) “, as defined in NI 51-102” after “operating income” ,*

*(i) in section 5 by striking out “date of acquisition” and substituting “acquisition date” , and*

*(j) in paragraph 5(iii) by striking out “D.5(b)(ii)” and substituting “D.5(ii)” .*

*8. Item 8(b) of Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “sales” and substituting “revenue” .*

*9. Section 1, Part B Financial Statements of the Instructions for Completing Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “Acceptable Accounting Principles and Auditing Standards” .*

*10. Section 2, Part C Required Updates to the Offering Memorandum of the Instructions for Completing Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “interim financial statements” and substituting “interim financial reports” .*

*11. Paragraph 1(c), Part D Information about the Issuer of the Instructions for Completing Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “interim financial statements” and substituting “interim financial report” , and by striking out “interim financial statements that are” and substituting “an interim financial report that is” .*

*12. Sections 3 to 11 of this instrument apply to an offering memorandum of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*

*13. This instrument comes into force January 1, 2011.*

**Proposed Amending Instrument for  
Companion Policy 45-106CP Prospectus and Registration Exemptions**

- 1. Companion Policy 45-106CP to National Instrument 45-106 Prospectus and Registration Exemptions is amended by this Instrument.***
- 2. Subsection 3.8(1) is amended by adding “or profit” after “\$75 000 pre-tax net income”.***
- 3. This instrument only applies to financial periods relating to financial years beginning on or after January 1, 2011.***
- 4. This instrument comes into force January 1, 2011.***



**Proposed Amendments to  
National Instrument 51-102 *Continuous Disclosure Obligations***

*Although this amendment instrument amends section headers in National Instrument 51-102, section headers do not form part of the instrument and are inserted for ease of reference only.*

- 1. *National Instrument 51-102 Continuous Disclosure Obligations is amended by this instrument.***
- 2. *Subsection 1.1(1) of National Instrument 51-102 is amended by***
  - (a) *before the definition of “AIF”, adding the following definition:***

*“acquisition date” means the acquisition date required for accounting purposes;*
  - (b) *in the definition of “AIF”, striking out “, Form 10-KSB”,***
  - (c) *repealing the definition of “date of acquisition”,***
  - (d) *after the definition of “common share”, adding the following definition:***

*“date of transition to IFRS” means the date of transition to IFRSs as that term is defined in Canadian GAAP;*
  - (e) *in the definition of “financial outlook”,***
    - (i) *striking out “results of operations” and substituting “financial performance”, and***
    - (ii) *striking out “balance sheet, income statement or cash flow statement” and substituting “statement of financial position, statement of comprehensive income or statement of cash flows”,***
  - (f) *after the definition of “financial outlook”, adding the following definitions:***

*“financial statements” includes interim financial reports;*

*“first IFRS financial statements” has the meaning ascribed to that term in Canadian GAAP;*
  - (g) *in the definition of “FOFI”, or “future-oriented financial information”,***
    - (i) *striking out “results of operations” and substituting “financial performance”, and***

- (ii) **striking out** “balance sheet, income statement or cash flow statement” **and substituting** “statement of financial position, statement of comprehensive income or statement of cash flows”,
- (h) **repealing the definition of** “income from continuing operations”,
- (i) **after the definition of** “form of proxy”, **adding the following definition:**
- “forward-looking information” means disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information with respect to prospective financial performance, financial position or cash flows that is presented either as a forecast or a projection;
- (j) **repealing the definition of** “inter-dealer bond broker” **and substituting the following:**
- “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;
- (k) **in the definition of** “issuer’s GAAP”, **striking out** “National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*” **and substituting** “NI 52-107”,
- (l) **in the definition of** “MD&A”, **striking out** “or Item 303 of Regulation S-B”,
- (m) **after the definition of** “new financial year”, **adding the following definition:**
- “NI 52-107” means National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
- (n) **after the definition of** “old financial year”, **adding the following definition:**
- “operating income” means gross revenue minus royalty expenses and production costs;
- (o) **repealing the definition of** “reverse takeover” **and substituting the following:**
- “reverse takeover” means a reverse acquisition, as defined in Canadian GAAP applicable to publicly accountable enterprises, or a transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity;
- (p) **after the definition of** “transition year”, **adding the following definition:**

“U.S. AICPA GAAS” has the same meaning as in NI 52-107;

**(q) *repealing the definition of “U.S. GAAP” and substituting the following:***

“U.S. GAAP” has the same meaning as in NI 52-107;

**(r) *after the definition of “U.S. GAAP”, adding the following definition:***

“U.S. PCAOB GAAS” has the same meaning as in NI 52-107; ***and***

**(s) *in the definition of “venture issuer”, striking out “date of acquisition” and substituting “acquisition date”.***

**3. *Section 4.1 of National Instrument 51-102 is amended by***

**(a) *repealing subsection (1) and substituting the following:***

(1) Subject to subsection 4.8(6), a reporting issuer must file annual financial statements that include

(a) 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) a statement of financial position as at the end of each of the periods referred to in paragraph (a);

(c) 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 reporting issuer that discloses in its annual financial statements an explicit and 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 a reporting issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS; and

(e) notes to the annual financial statements., **and**

**(b) adding the following after subsection (2):**

(3) If a reporting 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)..

**4. Section 4.3 of National Instrument 51-102 is amended by**

**(a) in the title, striking out “Interim Financial Statements” and substituting “Interim Financial Report”,**

**(b) in subsection (1), striking out “interim financial statements for interim periods” and substituting “an interim financial report for each interim period”,**

**(c) repealing subsection (2) and substituting the following:**

(2) Subject to subsections 4.7(4), 4.8(7), 4.8(8) and 4.10(3), the interim financial report required to be filed under subsection (1) must include

(a) a statement of financial position as at the end of the 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 a reporting 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 immediately preceding financial year in the case of a reporting issuer that discloses in its interim financial report 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;
  - (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.,
- (d) ***adding the following after subsection (2):***
- (2.1) If a reporting 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),
- (e) ***in subsection (3),***
- (i) ***in the title, striking out “Interim Financial Statements” and substituting “an Interim Financial Report”,***
  - (ii) ***striking out “interim financial statements” wherever it occurs and substituting “interim financial report”,***
  - (iii) ***in paragraph (a),***
    - (A) ***striking out “review of the” and substituting “review of an”, and***
    - (B) ***striking out “financial statements have” and substituting “interim financial report has”, and***
  - (iv) ***in paragraph (b), striking out “review of the” and substituting “review of an”.***
- (f) ***in subsection (4)***
- (i) ***in the title, striking out “Interim Financial Statements” and substituting “an Interim Financial Report”,***

- (ii) *in paragraph (a),*
  - (A) *striking out* “interim financial statements” *and substituting* “an interim financial report”,
  - (B) *adding* “applicable to publicly accountable enterprises” *after* “Canadian GAAP”, *and*
  - (C) *adding* “annual” *before* “financial statements have been filed”,
- (iii) *in paragraph (b), striking out* “annual or interim financial statements” *and substituting* “annual financial statements or an interim financial report”,
- (iv) *in paragraph (c),*
  - (A) *striking out* “interim financial statements” *and substituting* “interim financial report” , *and*
  - (B) *striking out* “and comply with the reconciliation requirements set out in Part 4 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*”, *and*
- (v) *in paragraph (d), striking out* “restated financial statements” *and substituting* “restated interim financial report”.

5. *Section 4.4 of National Instrument 51-102 is amended by*

- (a) *in the title, striking out* “Interim Financial Statements” *and substituting* “an Interim Financial Report”,
- (b) *in the preamble, striking out* “The interim financial statements” *and substituting* “An interim financial report” , *and*
- (c) *in paragraphs (a) and (b), striking out* “interim financial statements” *wherever it occurs and substituting* “an interim financial report” .

6. *Section 4.5 of National Instrument 51-102 is amended by*

- (a) *in subsection (1), adding* “annual” *before* “financial”,
- (b) *in subsection (2),*
  - (i) *striking out* “financial statements” *and substituting* “interim financial report”, *and*

- (ii) *striking out* “statements are” *and substituting* “report is”, *and*
  - (c) *in subsection (3), striking out* “financial statements” *and substituting* “interim financial report”.
- 7. *Section 4.6 of National Instrument 51-102 is amended by*
  - (a) *in subsection (1), striking out* “interim financial statements” *wherever it occurs and substituting* “interim financial reports”, *and*
  - (b) *in subsection (3), striking out* “annual or interim financial statements” *and substituting* “annual financial statements or interim financial reports”, *and*
  - (c) *in subsection (4), striking out* “annual or interim financial statements” *and substituting* “annual financial statements or interim financial reports”.
- 8. *Section 4.7 of National Instrument 51-102 is amended by*
  - (a) *in subsection (1), striking out* “annual and interim financial statements” *and substituting* “annual financial statements and interim financial reports”,
  - (b) *in subsection (2), adding* “annual” *after* “those”,
  - (c) *in subsection (3),*
    - (i) *striking out* “interim financial statements” *and substituting* “an interim financial report”, *and*
    - (ii) *striking out* “those financial statements” *and substituting* “that interim financial report”, *and*
  - (d) *in paragraph (4)(c), striking out* “interim financial statements” *and substituting* “interim financial report”.
- 9. *Section 4.8 of National Instrument 51-102 is amended by*
  - (a) *in subsection (3),*
    - (i) *in paragraph (e), striking out* “the interim and annual financial statements” *and substituting* “each interim financial report and the annual financial statements”,
    - (ii) *in paragraph (f), striking out* “the interim and annual financial statements” *and substituting* “the annual financial statements and interim financial reports”,

(b) *in subsection (5), striking out “interim financial statements” and substituting “an interim financial report”,*

(c) *repealing subsection (6) and substituting the following:*

(6) **Comparative Financial Information in Annual Financial Statements for New Financial Year** – If a transition year is less than nine months in length, the reporting issuer must include as comparative financial information to its annual financial statements for its new financial year

- (a) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements for its transition year;
- (b) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the 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 reporting issuer that discloses in its annual financial statements an explicit and 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; and
- (d) in the case of a reporting issuer’s first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS. ,

(d) *repealing subsection (7) and substituting the following:*

(7) **Comparative Financial Information in each Interim Financial Report if Interim Periods Not Changed in Transition Year** – If interim periods for the reporting issuer’s transition year end three, six, nine or twelve months after the end of its old financial year, the reporting issuer must include

- (a) as comparative financial information in each interim financial report during its transition year, the comparative financial



information required by subsection 4.3(2), except if an interim period during the transition year is 12 months in length and the reporting 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) as comparative financial information in each interim financial report during its new financial year
  - (i) a statement of financial position as at the end of its transition year; and
  - (ii) the statement of comprehensive income, statement of changes in equity and 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 reporting issuer that discloses in its interim financial report 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; and
- (d) in the case of the first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS., *and*

(e) *repealing subsection (8) and substituting the following:*

- (8) **Comparative Financial Information in Interim Financial Reports if Interim Periods Changed in Transition Year** – If interim periods for a reporting issuer's transition year end twelve, nine, six or three months before the end of the transition year, the reporting issuer must include

- (a) as comparative financial information in each interim financial report during its transition year
  - (i) a statement of financial position as at the end of its old financial year; and
  - (ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows for periods in its old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the transition year;
- (b) as comparative financial information in each interim financial report during its new financial year
  - (i) a statement of financial position as at the end of its transition year; and
  - (ii) the statement of comprehensive income, statement of changes in equity and 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) a statement of financial position as at the beginning of the earliest comparative period in the case of a reporting issuer that discloses in its interim financial report 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; and
- (d) in the case of the first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS.

**10. Paragraph 4.9(h) of National Instrument 51-102 is amended by striking out “interim and annual financial statements” and substituting “interim financial reports and the annual financial statements”.**

**11. Section 4.10 of National Instrument 51-102 is amended by**

- (a) in paragraph (2)(c), striking out “the interim financial statements” and substituting “each interim financial report”.**
- (b) in subsection (3),**
  - (i) in the title, striking out “Interim Financial Statements” and substituting “each Interim Financial Report”, and**
  - (ii) in paragraph (c), striking out “interim financial statements” and substituting “interim financial report”.**

**12. Section 4.11 of National Instrument 51-102 is amended by**

- (a) in subsection (1), in the definition of “disagreement”,**
  - (i) striking out “interim financial statements” wherever it occurs and substituting “interim financial report”, and**
  - (ii) striking out “reservation” wherever it occurs and substituting “modified opinion”,**
- (b) in subsection (2), striking out “Handbook” and substituting “issuer’s GAAP”, and**
- (c) in paragraph (7)(d),**
  - (i) striking out “any reservation” and substituting “a modified opinion”, and**
  - (ii) striking out “each reservation” and substituting “each modification”.**

**13. Section 5.1 of National Instrument 51-102 is amended by**

- (a) in subsection (1), striking out “annual and interim financial statements” and substituting “annual financial statements and each interim financial report”,**
- (b) in subsection (1.1), striking out “annual and interim financial statements” and substituting “annual financial statements and interim financial reports”,**
- (c) in subsection (2),**
  - (i) in the preamble, striking out “by” and substituting “on or before”, and**

- (ii) ***in paragraph (a), striking out “annual and interim financial statements” and substituting “annual financial statements and each interim financial report”.***

**14. Section 5.2 of National Instrument 51-102 is amended by**

- (a) ***in the title, striking out “and Supplement”,***
- (b) ***in subsection (1), striking out “or Item 303 of Regulation S-B”,***
- (c) ***repealing subsection (1.1), and***
- (d) ***repealing subsection (2).***

**15. Section 5.3 of National Instrument 51-102 is amended by**

- (a) ***repealing subsection (1) and substituting the following:***

- (1) A venture issuer that has not had significant revenue from operations in either of its last two financial years, must disclose in its MD&A, for each period referred to in subsection (2), a breakdown of material components of

- (a) exploration and evaluation assets or expenditures;
- (b) expensed research and development costs;
- (c) intangible assets arising from development;
- (d) general and administration expenses; and
- (e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d);

and if the venture issuer’s business primarily involves mining exploration and development, the analysis of exploration and evaluation assets or expenditures must be presented on a property-by-property basis.

- (b) ***in paragraph (2)(b), striking out “interim financial statements” and substituting “interim financial report”, and***
- (c) ***in subsection (3), striking out “or MD&A supplement”.***

**16. Subsection 5.4(1) of National Instrument 51-102 is amended by striking out “, or in its MD&A supplement if one is required under section 5.2,”.**

**17. Section 5.5 of National Instrument 51-102 is amended by**

- (a) in subsection (1), striking out “and any annual MD&A supplement”,**
- (b) in subsection (2), striking out “and any interim MD&A supplement”, and**
- (c) in subsection (3), striking out “and any MD&A supplement”.**

**18. Section 5.6 of National Instrument 51-102 is amended by**

- (a) in subsection (1),**
  - (i) striking out “and any MD&A supplement required under section 5.2”, and**
  - (ii) striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial report”,**
- (b) in subsection (2), striking out “or MD&A supplement”,**
- (c) in subsection (3), striking out “and any related MD&A supplement” wherever it occurs, and**
- (d) in subsection (4), striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial report”.**

**19. Section 5.7 of National Instrument 51-102 is amended by**

- (a) in subsection (1), striking out “, or in its MD&A supplement if one is required under section 5.2.”,**
- (b) repealing paragraph (1)(a) and substituting the following:**
  - (a) summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and,**
- (c) in paragraph (1)(b), striking out “earnings” and substituting “profit or loss”,**
- (d) in paragraph (2)(b), striking out “statements” and substituting “report”, and**
- (e) in paragraph (3)(a), striking out “or MD&A supplement”.**

**20. Section 5.8 of National Instrument 51-102 is amended by**

- (a) in subsection (2), striking out “, or MD&A supplement if one is required under section 5.2.”,**

- (b) *in subsection (3),*

  - (i) *striking out “or MD&A supplement” wherever it occurs, and*
  - (ii) *in subparagraph (b)(iii), striking out “on” and substituting “at”,*
- (c) *in subsection (4), striking out “, or MD&A supplement if one is required under section 5.2,”,*
- (d) *in subsection (5),*
  - (i) *in paragraph (a), striking out “, in its MD&A or MD&A supplement if one is required under section 5.2, disclose” and substituting “disclose in its MD&A”, and*
  - (ii) *in paragraph (b), striking out “or MD&A supplement” wherever it occurs, and*
- (e) *in subsection (6),*
  - (i) *striking out “or MD&A supplement” wherever it occurs, and*
  - (ii) *in subparagraph (b)(iii), striking out “on” and substituting “at”.*

**21. Section 6.2 of National Instrument 51-102 is amended by**

- (a) *in paragraph (b), striking out “in” after “AIF” and substituting “on”, and*
- (b) *striking out “, Form 10-KSB” wherever it occurs.*

**22. Subsection 8.1(1) of National Instrument 51-102 is amended by, after the definition of “acquisition of related businesses”, adding the following definition:**

“acquisition test profit or loss” means profit or loss, adjusted to exclude discontinued operations and income taxes;.

**23. Section 8.2 of National Instrument 51-102 is amended by striking out “date of acquisition” wherever it occurs and substituting “acquisition date”.**

**24. Section 8.3 of National Instrument 51-102 is amended by**

- (a) *striking out “date of the acquisition” and “date of acquisition” wherever it occurs and substituting “acquisition date”,*
- (b) *striking out “income from continuing operations” wherever it occurs and substituting “acquisition test profit or loss”,*

- (c) ***in the preamble to subsection (2), adding “and subject to subsections (4.1) and (4.2)” after “subsection (1)”***,
- (d) ***in paragraph (2)(a), adding “annual” before “financial statements”***,
- (e) ***in paragraph 2(c),***
  - (i) ***in the title, striking out “Income” and substituting “Profit or Loss”, and***
  - (ii) ***adding “annual” before “financial statements”***,
- (f) ***in subsection (4),***
  - (i) ***in the preamble, adding “and subject to subsections (4.1) and (4.2)” after “subsection (3)”, and***
  - (ii) ***in paragraph (c), in the title, striking out “Income” and substituting “Profit or Loss”***,
- (g) ***adding the following after subsection (4):***
  - (4.1) For the purposes of calculating significance under the significance tests in subsection (2) or re-calculating significance under the optional significance tests in subsection (4), the reporting issuer must not remeasure its previously held equity interest in the business or related businesses and must not
    - (a) include the remeasurement in the asset test or the investment test, or
    - (b) include any resulting gain or loss from remeasurement in the profit or loss test.
  - (4.2) For the purposes of the significance test in paragraph (2)(b) and the optional significance test in paragraph (4)(b), the reporting issuer’s investments in and advances to the business or related businesses must include
    - (a) the consideration transferred for the acquisition, measured in accordance with the issuer’s GAAP,
    - (b) payments made in connection with the acquisition which do not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, and

- (c) contingent consideration for the acquisition measured in accordance with the issuer's GAAP,
- (h) *in the title to subsection (7), striking out "Income" and substituting "Profit or Loss",*
- (i) *in the title to subsection (8), striking out "Income" wherever it occurs and substituting "Profit or Loss",*
- (j) *in subsection (9),*
  - (i) *in the title, striking out "Income" wherever it occurs and substituting "Profit or Loss", and*
  - (ii) *striking out "income" after "average consolidated" and substituting "acquisition test profit or loss",*
- (k) *in subsection (10),*
  - (i) *in the title, striking out "Income" and substituting "Profit or Loss", and*
  - (ii) *striking out "income" after "average consolidated" and substituting "acquisition test profit or loss",*
- (l) *in subsection (11),*
  - (i) *in the title, striking out "Step-By-Step Acquisitions" and substituting "Multiple Investments in the Same Business", and*
  - (ii) *striking out "a "step-by-step" purchase as described in the Handbook" and substituting "multiple investments in the same business",*
- (m) *in subsection (11.1),*
  - (i) *in the title, striking out "Income" and substituting "Profit or Loss", and*
  - (ii) *striking out "income test" and substituting "profit or loss test",*
- (n) *in subsection (12), striking out "annual audited financial statements" and substituting "audited annual financial statements",*
- (o) *in subsection (13), striking out "reporting currency" and substituting "presentation currency", and*



- (p) *in subsection (14), striking out* “subsection 6.1(1) of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*” *and substituting* “subsections 3.11(1), 3.11(2) and 3.11(3) of NI 52-107”.

25. *Section 8.4 of National Instrument 51-102 is amended by*

- (a) *striking out* “date of acquisition” *wherever it occurs and substituting* “acquisition date”,
- (b) *striking out* “balance sheet” *wherever it occurs and substituting* “statement of financial position”,
- (c) *in paragraph (1)(a), striking out* “an income statement, a statement of retained earnings and a cash flow statement” *and substituting* “a statement of comprehensive income, a statement of changes in equity and a statement of cash flows”,
- (d) *in the title to subsection (3), striking out* “Interim Financial Statements” *and substituting* “Interim Financial Report”,
- (e) *after subsection (3), adding the following:*
- (3.1) **Contents of Interim Financial Report if Acquisition Statements are Prepared in Accordance with Canadian GAAP Applicable to Private Enterprises** – If a reporting issuer is required under subsection (3) to include an interim financial report in a business acquisition report and the financial statements for the business or related businesses acquired are prepared in accordance with Canadian GAAP applicable to private enterprises, as permitted under NI 52-107, then the interim financial report must include
- (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; and
- (c) notes to the financial statements.
- (3.2) **Application** – Subsection (3.1) does not apply in Ontario.
- (f) *in subsection (4),*

- (i) *in the title, striking out “Interim”, and*
  - (ii) *in paragraph (a), adding “and” after “before the acquisition;”,*
- (g) *repealing paragraph (4)(b),*
- (h) *in subparagraph (5)(b),*
  - (i) *in clause (i)(B), striking out “financial statements” and substituting “an interim financial report”, and*
  - (ii) *in subparagraph (ii), striking out “an income statement” and substituting “a statement of comprehensive income”,*
- (i) *in the title to subsection (6), striking out “Interim”, and*
- (j) *in paragraph (7)(e), striking out “, gross profit and income” and substituting “and profit or loss”.*

**26. Section 8.6 of National Instrument 51-102 is amended by**

- (a) *repealing subparagraph (b)(i) and substituting the following:*
  - (i) summarizes financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and,
- (b) *in subparagraph (b)(ii), striking out “earnings” and substituting “profit or loss”, and*
- (c) *in subparagraph (d)(iii), striking out “reservation” and substituting “modified opinion”.*

**27. Section 8.9 of National Instrument 51-102 is amended by**

- (a) *in the preamble, striking out “interim financial statements” and substituting “an interim financial report”, and*
- (b) *in paragraph (c), striking out “interim financial statements” and substituting “interim financial report”.*

**28. Section 8.10 of National Instrument 51-102 is amended by**

- (a) *in subsection (2),*
  - (i) *in the title, striking out “Income” and substituting “Profit or Loss”,*

(ii) *striking out* “consolidated income from continuing operations” *and substituting* “acquisition test profit or loss”, *and*

(iii) *striking out* “income test” *and substituting* “profit or loss test”, *and*

(b) *repealing paragraph (3)(d)*.

29. *Section 8.11 of National Instrument 51-102 is amended by*

(a) *in the title, striking out* “Step-By-Step Acquisitions” *and substituting* “Multiple Investments in the Same Business”,

(b) *striking out* “a “step-by-step” purchase as described in the Handbook” *and substituting* “multiple investments in the same business”.

30. *Part 8 of National Instrument 51-102 is amended by adding the following after section 8.11:*

**8.12 Exemption for financial statements of a business or related businesses prepared in accordance with Canadian GAAP applicable for private enterprises**

(1) This section does not apply in Ontario.

(2) Subsection 8.3(13) does not apply if the financial statements for the business or related businesses referred to in subsections 8.3(2) and (4)

(a) are prepared in accordance with Canadian GAAP applicable to private enterprises;

(b) consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method; and

(c) were not prepared in accordance with any of the accounting principles specified in paragraphs 3.11(1)(a) through (e) of NI 52-107.

(3) Despite subsection (2), for the purposes of the significance tests in subsections 8.3(2) and (4), the financial statements of the business or related businesses must be translated into the same presentation currency as that used in the reporting issuer’s financial statements.

31. *Paragraph 9.4(9)(a) of National Instrument 51-102 is amended by adding* “or, in the case of a solicitation under subsection 9.2(4), the document required under paragraph 9.2(6)(a)” *after* “circular”.

32. *Subsection 10.1(3) of National Instrument 51-102 is amended by striking out “interim financial statements” and substituting “an interim financial report”.*
33. *Section 11.4 of National Instrument 51-102 is amended by striking out “results of operations” and substituting “financial performance”.*
34. *Paragraph 11.5(b) of National Instrument 51-102 is amended by striking out “retroactive” and substituting “retrospective”.*
35. *Section 13.4 of National Instrument 51-102 is amended by*
- (a) in subsection (1),*
    - (i) in the definition of “designated credit support securities”,*
      - (A) adding “securities” after “debt” wherever it occurs,*
      - (B) striking out “is” and substituting “are”, and*
      - (C) striking out “and” after “supporter within 15 days of any failure by the credit support issuer to make a payment;”,*
    - (ii) adding “and” after the definition of “subsidiary credit supporter”, and*
    - (iii) in the definition of “summary financial information”,*
      - (A) striking out “sales or revenues” and substituting “revenue”,*
      - (B) striking out “income” and substituting “profit or loss”,*
      - (C) striking out “net earnings” and substituting “profit”, and*
      - (D) striking out “balance sheet” and substituting “statement of financial position”,*
  - (b) in paragraph (2)(g),*
    - (i) in the preamble, striking out “the interim and annual financial statements” and substituting “each consolidated interim financial report and consolidated annual financial statements”,*
    - (ii) in clause (i)(A), striking out “revenues” and substituting “revenue”, and*
    - (iii) in subparagraph (ii), striking out “interim or annual consolidated” and substituting “consolidated interim financial report or consolidated annual”,*

- (c) *in paragraph (2.1)(c),*
  - (i) *striking out* “the interim and annual consolidated” *and substituting* “each consolidated interim financial report and the consolidated annual”, *and*
  - (ii) *striking out* “any interim or annual consolidated” *and substituting* “any consolidated interim financial report or consolidated annual”, *and*
- (d) *in paragraph (2.2)(b), striking out* “revenues” *and substituting* “revenue”.

36. *Part 14 of National Instrument 51-102 is amended by adding the following after section 14.2:*

### **14.3 Transition – Interim Financial Report**

- (1) Despite section 4.4 and paragraph 4.10(2)(c), the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011 must be filed
  - (a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of
    - (i) the 75th day after the end of the interim period; and
    - (ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period; or
  - (b) in the case of a venture issuer, on or before the earlier of
    - (i) the 90th day after the end of the interim period; and
    - (ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period.
- (2) Despite subsection 5.1(2), the MD&A required to be filed under subsection 5.1(1) relating to the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011 must be filed on or before the earlier of
  - (a) the filing deadline for the interim financial report set out in subsection (1); and
  - (b) the date the reporting issuer files the interim financial report under subsections (1) or 4.3(1), as applicable.

- (3) Despite subsection 4.6(3), if a registered holder or beneficial owner of securities, other than debt instruments, of a reporting issuer requests the issuer's first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, the reporting issuer must send a copy of the required interim financial report and the interim MD&A relating to the interim financial report to the person or company that made the request, without charge, by the later of,
- (a) in the case of a reporting issuer relying on subsection (1), 10 calendar days after the filing deadline set out in subsection (1), for the financial statements requested;
  - (b) in the case of a reporting issuer not relying on subsection (1), 10 calendar days after the filing deadline in subparagraph 4.4(a)(i) or 4.4(b)(i), subsection 4.10(2) or subsection 14.3(1), as applicable, for the financial statements requested; and
  - (c) 10 calendar days after the issuer receives the request.
- (4) Subsections (1), (2) and (3) do not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

#### **14.4 Transition – Application of Amendments**

Despite section 14.1 the amendments to this Instrument which came into force on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.

#### **37. Part 1 of Form 51-102F1 Management's Discussion & Analysis is amended by**

- (a) *striking out* "results of operations" *wherever it occurs and substituting* "financial performance",
- (b) *striking out* "earnings" *and substituting* "profit or loss",
- (c) *in paragraph (f), striking out* "This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.",
- (d) *repealing paragraph (g) and substituting the following:*
  - (g) **Venture Issuers Without Significant Revenue**

If your company is a venture issuer without significant revenue from operations, focus your discussion and analysis of financial performance on expenditures and progress towards achieving your business objectives and milestones.

(e) *in paragraph (h),*

(i) *striking out* “When” *and substituting* “If”,

(ii) *striking out* “accounted for as”,

(f) *repealing paragraph (i):*

(g) *in paragraph (m), adding the following after the first paragraph:*

“This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP.”, *and*

(h) *adding the following after paragraph (o):*

(p) **Use of “Financial Condition”**

This Form uses the term “financial condition”. Financial condition reflects the overall health of the company and includes your company’s financial position (as shown on the statement of financial position) and other factors that may affect your company’s liquidity, capital resources and solvency.

38. *Part 2, section 1.1 of Form 51-102F1 is amended by adding* “annual” *before* “financial statements”.

39. *Part 2, section 1.2 of Form 51-102F1 is amended by*

(a) *striking out* “results of operations” *wherever it occurs and substituting* “financial performance”,

(b) *striking out* “as those terms are used in the Handbook”,

(c) *striking out* “revenues, income” *and substituting* “revenue, profit or loss”, *and*

(d) *striking out the first sentence of instruction (ii).*

40. *Part 2, section 1.3 of Form 51-102F1 is amended by*

(a) *in the preamble of subsection (1), adding* “annual” *before* “financial statements”,

(b) *in paragraph (1)(a), striking out* “net sales or total revenues” *and substituting* “total revenue”,

- (c) *in paragraph (1)(b), striking out “income” and substituting “profit” and striking out “and extraordinary items”,*
- (d) *in paragraph (1)(c), striking out “net income” and substituting “profit”,*
- (e) *in paragraph (1)(e), striking out “long-term” and substituting “non-current”,*
- (f) *in paragraph (1)(f), adding “distributions or” before “cash dividends”,*
- (g) *in subsection (2), striking out “condition and results of operations” and substituting “position and financial performance”, and*
- (h) *repealing the Instruction and substituting the following:*

*INSTRUCTION*

*Indicate the accounting principles that the financial data has been prepared in accordance with, the presentation currency, the functional currency if different from the presentation currency.*

**41. Part 2, section 1.4 of Form 51-102F1 is amended by**

- (a) *in the title, striking out “Results of Operations” and substituting “Discussion of Operations”,*
- (b) *in paragraph (a), striking out “net sales or total revenues by operating business” and substituting “total revenue by reportable”,*
- (c) *in paragraph (b), striking out “net sales or total revenues” and substituting “total revenue”,*
- (d) *in paragraph (d), striking out “operating”,*
- (e) *in paragraph (f), striking out “revenues” and substituting “revenue”,*
- (f) *in paragraph (g),*
  - (i) *striking out “net sales,”,*
  - (ii) *striking out “income” and substituting “profit”, and*
  - (iii) *striking out “and extraordinary items”, and*
- (g) *in paragraph (h),*
  - (i) *striking out “net sales or total revenues” and substituting “total revenue”,*



(ii) *striking out* “income” *and substituting* “profit”, *and*

(ii) *striking out* “and extraordinary items”.

**42. Part 2, section 1.5 of Form 51-102F1 is amended by**

(a) *in paragraph (a), striking out* “net sales or total revenues” *and substituting* “total revenue”,

(b) *in paragraph (b),*

(i) *striking out* “income” *and substituting* “profit”, *and*

(ii) *striking out* “and extraordinary items”,

(d) *in paragraph (c), striking out* “net income” *and substituting* “profit”,

(e) *in subparagraph (iii) of the instructions,*

(A) *in clause (G), striking out* “revenues” *and substituting* “revenue”, *and*

(B) *in clause (J), striking out* “cash flow” *and substituting* “cash flows”,

(f) *repealing subparagraph (iv) of the instructions and substituting the following:*

(iv) *Indicate the accounting principles that the financial data has been prepared in accordance with, the presentation currency, the functional currency if different from the presentation currency.*

**43. Part 2, section 1.6 of Form 51-102F1 is amended by**

(a) *striking out* “balance sheet” *wherever it occurs and substituting* “statement of financial position”,

(b) *striking out* “income” *wherever it occurs and substituting* “profit or loss”,

(c) *in subparagraph (h)(i), adding* “distributions or” *before* “dividend”,

(d) *in clause (ii)(A) of the instructions, striking out* “earnings” *and substituting* “profit or loss”,

(e) *in the table in subparagraph (iv) of the instructions*

(i) *striking out* “Long Term” *wherever it occurs, and*

- (ii) *striking out* “Capital” *and substituting* “Finance”, *and*
  - (e) *in footnote 2 of the table in subparagraph (iv) of the instructions*
    - (i) *striking out* “Other Long Term Obligations” *and substituting* “Other Obligations”,
    - (ii) *striking out* “long-term liabilities” *and substituting* “financial liabilities”, *and*
    - (ii) *striking out* “balance sheet” *and substituting* “statement of financial position”.
- 44. *Part 2, section 1.8 of Form 51-102F1 is amended by*
  - (a) *striking out* “results of operations” *and substituting* “financial performance”,
  - (b) *in paragraph (c), striking out* “revenues” *and substituting* “revenue”, *and*
  - (c) *in the instructions,*
    - (i) *striking out* “under a material variable interest”, *and*
    - (ii) *adding* “activities” *after* “hedging”.
- 45. *Part 2, section 1.9 of Form 51-102F1 is amended by*
  - (a) *striking out* “Handbook” *and substituting* “issuer’s GAAP”, *and*
  - (b) *in clause (C) of the instructions, adding* “describe” *before* “the measurement”.
- 46. *Part 2, section 1.10 of Form 51-102F1 is amended by striking out* “cash flows or results of operations, including extraordinary items” *and substituting* “financial performance or”.
- 47. *Part 2, section 1.11 of Form 51-102F1 is amended by striking out* “results of operations” *and substituting* “financial performance”.
- 48. *Part 2, section 1.12 of Form 51-102F1 is amended by*
  - (a) *in paragraph (b), striking out* “financial condition, changes in financial condition and results of operations” *and substituting* “financial position, changes in financial position and financial performance”,
  - (b) *in paragraph (e),*

- (i) *adding “reportable” before “segments”, and*
    - (ii) *adding “reportable” before “segment” wherever it occurs, and*
  - (c) *in clause (i)(B) of the instructions, striking out “results of operations” and substituting “financial performance”.*
- 49. Part 2, section 1.13 of Form 51-102F1 is amended by striking out “financial condition, changes in financial condition and results of operations” wherever it occurs and substituting “financial position, changes in financial position and financial performance”.**
- 50. Part 2, section 1.14 of Form 51-102F1 is amended by**
- (a) *in paragraph (d), striking out “income” and substituting “revenue”,*
  - (b) *in paragraph (e), striking out “income” and substituting “profit or loss”,*
  - (c) *in subparagraph (ii) of the instructions, striking out “results of operations” and substituting “financial performance”,*
  - (d) *in subparagraph (iii) of the instructions , striking out “earnings” and substituting “profit or loss”, and*
  - (e) *in subparagraph (iv) of the instructions, striking out “income” and substituting “revenue”.*
- 51. Part 2, section 2.2 of Form 51-102F1 is amended by**
- (a) *in subparagraph (i), striking out “results of operations and cash flows” and substituting “financial performance”,*
  - (b) *adding the following after subparagraph (i):*
    - (i.i) *a comparison of cash flows to the corresponding period in the previous year,;*
  - (c) *in subparagraph (ii)*
    - (i) *striking out “results of operations” and substituting “financial performance”, and*
    - (ii) *striking out “income” and substituting “profit”,*
  - (d) *in subparagraph (iii), striking out “financial condition, results of operations” and substituting “financial position, financial performance”,*

(e) *in the instructions, striking out “interim financial statements” wherever it occurs and substituting “interim financial report”, and*

(f) *in subparagraph (iv) of the instructions*

(i) *striking out “balance sheet” and substituting “statement of financial position”,*

(ii) *striking out “income” and substituting “profit or loss”, and*

(iii) *striking out “that are outside the ordinary course of your company’s business”.*

52. *Part 1 of Form 51-102F2 Annual Information Form is amended by*

(a) *in paragraph (e), striking out “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”,*

(b) *adding the following at the end of paragraph (g):*

This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP., *and*

(c) *in paragraph (i),*

(i) *striking out “Special Purpose Vehicles” and substituting “Special Purpose Entities”, and*

(ii) *striking out “special purpose vehicle” and substituting “special purpose entity”.*

53. *Part 2, section 3.2 of Form 51-102F2 is amended by, in subparagraph (ii) of the instruction*

(a) *striking out “sales and operating revenues” wherever it occurs and substituting “revenue”, and*

(b) *striking out “do” and substituting “does”.*

54. *Part 2, subsection 5.1(1) of Form 51-102F2 is amended by*

(a) *in the preamble, striking out “as those terms are used in the Handbook”,*

(b) *in subparagraph (a)(iii), striking out “revenues” wherever it occurs and substituting “revenue”,*

- (c) *in paragraph (h), adding “reportable” before “segment”,*
  - (d) *in paragraph (k), striking out “earnings” and substituting “profit or loss”, and*
  - (e) *in paragraph (m), adding “reportable” before “segment”.*
55. *Part 2, paragraph 5.3(2)(b) of Form 51-102F2 is amended by striking out “income” and substituting “profit”.*
56. *Part 2, subsection 5.3(6) of Form 51-102F2 is amended by striking out “, Form 10-KSB”.*
57. *Part 2, item 6 of Form 51-102F2 is amended by, in the title, adding “and Distributions” after “Dividends”.*
58. *Part 2, section 6.1 of Form 51-102F2 is amended by, in the title, adding “and Distributions” after “Dividends”.*
59. *Part 2, section 7.3 of Form 51-102F2 is amended by, in the instructions, striking out “derivatives” and substituting “derivative instruments”.*
60. *Part 2, subsection 16.2(2.1) of Form 51-102F2 is amended by striking out “US GAAS” and substituting “U.S. PCAOB GAAS or U.S. AICPA GAAS”.*
61. *Part 1, paragraph (e) of Form 51-102F4 Business Acquisition Report is amended by adding the following after the first paragraph:*

This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP.

62. *Part 2, item 2 of Form 51-102F4 is amended by*
- (a) *in section 2.2,*
    - (i) *in the title, striking out “date of acquisition” and substituting “acquisition date”, and*
    - (ii) *striking out “date of acquisition” and substituting “acquisition date”,*
  - (b) *repealing the instruction, and*
  - (c) *in section 2.4, striking out “results of operations” and substituting “financial performance”.*
63. *Part 2, item 3 of Form 51-102F4 is amended by, in the title, adding “and Other Information” after “Financial Statements”.*

64. ***Part 1, paragraph (d) of Form 51-102F5 Information Circular is amended by adding the following after the first paragraph:***

This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP. .

65. ***Part 2, section 9.3 of Form 51-102F5 is amended by, in paragraph (ii) of the Instructions, striking out “as described in section 3870 “Stock-based Compensation and Other Stock-based Payments” of the Handbook”.***
66. ***Part 2, section 14.1 of Form 51-102F5 is amended by adding “annual” before “financial statements”.***
67. ***Part 2, section 14.2 of Form 51-102F5 is amended by***
- (a) ***adding “for the company, business or entity” after “The disclosure”, and***
  - (b) ***striking out “the entity” and substituting “the company, business or entity, respectively,”.***
68. ***Part 2, section 16.2 of Form 51-102F5 is amended by adding “annual” before “financial statements”.***
69. ***Form 51-102F6 Statement of Executive Compensation (in respect of financial years ending on or after December 31, 2008) is amended by striking out “Section 3870 of the Handbook” wherever it occurs and substituting “IFRS 2 Share-based Payment”.***
70. ***Item 1.2 of Form 51-102F6 is amended by repealing the definition of “NI 52-107”.***
71. ***The commentary under subsection 1.3(4) of Form 51-102F6 is amended by striking out “Multilateral” and substituting “National”.***
72. ***The commentary under subsection 1.3(8) of Form 51-102F6 is amended by striking out “, or the Handbook”.***
73. ***Section 3.1 of Form 51-102F6 is amended by***
- (a) ***in subsection (3),***
    - (i) ***striking out “grant date”, and***
    - (ii) ***adding “on the grant date” after “the award”,***
  - (b) ***in subsection (4),***

- (i) **striking out** “grant date”, **and**
    - (ii) **adding** “on the grant date” **after** “the award”,
  - (c) **in subsection (5),**
    - (i) **striking out** “grant date fair value” **wherever it occurs and substituting** “fair value of the award on the grant date”, **and**
  - (d) **repealing Commentary 2 and substituting the following:**
    - 2. *The value disclosed in columns (d) and (e) of the summary compensation table should reflect what the board of directors intended to pay, make payable, award, grant, give or otherwise provide as compensation on the grant date (fair value of the award) as set out in comment 3, below. This value may differ from the value reported in the issuer’s financial statements., and*
  - (e) **in Commentary 4 and 6, striking out** “grant date fair value” **wherever it occurs and substituting** “fair value of the award”, **and**
  - (f) **in paragraph (10)(f), striking out** “grant date fair value” **and substituting** “fair value of the award on the grant date”.
74. **Section 3.3 of Form 51-102F6 is amended by striking out** “reporting currency” **wherever it occurs and substituting** “presentation currency”.
75. **Section 5.1 of Form 51-102F6 is amended by**
- (a) **in the table in subsection (1),**
    - (i) **striking out** “Accrued obligation at start of year” **and substituting** “Opening present value of defined benefit obligation”, **and**
    - (ii) **striking out** “Accrued obligation at year end” **and substituting** “Closing present value of defined benefit obligation”,
  - (b) **in subsection (2),**
    - (i) **striking out** “plan measurement” **and substituting** “reporting”, **and**
    - (ii) **adding** “annual” **before** “financial statements”,
  - (c) **in subsection (5), striking out** “accrued obligation” **and substituting** “present value of the defined benefit obligation”,

- (d) *in subsection (6),*
  - (i) *striking out* “accrued obligation” *wherever it occurs and substituting* “present value of the defined benefit obligation”,
  - (ii) *adding* “closing” *after* “quantifying the”, *and*
  - (iii) *striking out* “at the end of the most recently completed financial year”, *and*
- (e) *in subsection (7),*
  - (i) *striking out* “accrued obligation” *wherever it occurs and substituting* “present value of the defined benefit obligation”, *and*
  - (ii) *adding* “most recently completed financial” *after* “start of the”.
- (f) *in subsection (8), striking out* “accrued obligation” *and substituting* “present value of the defined benefit obligation”,

76. *This instrument only applies to periods relating to financial years beginning on or after January 1, 2011.*

77. *This instrument comes into force on January 1, 2011.*



**Proposed Amendments to  
Companion Policy 51-102CP *Continuous Disclosure Obligations***

1. *Companion Policy 51-102CP Continuous Disclosure Obligations is amended.*
2. *Section 1.3 is amended by striking out “interim financial statements” and substituting “interim financial reports”.*
3. *Section 1.4 is amended by*
  - (a) *repealing subsection (5) and substituting the following:*
    - (5) **Reverse Takeover** – The definition of reverse takeover includes reverse acquisitions as defined or interpreted in Canadian GAAP and any other transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity (such as a Qualifying Transaction, as that term is defined in the TSX Venture Exchange policies). In a reverse acquisition, although legally the entity (the legal parent) that issued the securities is regarded as the parent, the entity (the legal subsidiary) whose former securityholders now control the combined entity is treated as the acquirer for accounting purposes. As a result, for accounting purposes, the issuing entity (the legal parent) is deemed to be a continuation of the acquirer and the acquirer is deemed to have acquired control of the assets and business of the issuing entity in consideration for the issue of capital., *and*
  - (b) *adding the following after subsection (6):*
    - (7) **Accounting terms** – The Instrument uses accounting terms that are defined, or referred to, in Canadian GAAP. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that National Instrument 14-101 *Definitions* provides that a term used in the Instrument and 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 local securities statutes and Canadian GAAP. Securities regulatory authorities are of the view that the references to the term “associate” in the Instrument and its forms (e.g., item 7.1(g) of Form 51-102F5 *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.

- (8) **Acceptable accounting principles other than Canadian GAAP** – If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP, then the issuer may interpret any reference in the Instrument to a term or provision defined, or referred to, in Canadian GAAP as a reference to the corresponding term or provision in the other acceptable accounting principles.

**4. Section 1.8 is repealed and the following substituted:**

**1.8 Acceptable Accounting Principles and Auditing Standards**

An issuer filing any of the following items under the Instrument must comply with NI 52-107:

- (a) financial statements;
- (b) an operating statement for an oil and gas property as referred to in section 8.10 of the Instrument;
- (c) summarized financial information, including the aggregated amounts of assets, liabilities, revenue and profit or loss of a business as referred to in section 8.6 of the Instrument; or
- (d) financial information derived from a credit support issuer's financial statements as referred to in section 13.4 of the Instrument.

NI 52-107 sets out, among other things, the use of accounting principles other than Canadian GAAP or auditing standards other than Canadian Generally Accepted Auditing Standards (Canadian GAAS) in preparing or auditing financial statements.

**5. Section 3.2 is repealed and the following substituted:**

**3.2 Audit of Comparative Annual Financial Statements**

Section 4.1 of the Instrument requires a reporting issuer to file annual financial statements that include comparative information for the immediately preceding financial year and that are audited. The auditor's report must cover both the most recently completed financial year and the comparative period, except if the issuer changed its auditor during the periods presented in the annual financial statements and the new auditor has not audited the comparative period. In this situation, the auditor's report would normally refer to the predecessor's auditor's report or the issuer would include the predecessor auditor's reissued report on the prior period's annual financial statements. This is consistent with Canadian Auditing Standard 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*.

6. *Section 3.3 is amended in the last sentence by adding “annual” before “financial statements”.*

7. *Section 3.4 is repealed and the following substituted:*

**3.4 Auditor Involvement with an Interim Financial Report**

(1) The board of directors of a reporting issuer, in discharging its responsibilities for ensuring the reliability of an interim financial report, should consider engaging an external auditor to carry out a review of the interim financial report.

(2) Subsection 4.3(3) of the Instrument requires a reporting issuer to disclose if an auditor has not performed a review of the interim financial report, to disclose if an auditor was unable to complete a review and why, and to file a written report from the auditor if the auditor has performed a review and expressed a reservation in the auditor’s interim review report. No positive statement is required when an auditor has performed a review and provided an unqualified communication. If an auditor was engaged to perform a review on an interim financial report applying review standards set out in the Handbook, and the auditor was unable to complete the review, the issuer’s disclosure of the reasons why the auditor was unable to complete the review would normally include a discussion of

(a) inadequate internal control;

(b) a limitation on the scope of the auditor’s work; or

(c) the failure of management to provide the auditor with the written representations the auditor believes are necessary.

(3) If a reporting issuer’s annual financial statements are audited in accordance with Canadian GAAS, the terms “review” and “interim review report” used in subsection 4.3(3) of the Instrument refer to the auditor’s review of, and report on, an interim financial report applying standards for a review of an interim financial report by the auditor as set out in the Handbook. However, if the reporting issuer’s financial statements are audited in accordance with auditing standards other than Canadian GAAS, the corresponding review standards should be applied.

8. *Section 3.5 is amended by striking out “interim financial statements” and substituting “an interim financial report”.*

9. *Section 3.6 is amended by adding “The test of whether “to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2)” is objective, rather than subjective. Securities regulatory authorities are of the view that a reporting issuer can rely on the exemption only if it has made every*

reasonable effort to present prior-period information on a basis consistent with subsection 4.3(2) of the Instrument. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not related solely to the cost or the time involved in preparing the financial statements.” *after* “to do so.”

**10. Section 3.9 is amended by**

- (a) *in subsection (2), striking out* “for accounting purposes”, *and*
- (b) *in subsection (3), striking out* “interim and annual financial statements” *and substituting* “interim financial reports and the annual financial statements”.

**11. The title of Part 4 is amended by adding** “AND PRESENTATION” *after* “DISCLOSURE”.

**12. Section 4.1 is amended by**

- (a) *in the title, striking out* “Results” *and substituting* “Information”, *and*
- (b) *in subsection (1), striking out* “interim financial statements” *and substituting* “each interim financial report”.

**13. Section 4.2 is amended by adding** “Canadian” *before* “GAAP should”.

**14. Part 4 is amended by adding the following after section 4.2:**

**4.3 Presentation of Financial Information**

Canadian GAAP provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Instrument. (See subsections 4.1(3) and 4.3(2.1) of the Instrument).

**15. Section 4A.3 is amended by**

- (a) *striking out* “This concept of materiality is consistent with the one contained in the Handbook.”,
- (b) *striking out* “revenues, net income” *and substituting* “revenue, profit or loss”, *and*
- (c) *striking out* “A financial outlook relating to earnings is commonly referred to” *and substituting* “A financial outlook relating to profit or loss is commonly referred to”.

16. *Section 4A.9 is repealed.*
17. *Section 5.2 is amended by*
  - (a) *striking out* “or MD&A supplement”,
  - (b) *striking out* “interim and annual financial statements” *and substituting* “interim financial report or annual financial statements”, *and*
  - (c) *striking out* “capitalized, deferred or expensed” *and substituting* “expensed or recognized as assets”,
18. *Section 5.4 is amended by*
  - (a) *striking out* “or MD&A supplement”,
  - (b) *striking out* “interim and annual financial statements” *and substituting* “interim financial report or annual financial statements”.
19. *Section 5.5 is amended by striking out* “or MD&A supplement” *wherever it occurs.*
20. *Subsection 6.2(1) is amended by striking out* “income” *and substituting* “profit”.
21. *Subsection 8.1(3) is amended by striking out* “reporting currency” *and substituting* “presentation currency”.
22. *Section 8.2 is amended by*
  - (a) *in subsection (1),*
    - (i) *striking out* “income from continuing operations” *wherever it occurs and substituting* “acquisition test profit or loss”,
    - (ii) *striking out* “time of the acquisition” *wherever it occurs and substituting* “acquisition date”,
    - (iii) *striking out* “annual audited financial statements” *and substituting* “audited annual financial statements”, *and*
    - (iv) *striking out* “business acquisition or report” *and substituting* “business acquisition report”.
  - (b) *in subsection (2), adding the following as a new paragraph after the first paragraph:*

Subsection 8.12(2) provides an exemption from this reconciliation requirement if the business or related businesses prepared financial statements in accordance with Canadian GAAP applicable to private enterprises provided certain conditions are met. This exemption is not available in Ontario. The requirement in subsection 8.3(13) to translate the financial statements of the business or related businesses into the same presentation currency as the reporting issuer still applies.,

(c) *in subsection (3), adding “annual” before “financial statements” in the first three occurrences,*

(d) *adding the following after subsection (3):*

(3.1) **Application of Significance Tests for Business Combinations Achieved in Stages** – IFRS 3 (revised 2008) *Business Combinations*, requires that when a business combination is achieved in stages the acquirer’s previously held equity interest in the acquiree is remeasured at its acquisition date fair value with any resulting gain or loss recognized in profit or loss. The remeasurement of the previously held equity interest should not be included in the asset or the investment test and the resulting gain or loss from remeasurement should not be included in the profit or loss test. (See subsection 8.3(4.1) of the Instrument),

(e) *repealing subsection (4) and substituting the following:*

(4) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsections 8.3(2) and (4) of the Instrument is whether the reporting issuer’s consolidated investments in and advances to the business or related businesses exceed a specified percentage of the consolidated assets of the reporting issuer. In applying this test, the “investments in” the business should be determined using the consideration transferred, measured in accordance with the issuer’s GAAP, including any contingent consideration. In addition, any payments made in connection with the acquisition which would not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease agreements and agreements to provide a pre-determined amount of future services. For purposes of the investment test, “consideration transferred” should be adjusted to exclude the carrying value of assets transferred by the reporting issuer to the business or related businesses that will remain with the business or related businesses after the acquisition., *and*

(f) *in subsection (5), adding “annual” before “financial statements” wherever it occurs.*

23. *Section 8.3 is amended by*

- (a) *in subsection (3), striking out “date of the acquisition” and substituting “acquisition date”, and*
- (b) *in subsection (4),*
  - (i) *in the title, striking out “Income Test” and substituting “Profit or Loss Test”,*
  - (ii) *striking out “optional income test” wherever it occurs and substituting “optional profit or loss test”, and*
  - (iii) *striking out “income from continuing operations” wherever it occurs and substituting “acquisition test profit or loss”.*

24. *Section 8.5 is amended by*

- (a) *in the title, striking out “Step-By-Step Acquisitions” and substituting “Multiple Investments in the Same Business”,*
- (b) *striking out “increases its investments in a business by way of a step-by-step purchase as described in the Handbook” and substituting “has made multiple investments in the same business”, and*
- (c) *adding “annual” before “financial statements” wherever it occurs.*

25. *Subsection 8.6(4) is amended by*

- (a) *in clause (i), striking out “balance sheet” and substituting “statement of financial position”,*
- (b) *in clause (ii),*
  - (i) *in the title, striking out “Revenues” and substituting “Revenue”,*
  - (ii) *striking out “Income statements” and substituting “Statements of comprehensive income”, and*
  - (iii) *striking out “revenues” and substituting “revenue”.*

26. *Section 8.7 is amended by*

- (a) *in subsection (1),*

- (i) *striking out* “pro forma statements” *and substituting* “pro forma financial statements”,
  - (ii) *striking out* “results of operations” *and substituting* “financial performance”, *and*
  - (iii) *striking out* “extraordinary items or”,
- (b) *in subsection (2),*
  - (i) *in the title, striking out* “Balance Sheet and Income Statements” *and substituting* “Statement of Financial Position”, *and*
  - (ii) *striking out* “balance sheet” *wherever it occurs and substituting* “statement of financial position”,
- (c) *in subsection (3), striking out* “an income statement” *and substituting* “a statement of comprehensive income”,
- (d) *in subsection (4),*
  - (i) *striking out* “purchase price allocation” *and substituting* “acquisition date amounts of assets acquired and liabilities assumed”, *and*
  - (ii) *striking out* “balance sheet” *and substituting* “statement of financial position”,
- (e) *repealing subsection (5) and substituting the following:*
  - (5) **Acceptable Adjustments** – Pro forma adjustments are generally limited to those directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable. See subsection (9) for other pro forma adjustments if the acquisition statements have been prepared using Canadian GAAP applicable to private enterprises.
- (f) *in subsection (7),*
  - (i) *in the title, striking out* “Earlier Interim Financial Statements” *and substituting* “an Earlier Interim Financial Report”, *and*
  - (ii) *striking out* “pro forma statements” *and substituting* “pro forma financial statements”, *and*
- (g) *in subsection (8), striking out* “these statements” *and substituting* “these financial statements”.



(h) *adding the following after subsection (8):*

- (9) **Pro Forma Financial Statements where Acquisition Statements are Prepared in Accordance with Canadian GAAP applicable to Private Enterprises** – Except in Ontario, section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. If an issuer includes acquisition statements prepared in accordance with Canadian GAAP applicable to private enterprises in a business acquisition report, then those acquisition statements do not have to be reconciled to the issuer's GAAP under subsection 3.11(6) of NI 52-107. However, section 3.14 of NI 52-107 requires that pro forma financial statements must be presented using principles that are consistent with the issuer's GAAP. To comply with this requirement, when preparing the pro forma financial statements, the issuer should consider disclosing the adjustments necessary to achieve consistency with the issuer's GAAP.

The pro forma statement of financial position should present the following information:

- (i) the statement of financial position of the reporting issuer prepared in accordance with the issuer's GAAP,
- (ii) the balance sheet of the acquired business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises,
- (iii) pro forma adjustments attributable to the specific acquisition transaction that reflect the reporting issuer's accounting for the acquisition that includes new values for the business' assets and liabilities, and
- (iv) a pro forma statement of financial position combining items (i) through (iii).

The pro forma income statement should present the following information:

- (i) the income statement of the reporting issuer prepared in accordance with the issuer's GAAP,
- (ii) the income statement of the acquired business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises,

- (iii) pro forma adjustments attributable to the specific acquisition transaction and other adjustments relating to the acquired business to adjust amounts from Canadian GAAP applicable to private enterprises to the issuer's GAAP, and
- (iv) a pro forma income statement combining items (i) through (iii).

The phrase "pro forma adjustments attributable to the specific acquisition transaction" in this subsection are the types of adjustments described in subsection (5).

- 27. *Section 8.8 is amended by striking out "date of the acquisition" and substituting "acquisition date".*
- 28. *Subsection 8.9(2) is amended by*
  - (a) *adding "annual" before "financial statements",*
  - (b) *striking out "income statements" and substituting "statements of comprehensive income", and*
  - (c) *striking out "cash flow" and substituting "cash flows".*
- 29. *Subsection 8.10(2) is amended by*
  - (a) *in the title, striking out "Interim Financial Statements" and substituting "an Interim Financial Report", and*
  - (b) *striking out "interim financial statements" wherever it occurs and substituting "interim financial report".*
- 30. *Part 13 is amended by*
  - (a) *striking out*

**Department of Justice, Northwest Territories**  
Legal Registries  
P.O. Box 1320  
1st Floor, 5009-49th Street  
Yellowknife, NWT X1A 2L9  
Attention: Director, Legal Registries

*and substituting*

**Department of Justice, Northwest Territories**  
Securities Office

P.O. Box 1320  
1st Floor, 5009-49th Street  
Yellowknife, NWT X1A 2L9  
Attention: Superintendent of Securities,

(b) *under* “Department of Justice, Nunavut”, *striking out* “Director, Legal Registries Division” *and substituting* “Superintendent of Securities”, *and*

(c) *striking out*

**Registrar of Securities, Government of Yukon**  
Corporate Affairs J-9  
P.O. Box 2703  
Whitehorse, Yukon  
Y1A 5H3  
Attention: Registrar of Securities

*and substituting*

**Superintendent of Securities, Government of Yukon**  
Corporate Affairs J-9  
P.O. Box 2703  
Whitehorse, Yukon  
Y1A 5H3  
Attention: Superintendent of Securities.

31. *The following is added after Part 13:*

#### **PART 14      TRANSITION**

##### **14.1    Transition – Application of Amendments**

The amendments to this Policy which came into effect on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.

32. *Appendix A is amended by, in the footnote, striking out* “Balance sheet” *and substituting* “Statement of financial position”.

33. *These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.*

34. *These amendments become effective on January 1, 2011.*

**Proposed Amendments to  
National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings***

*Although this amendment instrument amends section headers in National Instrument 52-109, section headers do not form part of the instrument and are inserted for ease of reference only*

1. ***National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings is amended by this instrument.***
2. ***Section 1.1 of National Instrument 52-109 is amended by***
  - (a) ***after the definition of “financial period”, adding the following definition:***

*“financial statements” has the same meaning as in section 1.1 of NI 51-102;*
  - (b) ***in the definition of “internal control over financial reporting”, in paragraph (c), striking out “interim financial statements” and substituting “interim financial reports”,***
  - (c) ***in the definition of “interim filings”, striking out “interim financial statements” and substituting “interim financial report”,***
  - (d) ***repealing the definition of “interim financial statements” and substituting the following:***

*“interim financial report” means the interim financial report required to be filed under NI 51-102;*
  - (e) ***in the definition of “material weakness”, striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial report”,***
  - (f) ***in the definition of “NI 52-107”, striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “Acceptable Accounting Principles and Auditing Standards”,***
  - (g) ***in the definition of “proportionately consolidated entity”, striking out “revenues” and substituting “revenue”,***
  - (h) ***after the definition of “Sarbanes-Oxley Act”, adding the following definition:***

*“special purpose entity” has, in respect of an issuer, the meaning ascribed to that term in the issuer’s GAAP;*
  - (i) ***in the definition of “U.S. marketplace”, adding “and” after “NI 51-102;”,***

- (j) *repealing the definition of “variable interest entity”.*
3. *Section 3.3 of National Instrument 52-109 is amended by striking out “variable interest entity” wherever it occurs and substituting “special purpose entity”.*
  4. *Section 5.6 of National Instrument 52-109 is amended by striking out “interim financial statements” wherever it occurs and substituting “interim financial reports”.*
  5. *Section 6.2 of National Instrument 52-109 is amended by*
    - (a) *in the title, striking out “interim financial statements” and substituting “interim financial report”, and*
    - (b) *striking out “interim financial statements” wherever it occurs and substituting “interim financial report”.*
  6. *Subsection 8.2(3) of National Instrument 52-109 is amended by striking out “interim financial statements” wherever it occurs and substituting “interim financial report”.*
  7. *Part 9 of National Instrument 52-109 is amended by adding the following after section 9.2:*

**9.3 Transition - Application of Amendments** – The amendments to this Instrument that came into force on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.
  8. *Section 3 of Form 52-109F1 Certification of annual filings – full certificate is amended by striking out “results of operations” and substituting “financial performance”.*
  9. *Section 5.3 of Form 52-109F1 Certification of annual filings – full certificate is amended by striking out “variable interest entity” wherever it occurs and substituting “special purpose entity”.*
  10. *Section 3 of Form 52-109FV1 Certification of annual filings – venture issuer basic certificate is amended by striking out “results of operations” and substituting “financial performance”.*
  11. *Section 3 of 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 striking out “results of operations” and substituting “financial performance”.*
  12. *Section 1 of Form 52-109F2 Certification of interim filings – full certificate is amended by striking out “interim financial statements” and substituting “interim financial report”.*

13. ***Section 3 of Form 52-109F2 Certification of interim filings – full certificate is amended by***
  - (a) ***striking out*** “interim financial statements” ***and substituting*** “interim financial report”, ***and***
  - (b) ***striking out*** “results of operations” ***and substituting*** “financial performance”.
14. ***Section 5.3 of Form 52-109F2 Certification of interim filings – full certificate is amended by striking out*** “variable interest entity” ***wherever it occurs and substituting*** “special purpose entity”.
15. ***Section 1 of Form 52-109FV2 Certification of interim filings – venture issuer basic certificate is amended by striking out*** “interim financial statements” ***and substituting*** “interim financial report”.
16. ***Section 3 of Form 52-109FV2 Certification of interim filings – venture issuer basic certificate is amended by***
  - (a) ***striking out*** “interim financial statements” ***and substituting*** “interim financial report”, ***and***
  - (b) ***striking out*** “results of operations” ***and substituting*** “financial performance”.
17. ***Section 1 of 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 striking out*** “interim financial statements” ***and substituting*** “interim financial report”.
18. ***Section 3 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) ***striking out*** “interim financial statements” ***and substituting*** “interim financial report”, ***and***
  - (b) ***striking out*** “results of operations” ***and substituting*** “financial performance”.
19. ***Section 1 of Form 52-109F2R Certification of refiled interim filings is amended by striking out*** “interim financial statements” ***and substituting*** “interim financial report”.
20. ***This instrument only applies to periods relating to financial years beginning on or after January 1, 2011.***
21. ***This instrument comes into force on January 1, 2011.***

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

1. *Companion Policy 52-109CP to National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings is amended.*
2. *Part 1 is amended by adding the following after section 1.4,*
  - 1.5 **Accounting terms** – The Instrument uses accounting terms that are defined, or referred to, in Canadian GAAP. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that National Instrument 14-101 *Definitions* provides that a term used in the Instrument and 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.
  - 1.6 **Acceptable accounting principles other than Canadian GAAP** – If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP, then the issuer may interpret any reference in the Instrument to a term or provision defined, or referred to, in Canadian GAAP as a reference to the corresponding term or provision in the other acceptable accounting principles.
3. *Section 4.1 is amended by*
  - (a) *in the title, striking out “results of operations” and substituting “financial performance”.*
  - (b) *striking out “results of operations” wherever it occurs and substituting “financial performance”.*
4. *Section 4.2 is amended by striking out “balance sheet” and substituting “statement of financial position”.*
5. *Section 6.10 is amended by*
  - (a) *in subsection (2),*
    - (i) *striking out “net sales” and substituting “net revenue”,*
    - (ii) *striking out “on the income statement”,*





- (ii) *striking out* “GAAP” *and substituting* “accounting principles”,
- (c) *in subsection (4)*,
  - (i) *striking out* “VIE” *wherever it occurs and substituting* “SPE”,
  - (ii) *striking out* “sales or revenues” *and substituting* “revenue”,
  - (iii) *striking out* “income or loss before discontinued operations and extraordinary items” *and substituting* “profit or loss before discontinued operations”,
  - (iv) *striking out* “net income or loss for the period” *and substituting* “profit or loss for the period”,
  - (v) *striking out* “balance sheet” *and substituting* “statement of financial position”, *and*
  - (vi) *striking out* “contingencies” *and substituting* “contingent liabilities”,
- (d) *in subsection (5)*,
  - (i) *in paragraph (c)*, *striking out* “any required impairment charge related to the investment” *and substituting* “any impairment loss in the investment”, *and*
  - (ii) *in paragraph (d)*, *striking out* “income/loss” *and substituting* “profit or loss”, *and*
- (e) *in subsection (6)*, *striking out* “VIE” *and substituting* “SPE”,

9. *Section 14.2 is amended by*

- (a) *striking out* “sales or revenues” *and substituting* “revenue”,
- (b) *striking out* “income or loss before discontinued operations and extraordinary items” *and substituting* “profit or loss before discontinued operations”,
- (c) *striking out* “net income or loss for the period” *and substituting* “profit or loss for the period”,
- (d) *striking out* “balance sheet” *and substituting* “statement of financial position”, *and*

- (e) *striking out* “contingencies” *and substituting* “contingent liabilities”.
10. *Section 17.1 is amended by striking out* “acceptable form of GAAP” *and substituting* “acceptable form of accounting principles”.
11. *Part 19 is amended by adding the following after section 19.1:*
- 19.2 Application of Amendments** – The amendments to this Policy which came into effect on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.
12. *These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.*
13. *These amendments become effective on January 1, 2011.*

**Proposed Amendments to  
National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to  
Foreign Issuers***

*Although this amendment instrument amends section headers in National Instrument 71-102, section headers do not form part of the instrument and are inserted for ease of reference only.*

- 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) *in the definition of “AIF”, striking out “Form 10-KSB”,***
  - (b) *adding the following definition of “financial statements”:***

*“financial statements” has the same meaning as in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*;*
  - (c) *repealing the definition of “inter-dealer bond broker” and substituting the following:***

*“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;*
  - (d) *in the definition of “MD&A”, striking out “or Item 303 of Regulation S-B”,***
  - (e) *in the definition of “NI 52-107”, striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “Acceptable Accounting Principles and Auditing Standards”, and***
  - (f) *in the definition of “transition year”, adding “a” after “means the financial year of”.***
- 3. *Section 1.3 is amended by striking out “operating results are” and substituting “financial performance is”.***
- 4. *Section 4.3 is amended by***
  - (a) *in the preamble, striking out “its interim financial statements, and annual”,***
  - (b) *in paragraph (a), striking out “interim financial statements, annual”,***

(c) *in paragraph (b), striking out* “interim financial statements and annual”, *and*

(d) *in paragraph (c), striking out* “interim financial statements, annual”.

5. *Subparagraph 4.7(2)(b) is amended by striking out* “, Form 10-KSB”.

6. *Section 4.9 is amended by striking out* “results of operations” *and substituting* “financial performance”.

7. *Section 4.14 is repealed and the following substituted:*

#### **4.14 Business Combinations and Related Party Transactions**

Securities legislation requirements relating to business combinations and related party transactions in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* do not apply to an SEC foreign issuer carrying out a business combination or related party transaction if the total number of equity securities of the SEC foreign issuer owned, directly or indirectly, by residents of Canada, does not exceed 20 per cent, on a diluted basis, of the total number of equity securities of the SEC foreign issuer.

8. *Section 5.4 is amended by*

(a) *in the preamble, striking out* “its interim financial statements, annual”,

(b) *in paragraph (a), striking out* “interim financial statements, annual”, *and*

(c) *in paragraph (b), striking out* “interim financial statements, annual”.

9. *Section 5.10 is amended by striking out* “results of operations” *and substituting* “financial performance”.

10. *Section 5.15 is repealed and the following substituted:*

#### **5.15 Business Combinations and Related Party Transactions**

Securities legislation requirements relating to business combinations and related party transactions in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* do not apply to a designated foreign issuer carrying out a business combination or related party transaction.

11. *Part 6 is repealed.*

12. *Part 7 is amended by adding the following after section 7.1:*

7.2 Despite section 7.1, the amendments to this Instrument which came into force on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.

***13. This instrument only applies to periods relating to financial years beginning on or after January 1, 2011.***

***14. This instrument comes into force on January 1, 2011.***

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

1. *Companion Policy 71-102CP Continuous Disclosure and Other Exemptions Relating to Foreign Issuers is amended.*
2. *Subsection 1.2(3) is amended by striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “Acceptable Accounting Principles and Auditing Standards”.*
3. *Section 2.1 is amended by*
  - (a) *in the preamble, striking out “, other than the relief for “foreign transition issuers” in Part 6,” and*
  - (b) *in the last paragraph, striking out “and paragraph (d) of the definition of “foreign transition issuer” in section 6.2 of the Instrument”.*
4. *Section 4.1 is amended by striking out “Form 20 on SEDAR” and substituting “Form 20F on SEDAR”.*
5. *Section 6.4 is amended by*
  - (a) *in paragraph (a), striking out “applicable in jurisdictions other than Alberta, British Columbia and Manitoba”, and*
  - (b) *in paragraph (c),*
    - (i) *striking out “Multilateral” and substituting “National”, and*
    - (ii) *striking out “or BC Instrument 52-509 Audit Committees”.*
6. *The following is added after Part 7:*

**PART 8      TRANSITION**

**8.1      Transition**

The amendments to this Policy which came into effect on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.

7. *These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.*
8. *These amendments become effective on January 1, 2011.*

**Proposed Amendment Instrument for  
NATIONAL INSTRUMENT 81-101  
MUTUAL FUND PROSPECTUS DISCLOSURE**

1. *National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this instrument.*
2. *Section 1.1 of National Instrument 81-101 is amended by adding the following after the definition of “executive officer”:*

“financial statements” includes interim financial reports,;
3. *Clause 2.3(1)(b)(i)(A) of National Instrument 81-101 is amended by striking out “draft opening balance sheet” and substituting “draft opening statement of financial position”.*
4. *Subparagraph 2.3(3)(a)(ii) of National Instrument 81-101 is amended by striking out “audited balance sheet” and substituting “audited statement of financial position”.*
5. *Section 3.1 of National Instrument 81-101 is amended by striking out “interim financial statements” and substituting “interim financial report”.*
6. *Section 3.1.1 of National Instrument 81-101 is amended by striking out “interim financial statements” and substituting “interim financial reports”.*
7. *Section 3.1 of Part A of Form 81-101F1 Contents of Simplified Prospectus is amended by striking out “interim financial statements” and substituting “interim financial report”.*
8. *Section 3.2 of Part A of Form 81-101F1 is amended by striking out “interim financial statements” and substituting “interim financial report”.*
9. *This Instrument comes into force on January 1, 2011.*

**Proposed Amendments to  
COMPANION POLICY 81-101CP – TO NATIONAL INSTRUMENT 81-101 MUTUAL  
FUND PROSPECTUS DISCLOSURE**

1. *Companion Policy 81-101CP to National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended.*
2. *Section 2.4 is amended by striking out “interim statements” and substituting “interim financial reports”.*
3. *These amendments become effective on January 1, 2011.*



**Proposed Amendment Instrument for  
NATIONAL INSTRUMENT 81-102  
MUTUAL FUNDS**

1. *National Instrument 81-102 Mutual Funds is amended by this instrument.*
2. *Section 1.1 of National Instrument 81-102 is amended by*
  - (a) *repealing the definition of “net asset value” and substituting the following:*

“net asset value” means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14 of National Instrument 81-106 *Investment Fund Continuous Disclosure*; *and*
  - (b) *in the definition of “report to securityholders”, striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial reports”.*
3. *Subparagraph 5.6(1)(f)(ii) of National Instrument 81-102 is amended by striking out “annual and interim financial statements” and substituting “annual financial statements and interim financial reports”.*
4. *Subsection 5.6(2) of National Instrument 81-102 is amended by striking out “contains a reservation” and substituting “contains a modified opinion”.*
5. *Section 6.2 of National Instrument 81-102 is amended by striking out “shareholders’ equity” wherever it occurs and substituting “equity”.*
6. *Section 6.3 of National Instrument 81-102 is amended by striking out “shareholders’ equity” wherever it occurs and substituting “equity”.*
7. *Paragraph 15.8(3)(b) of National Instrument 81-102 is amended by striking out “balance sheet” and substituting “statement of financial position”.*
8. *Appendix B-1 – Audit Report, Appendix B-2 – Audit Report, and Appendix B-3 – Audit Report of National Instrument 81-102 are amended by striking out “We conducted our audit in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants.” and substituting “We conducted our audit in accordance with the standards for assurance engagements in the Handbook.”.*
9. *This instrument comes into force on January 1, 2011.*

**Proposed Amendment Instrument for  
NATIONAL INSTRUMENT 81-104  
COMMODITY POOLS**

1. *National Instrument 81-104 Commodity Pools is amended by this instrument.*
2. *Subsection 8.5(1) of National Instrument 81-104 is amended by striking out “interim financial statements” and substituting “interim financial reports”.*
3. *This Instrument comes into force on January 1, 2011.*

**Proposed Amendment Instrument for  
NATIONAL INSTRUMENT 81-106  
INVESTMENT FUND CONTINUOUS DISCLOSURE**

*Although this amendment instrument amends section headers in National Instrument 81-106, section headers do not form part of the instrument and are inserted for ease of reference only.*

- 1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this instrument.***
- 2. *Section 1.1 of National Instrument 81-106 is amended by***
  - (a) *adding the following after the definition of “EVCC”:***

“financial statements” includes interim financial reports;;
  - (b) *repealing the definition of “net asset value” and substituting the following:***

“net asset value” means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14;;
  - (c) *adding the following after the definition of “non-redeemable investment fund”:***

“publicly accountable enterprise” means a publicly accountable enterprise determined in accordance with the Handbook;; **and**
  - (d) *adding the following after the definition of “scholarship plan”:***

“statement of changes in financial position” means a statement of changes in equity or in net assets attributable to securityholders, as applicable to the investment fund;.
- 3. *Section 2.1 of National Instrument 81-106 is amended by***
  - (a) *striking out “statement of net assets” in paragraph (1)(a) wherever it occurs and substituting “statement of financial position”;***
  - (b) *striking out “statement of operations” in paragraph (1)(b) wherever it occurs and substituting “statement of comprehensive income”;***
  - (c) *striking out “statement of changes in net assets” in paragraph (1)(c) wherever it occurs and substituting “statement of changes in financial position”;***
  - (d) *repealing paragraph (1)(d) and substituting the following:***

(d) for financial years beginning on or after January 1, 2011, a statement of cash flows for that financial year and a statement of cash flows for the immediately preceding financial year;; **and**

(e) **repealing paragraph (1)(f) and substituting the following:**

(f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS and if the investment fund:

(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; and

(g) notes to the annual financial statements.

**4. Section 2.3 of National Instrument 81-106 is repealed and substituted by**

(a) **in the title, striking out** “Interim Financial Statements” **and substituting** “Interim Financial Report”;

(b) **striking out** “interim financial statements” **and substituting** “an interim financial report”;

(c) **striking out** “include” **and substituting** “includes”;

(d) **striking out** “statement of net assets” **in paragraph (a) wherever it occurs and substituting** “statement of financial position”;

(e) **striking out** “statement of operations” **in paragraph (b) wherever it occurs and substituting** “statement of comprehensive income”;

(f) **striking out** “statement of changes in net assets” **in paragraph (c) wherever it occurs and substituting** “statement of changes in financial position”;

(g) **repealing paragraph (d) and substituting the following:**

(d) for financial years beginning on or after January 1, 2011, a statement of cash flows for that interim period and a statement of cash flows for the corresponding period in the immediately preceding financial year;; **and**

**(h) *repealing paragraph (f) and substituting the following:***

- (f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting* and if the investment fund:
  - (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; and
- (g) notes to the interim financial report.

**5. *Section 2.4 of National Instrument 81-106 is amended by***

- (a) *in the title, striking out “Interim Financial Statements” and substituting “Interim Financial Report”; and***
- (b) *striking out “interim financial statements” and substituting “interim financial report”.***

**6. *Section 2.6 of National Instrument 81-106 is repealed and substituted by the following:***

**2.6 *Acceptable Accounting Principles***

- (1) For financial years beginning before January 1, 2011, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP determined in accordance with Part IV of the Handbook applicable to public enterprises.
- (2) For financial years beginning on or after January 1, 2011, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises.
- (3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

**7. *Section 2.7 of National Instrument 81-106 is amended by repealing subsection (2) and substituting the following:***

- (2) For financial years beginning before January 1, 2011, audited financial statements must be accompanied by an auditor’s report prepared in accordance with Canadian GAAS and the following requirements:
  - 1. The auditor’s report must not contain a reservation.

2. The auditor's report must identify all financial periods presented for which the auditor has issued an auditor's report.
  3. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative period.
  4. The auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.
- (3) For financial years beginning on or after January 1, 2011, audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:
1. The auditor's report does not contain a modification of opinion.
  2. The auditor's report identifies all financial periods presented for which the auditor has issued an auditor's report.
  3. The auditor's report is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework.
  4. The auditor's report refers to IFRS as the applicable fair presentation framework.
  5. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report is accompanied by the predecessor auditor's report on the comparative period or refers to the predecessor auditor's report on the comparative period.

8. *Section 2.9 of National Instrument 81-106 is amended by*

- (a) *striking out* "interim financial statements" *wherever it occurs and substituting* "an interim financial report";
- (b) *striking out* "statement of net assets" *wherever it occurs and substituting* "statement of financial position";
- (c) *striking out* "statement of operations" *wherever it occurs and substituting* "statement of comprehensive income";

- (d) **striking out** “statement of changes in net assets” **wherever it occurs and substituting** “statement of changes in financial position”;
  - (e) **in subsection (4), striking out** “subsections 4.8(7) and (8)” **and substituting** “paragraphs 4.8(7)(a), (7)(b), (8)(a) and (8)(b)”;
  - (f) **striking out** “, if applicable,” **in subparagraph (4)(a)(ii) and subparagraph (4)(b)(ii); and**
  - (g) **striking out** “statement of cashflows” **and substituting** “statement of cash flows” **in subparagraph (4)(a)(ii) and subparagraph (4)(b)(ii).**
9. **Section 2.10 of National Instrument 81-106 is amended in paragraph (j) by striking out** “interim and annual financial statements” **and substituting** “interim financial report and annual financial statements”.
10. **Section 2.12 of National Instrument 81-106 is amended by**
- (a) **in the title, striking out** “Interim Financial Statements” **and substituting** “Interim Financial Report”;
  - (b) **striking out** “interim financial statements” **wherever it occurs and substituting** “interim financial report”; **and**
  - (c) **in subsection (2), striking out** “have” **and substituting** “has”.
11. **Section 3.1 of National Instrument 81-106 is amended by**
- (a) **in the title, striking out** “Statement of Net Assets” **and substituting** “Statement of Financial Position”;
  - (b) **striking out** “statement of net assets” **and substituting** “statement of financial position”;
  - (c) **repealing paragraph 14 and substituting the following:**
    - 14. total equity or net assets attributable to securityholders and, if applicable, for each class or series.; **and**
  - (d) **repealing paragraph 15 and substituting the following:**
    - 15. total equity per security or net assets attributable to securityholders per security, or if applicable, per security of each class or series.
12. **Section of 3.2 of National Instrument 81-106 is amended by**

- (a) ***in the title, striking out*** “Statement of Operations” ***and substituting*** “Statement of Comprehensive Income”;
- (b) ***striking out*** “statement of operations” ***and substituting*** “statement of comprehensive income”;
- (c) ***repealing paragraph 12;***
- (d) ***striking out*** “provision for” ***in paragraph 14;***
- (e) ***adding the following after paragraph 17:***
  - 17.1 if recognized as an expense, distributions, showing separately the amount distributed out of net investment income, out of realized gains on portfolio assets sold, and return of capital.;
- (f) ***repealing paragraph 18 and substituting the following:***
  - 18. increase or decrease in total equity from operations, or in net assets attributable to securityholders (excluding distributions) from operations, and, if applicable, for each class or series.; ***and***
- (g) ***repealing paragraph 19 and substituting the following:***
  - 19. increase or decrease in total equity from operations per security, or in net assets attributable to securityholders (excluding distributions) from operations per security, or, if applicable, per security of each class or series.

**13. Section 3.3 of National Instrument 81-106 is amended by**

- (a) ***in the title, striking out*** “Statement of Changes in Net Assets” ***and substituting*** “Statement of Changes in Financial Position”;
- (b) ***striking out*** “statement of changes in net assets” ***and substituting*** “statement of changes in financial position”;
- (c) ***repealing paragraph 1 and substituting the following:***
  - 1. total equity or net assets attributable to securityholders at the beginning of the period.;
- (d) ***repealing paragraph 2;***
- (e) ***repealing paragraph 6 and substituting the following:***



6. if not recognized as an expense, distributions, showing separately the amount distributed out of net investment income, out of realized gains on portfolio assets sold, and return of capital.; **and**

**(f) repealing paragraph 7 and substituting the following:**

7. total equity or net assets attributable to securityholders at the end of the period.

**14. Section 3.4 of National Instrument 81-106 is amended by**

- (a) in the title, striking out “Statement of Cashflows” and substituting “Statement of Cash Flows”;**
- (b) striking out “statement of cashflows” and substituting “statement of cash flows”;**
- (c) repealing paragraph 1; and**
- (d) repealing paragraph 3 and substituting the following:**

3. payments for the purchase of portfolio assets.

**15. Section 3.5 of National Instrument 81-106 is amended by adding the following after subsection 8:**

- (8.1) Despite any requirement in Canadian GAAP for an investment fund to prepare consolidated financial statements, the statement of investment portfolio must:**
  - (a) be presented on a non-consolidated basis;**
  - (b) identify any portfolio assets which represent investments that have been consolidated in the statement of financial position; and**
  - (c) include an explanation of any differences relating to the basis of accounting for investments between the statement of investment portfolio and the statement of financial position.**

**16. Section 3.6 of National Instrument 81-106 is amended by**

**(a) adding the following after paragraph (1)1:**

- 1.1 for financial years beginning on or after January 1, 2011, the basis for classifying the investment fund’s outstanding securities, or each class or series of outstanding securities, as either equity instruments or financial liabilities.;

(b) **striking out** “statement of changes in net assets” **in paragraph (1)4 and substituting** “statement of changes in financial position”;

(c) **repealing paragraph (1)5 and substituting the following:**

5. the net asset value per security as at the date of the financial statements compared to the total equity per security or net assets attributable to securityholders per security as shown on the statement of financial position, and an explanation of each of the differences between these amounts.; **and**

(d) **adding the following after subsection (2):**

(3) For financial years beginning on or after January 1, 2011, the notes to the financial statements must disclose:

(a) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS; and

(b) in the case of interim financial reports, compliance with International Accounting Standard 34 *Interim Financial Reporting*.

**17. Section 3.8 of National Instrument 81-106 is amended by**

(a) **striking out** “statement of net assets” **in subsection (2) and substituting** “statement of financial position”; **and**

(b) **striking out** “statement of operations” **in subsection (3) and substituting** “statement of comprehensive income”.

**18. Section 3.9 of National Instrument 81-106 is amended by**

(a) **striking out** “statement of net assets” **wherever it occurs in subsection (2) and substituting** “statement of financial position”; **and**

(b) **striking out** “statement of operations” **in subsection (3) and substituting** “statement of comprehensive income”.

**19. Section 3.10 of National Instrument 81-106 is amended by**

(a) **striking out** “statement of net assets” **in subsection (2) and substituting** “statement of financial position”; **and**

(b) **striking out** “statement of operations” **in subsection (3) and substituting** “statement of comprehensive income”.

20. **Section 3.11 of National Instrument 81-106 is amended by**
- (a) **striking out** “statement of net assets” **in subparagraph (1)(a)(iii) and substituting** “statement of financial position”;
  - (b) **striking out** “statement of operations” **in paragraph (1)(c) and substituting** “statement of comprehensive income”; **and**
  - (c) **repealing subsection (2) and substituting the following:**
    - (2) Despite the requirements of sections 3.1 and 3.2, an investment fund that is a scholarship plan may omit the “total equity per security or net assets attributable to securityholders per security” and “increase or decrease in total equity from operations per security, or in net assets attributable to securityholders (excluding distributions) from operations per security” line items from its financial statements.
21. **Section 4.2 of National Instrument 81-106 is amended by striking out** “interim financial statements” **and substituting** “interim financial report”.
22. **Section 5.1 of National Instrument 81-106 is amended in paragraph (2)(b) by striking out** “interim financial statements” **and substituting** “the interim financial report”.
23. **Section 8.2 of National Instrument 81-106 is amended in paragraph (d) by striking out** “interim financial statements” **and substituting** “an interim financial report”.
24. **Section 8.4 of National Instrument 81-106 is amended by striking out** “the net assets” **and substituting** “of the total equity or net assets attributable to securityholders”.
25. **Section 8.5 of National Instrument 81-106 is amended in paragraph (b) by striking out** “[net assets/venture investments]” **and substituting** “[total equity/net assets attributable to securityholders/venture investments]”.
26. **Section 15.1 of National Instrument 81-106 is amended by repealing clause (1)(a)(i)(A) and substituting the following:**
- (A) total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, as shown on its statement of comprehensive income; and .
27. **Section 15.2 of National Instrument 81-106 is amended by**
- (a) **repealing subparagraph (1)(a)(i) and substituting the following:**

- (i) multiplying the total expenses of each underlying investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, by ; **and**

**(b) *repealing paragraph (1)(b) and substituting the following:***

- (b) the total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the period.

**28. *Part 18 of National Instrument 81-106 is amended by adding the following before section 18.6:***

**18.5.1 Transition to IFRS**

- (1) For the first interim period in the financial year beginning on or after January 1, 2011, an investment fund must file, with its interim financial report for that interim period, an opening statement of financial position as at the date of transition to IFRS.
- (2) For the first financial year beginning on or after January 1, 2011, an investment fund must file, with its annual financial statements for that financial year, an audited opening statement of financial position as at the date of transition to IFRS.
- (3) Despite sections 3.1, 3.2, 3.3 and 3.4, for financial years beginning before January 1, 2011, an investment fund may present line items and use terminology in its financial statements consistent with the immediately preceding financial year.

**29. *Part A, Item 1 of Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance is amended by***

**(a) *striking out*** “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.” ***in paragraph (e); and***

**(b) *striking out the first sentence in paragraph (f) and substituting the following:***

All references to “net assets” or “net assets per security” in this Form are references to total equity or net assets attributable to securityholders determined in accordance with Canadian GAAP as presented in the financial statements of the investment fund.

**30. *Part B, Item 1 of Form 81-106F1 is amended by repealing the third paragraph and substituting the following:***

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

**31. Part B, Item 3, section 3.1 of Form 81-106F1 is amended by**

- (a) **in subsection (1), striking out “total expenses” in *The Fund’s Net Assets Per [Unit/Share] table and substituting “total expenses [excluding distributions]”;***
- (b) **in subsection (1), striking out “From income (excluding dividends)” in *The Fund’s Net Assets Per [Unit/Share] table and substituting “From net investment income (excluding dividends)”;***
- (c) **in subsection (1), striking out “(excluding commissions and other portfolio transaction costs)” in footnote (2) to the *Ratios and Supplemental Data table and substituting “(excluding [distributions], commissions and other portfolio transaction costs)”;***
- (d) **adding the following after subsection (3):**
  - (3.1) Show the financial highlights on a non-consolidated basis. ; **and**
- (e) **adding the following after subsection (7):**
  - (7.1) (a) For financial years beginning before January 1, 2011, the financial highlights may be derived from the investment fund's financial statements prepared in accordance with subsection 2.6(1) of the Instrument.
  - (b) For financial periods beginning on or after January 1, 2011, derive the financial highlights from the investment fund's financial statements prepared in accordance with subsection 2.6(2) of the Instrument.
  - (c) Despite (a), an annual MRFP for a financial year beginning on or after January 1, 2011 must disclose financial highlights for the immediately preceding financial year which are derived from financial statements prepared in accordance with subsection 2.6(2) of the Instrument.
  - (d) If the financial highlights relate to financial periods beginning both before and on or after January 1, 2011, disclose, in a note to the table, the accounting principles applicable to each period.

**32. Part B, Item 3, section 3.2 of Form 81-106F1 is amended by**

- (a) *striking out* “Balance Sheet” *in the Financial & Operating Highlights (with comparative figures) table and substituting* “Statement of Financial Position”;  
*and*
- (b) *striking out* “Statement of Operations” *in the Financial & Operating Highlights (with comparative figures) table and substituting* “Statement of Comprehensive Income”.

**33. *Part C, Item 1 of Form 81-106F1 is amended by repealing the second paragraph and substituting the following:***

This interim management report of fund performance contains financial highlights, but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at [www.sedar.com](http://www.sedar.com).

**34. *This Instrument comes into force on January 1, 2011.***

**Proposed Amendments to  
COMPANION POLICY 81-106CP - TO NATIONAL INSTRUMENT 81-106  
INVESTMENT FUND CONTINUOUS DISCLOSURE**

1. *Companion Policy 81-106CP to National Instrument 81-106 Investment Fund Continuous Disclosure is amended.*
  
2. *Section 1.3 is amended by adding the following after subsection (2):*
  - (3) The Instrument uses terminology that may be defined or referred to in Canadian GAAP. Some of these terms may be defined differently in securities legislation. National Instrument 14-101 *Definitions* provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless the definition in that statute is restricted to a specific portion of the statute, or the context otherwise requires.
  
3. *Section 2.1 is amended by*
  - (a) *adding the following before subsection (2):*
    - (1.1) Subsection 2.6(2) of the Instrument, applicable to financial years beginning on or after January 1, 2011, refers to Canadian GAAP for publicly accountable enterprises, which is IFRS incorporated into the Handbook contained in Part I of the Handbook. Subsection 2.6(1) of the Instrument, applicable to financial years beginning before January 1, 2011, refers to Canadian GAAP applicable to public enterprises contained in Part IV of the Handbook. ;
  
  - (b) *repealing subsection (2) and substituting the following:*
    - (2) The CSA believe that an investment fund's financial statements must include certain information, at a minimum, in order to provide full disclosure. The Instrument sets out these minimum requirements, but does not mandate all the required disclosure. Canadian GAAP applicable to publicly accountable enterprises also contains minimum requirements relating to the content of financial statements. An investment fund's financial statements must meet these requirements as well.

In some cases, the Instrument prescribes line items that may already be required by Canadian GAAP, but these line items are expressed more specifically for the activities of an investment fund. For example, Canadian GAAP requires a "trade and other receivables" line item on the statement of financial position, but the Instrument requires accounts receivable to be broken down into more specific categories. In other instances, the line items prescribed in the Instrument are in addition to

those in Canadian GAAP. Investment funds are responsible for disclosing all material information concerning their financial position and results in the financial statements. ; *and*

(c) *repealing subsection (3).*

4. *Part 2 is amended by adding the following after section 2.1:*

2.1.1 Classification of Securities Issued by an Investment Fund

- (1) **One goal of the Instrument is comparable financial statement presentation between investment funds. However, the adoption of IFRS results in certain changes to this presentation. For example, the presentation is impacted by the classification of an investment fund’s securities as either equity instruments or financial liabilities. Certain line items, such as “total equity or net assets attributable to securityholders”, acknowledge the difference between an equity and liability presentation, but maintain a comparable measurement between investment funds regardless of this classification.**
- (2) If an investment fund’s securities are classified as financial liabilities, IFRS requires financing costs to include the distributions made by the investment fund to those securityholders. However, if an investment fund’s securities are classified as equity instruments, distributions to holders of these securities are not included in financing costs (and are not recognized as an expense), creating a difference that reduces comparability. To address this, the Instrument requires distributions to be excluded from certain calculations, specifically: (i) increase or decrease in net assets attributable to securityholders from operations as disclosed in the statement of comprehensive income, and (ii) determination of total expenses for the management expense ratio (MER).
- (3) For investment funds that classify their own securities as financial liabilities, “net assets attributable to securityholders” represents the equivalent of “total equity” for investment funds that classify their own securities as equity instruments. Net assets attributable to securityholders does not include amounts owed on securities issued by the investment fund that provide leverage to the fund.

5. *Section 2.3 is repealed.*

6. *Section 2.5 is amended by striking out “statement of operations” wherever it occurs and substituting “statement of comprehensive income”.*

7. *Subsection 2.7(2) is amended by striking out “statement of net assets” and substituting “statement of financial position”.*



8. *Subsection 2.8(3) is amended by striking out “Interim financial statements” and substituting “The interim financial report”.*

9. *Section 3.2 is repealed and the following substituted:*

**3.2 Modification of Opinion**

- (1) The Instrument generally prohibits an auditor’s report from containing a modification of opinion under Canadian GAAS. A modification of opinion includes a qualification of opinion, an adverse opinion, and a disclaimer of opinion.
- (2) Part 17 of the Instrument permits the regulator or securities regulatory authority to grant exemptive relief from the Instrument, including the requirement that an auditor’s report not contain a modification of opinion or other similar communication that would constitute a modification of opinion under Canadian GAAS. However, we believe that such exemptive relief should not be granted if the modification of opinion or other similar communication is
  - (a) due to a departure from accounting principles permitted by the Instrument, or
  - (b) due to a limitation in the scope of the auditor’s examination that
    - (i) results in the auditor being unable to form an opinion on the financial statements as a whole,
    - (ii) is imposed or could reasonably be eliminated by management, or
    - (iii) could reasonably be expected to be recurring.

10. *Section 3.3 is repealed and the following substituted:*

**3.3 Auditor’s Involvement with Management Reports of Fund Performance -** Investment funds’ auditors are expected to comply with the Handbook with respect to their involvement with the annual and interim management reports of fund performance required by the Instrument as these reports contain financial information extracted from the financial statements.

11. *Section 3.4 is amended by*

- (a) *in the title, striking out “Interim Financial Statements” and substituting “Interim Financial Reports”;*

- (b) *in subsection (1), striking out “interim financial statements” and substituting “interim financial reports”;*
- (c) *in subsection (2), striking out the first occurrence of “interim financial statements” and substituting “interim financial reports”;*
- (d) *in subsection (2), striking out the second occurrence of “interim financial statements” and substituting “an interim financial report”; and*
- (e) *repealing subsections (3) and (4) and substituting the following:*
  - (3) The terms “review” and “written review report” used in section 2.12 of the Instrument refer to the auditor’s review of and report on an interim financial report using standards for a review of an interim financial report by the auditor as set out in the Handbook.
  - (4) The Instrument does not specify the form of notice that should accompany an interim financial report that has not been reviewed by the auditor. The notice accompanies, but does not form part of, the interim financial report. We expect that the notice will normally be provided on a separate page appearing immediately before the interim financial report, in a manner similar to an audit report that accompanies annual financial statements.

**12. Section 9.3 is amended by**

- (a) *striking out “defines” and substituting “describes”; and*
- (b) *striking out “who are under no compulsion to act” and substituting “motivated by normal business considerations”.*

**13. Section 10.1 is amended by**

- (a) *repealing subsection (2) and substituting the following:*
  - (2) Paragraph 15.1(1)(a) requires the investment fund to use its "total expenses" (other than distributions if these are an expense for the investment fund) before income taxes for the relevant period as the basis for the calculation of MER. Total expenses, before income taxes, include interest charges and taxes, including sales taxes, GST and capital taxes payable by the investment fund. Withholding taxes need not be included in the MER calculation.

The CSA is of the view that if an investment fund issues securities that provide leverage to the fund, amounts paid to holders of these securities are financing costs and should not be excluded from total expenses when calculating the MER of the investment fund’s residual securities. Securities that provide leverage generally include preferred shares.

Non-optional fees paid directly by investors in connection with the holding of an investment fund's securities do not have to be included in the MER calculation, which differs from the previous requirement in NI 81-102. ;

- (b) *in subsection (5),*
  - (i) *striking out* “Handbook Section 1506 *Accounting Changes*” *and substituting* “International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*” *in the first paragraph;*
  - (ii) *striking out* “retroactive restatement of the financial information” *and substituting* “retrospective application of the change” *in the first paragraph; and*
  - (iii) *striking out* “retroactively” *in the second paragraph.*

**14. Appendix B is amended by**

- (a) *in the address for New Brunswick Securities Commission,*
  - (i) *striking out* “606 – 133 Prince William Street” *and substituting* “85 Charlotte Street, Suite 300”, *and*
  - (ii) *striking out* “E2L 2B5” *and substituting* “E2L 2J2”;

- (b) *striking out*

**Newfoundland and Labrador Securities Commission**

P.O. Box 8700  
2<sup>nd</sup> Floor, West Block  
Confederation Building  
75 O’Leary Avenue  
St. John’s, NFLD  
A1B 4J6  
Attention: Director of Securities

*and substituting*

**Financial Services Regulation Division**

**Department of Government Services**

P.O. Box 8700  
St. John’s, NL  
A1B 4J6  
Attention: Superintendent of Securities

- (c) *in the address for Department of Justice, Northwest Territories,*

- (i) *striking out* “Legal Registries” *and substituting* “Securities Office”, *and*
- (ii) *striking out* “Director, Legal Registries” *and substituting* “Superintendent of Securities”;
- (d) *in the address for Department of Justice, Nunavut, striking out* “Attention: Director, Legal Registries Division” *and substituting* “Attention: Superintendent of Securities”;
- (e) *in the address for Autorité des marchés financiers, striking out* “Direction des marchés des capitaux” *and substituting* “Direction des fonds d’investissement et de l’information continue”;
- (f) *in the address for the Saskatchewan Financial Services Commission, striking out* “S4P 3V7” *and substituting* “S4P 4H2”; *and*
- (g) *in the address for the Government of Yukon, striking out* “Registrar of Securities” *wherever it occurs and substituting* “Superintendent of Securities”.

15. *These amendments become effective on January 1, 2011.*