

Notice and Request for Comment

**Proposed National Instrument 51-102 *Continuous Disclosure Obligations*,
Form 51-102F1, Form 51-102F2, Form 51-102F3,
Form 51-102F4, Form 51-102F5, Form 51-102F6, and
Companion Policy 51-102CP *Continuous Disclosure Obligations***

Proposed Amendments to Multilateral Instrument 45-102 *Resale of Securities*

**Proposed Revocation of National Instrument 62-102
*Disclosure of Outstanding Share Data***

and

**Proposed Rescission of
National Policy No. 3 *Unacceptable Auditors*,
National Policy No. 27 *Canadian Generally Accepted Accounting Principles*,
National Policy No. 31 *Change of Auditor of a Reporting Issuer*, and
National Policy 50 *Reservations in an Auditor's Report***

Introduction

We, the Canadian Securities Administrators (CSA), seek public comment on a harmonized set of continuous disclosure (CD) requirements. It is proposed that these comprehensive and uniform requirements will apply to all issuers, other than investment funds, that are reporting issuers in one or more Canadian jurisdictions.

The requirements are contained in proposed National Instrument 51-102 *Continuous Disclosure Obligations* (the Rule), Form 51-102F1 *Annual Information Form*, Form 51-102F2 *Management's Discussion & Analysis*, Form 51-102F3 *Material Change Report*, Form 51-102F4 *Business Acquisition Report*, Form 51-102F5 *Information Circular* and Form 51-102F6 *Statement of Executive Compensation* (the Forms). The Rule and the Forms will be referred to as the Instrument. Proposed Companion Policy 51-102 *Continuous Disclosure Obligations* (the Policy) provides guidance on how the CSA interpret and apply the Rule and the Forms.

We are also publishing for comment related National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the Foreign Issuer Rule) together with an associated companion policy. See Notice and Request for Comment on Proposed National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* for information about the Foreign Issuer Rule.

Substance, Purpose and Scope

The Instrument will:

- harmonize CD requirements among Canadian jurisdictions;
- replace existing local CD requirements;
- enhance the consistency of disclosure in the primary and secondary securities markets; and
- facilitate capital-raising initiatives such as an integrated disclosure system (IDS).

The Rule sets out the obligations of reporting issuers with respect to financial statements, annual information forms (AIFs), management discussion and analysis (MD&A), material change reporting, information circulars, proxies and proxy solicitation, restricted share disclosure, and certain other CD-related matters. It prescribes the Forms, most of which are derived from existing forms, but with some enhancements.

The Rule includes new requirements to file a) a business acquisition report (BAR) that is modeled on the significant acquisitions requirements for prospectuses, and b) material documents that affect the rights of securityholders.

The Rule grandfathers existing discretionary relief from CD requirements granted by a regulator or a securities regulatory authority. This provision applies only in the jurisdiction of the regulator or securities regulatory authority that has granted the relief. The first time a reporting issuer intends to rely on prior discretionary relief, in connection with a requirement under the Rule, it must inform the regulator in writing, describing the discretionary relief and the provision in the Rule that is substantially similar to the provision from which it has previously obtained relief.

The Rule does not address non-issuer filing obligations, such as insider reporting, except in the case of persons who solicit proxies from securityholders of reporting issuers.

We are developing a separate national instrument that will address the CD obligations of investment funds. We expect that rule to be adopted before, or at the same time as, the CD Rule.

Background

In January 2000 we published a *Concept Proposal for an Integrated Disclosure System* (see CSA Notices and Requests for Comment 44-401 and 51-401). IDS contemplates a streamlined offering process that incorporates by reference an issuer's CD. Harmonized, and in some cases upgraded, CD requirements are a precondition to implementing IDS.

In developing the Instrument and the Policy, we relied on summaries prepared by counsel of CD requirements in all Canadian jurisdictions, the U.S. and Australia.

The proposed requirements in the Rule concerning generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) reflect CSA Request for Comment 52-401 *Discussion Paper: Financial Reporting in Canada's Capital Markets*, published on March 16, 2001, and the responses to that document.

Summary of Significant Changes to Existing CD Requirements

- *Filing Deadlines* - Filing deadlines for annual and interim financial statements will be shortened.
- *Delivery* - Mandatory delivery of financial statements and MD&A to all securityholders will be eliminated. Issuers will only be obligated to deliver copies of these documents to securityholders that request them. Issuers will have to disclose annually in their AIFs and information circulars that the financial statements and MD&A are available without charge and how to obtain them.
- *US GAAP* - Reporting issuers that have a class of securities registered under section 12 of the 1934 Act or are required to file reports under section 15(d) of the 1934 Act and that are not investment companies under the US Investment Company Act of 1940 (SEC issuers) will be permitted to file financial statements prepared in accordance with US GAAP, provided that for a two year period after starting to use US GAAP, their statements will have to be reconciled to Canadian GAAP.
- *Financial Institution GAAP Exemption* - The GAAP exemption for banks and insurance companies that exists in some jurisdictions will be removed.
- *AIFs* - Issuers of a specified size will be required to file an AIF, as already required in Ontario, Quebec and Saskatchewan.
- *MD&A* - All issuers will be required to file annual and interim MD&A, including issuers that currently have exemptions based on size in some jurisdictions.
- *Board Review of MD&A* - An issuer's board of directors will be required to review its annual and interim MD&A. British Columbia currently requires board approval of MD&A.
- *Discussion of Forward-Looking Information in MD&A* - MD&A will have to include a discussion of any forward-looking information disclosed in prior MD&A if, in light of intervening events and without that discussion, the earlier disclosure could mislead.
- *Disclosure Relating to Liquidity and Capital Resources, and Non-Independent Relationships in MD&A* - MD&A will have to contain disclosure relating to liquidity and capital resources, including off-balance sheet arrangements, and relationships and transactions with persons or entities that derive benefits from their non-independent

relationship with the issuer or its related parties. These enhancements are based on recent SEC proposals (see SEC Release Nos. 33-8056 and 34-45321 dated January 22, 2002).

- *Critical Accounting Policies Disclosure in MD&A* - MD&A will have to disclose critical accounting policies that impact on the financial condition, results of operations and cash flows. See “Possible Changes to Instrument – Recent SEC Developments” below.
- *Equity Compensation Disclosure* - Information circulars will have to include new equity compensation plan disclosure similar to disclosure required under recent SEC amendments (see SEC Release Nos. 33-8048 and 34-45189 dated December 21, 2001).
- *Annual Filings* - The requirement to make an annual filing in lieu of an information circular (Form 28 in most jurisdictions) will be eliminated. The AIF will include supplementary disclosure items for issuers that do not distribute information circulars. Issuers that are not required to distribute information circulars and are exempt from filing an AIF will not have to provide the disclosure that is currently required in Form 28 or its equivalent.
- *Significant Acquisitions* - The Rule will include new requirements for disclosure concerning completed significant business acquisitions.
- *Filing of Documents Sent to Securityholders or Filed with the SEC* - The Rule will require issuers to file documents sent to their securityholders or filed with the SEC.
- *Material Documents* - The Rule will require issuers to file certain constating documents and other instruments that define or materially affect the rights of securityholders.
- *Language of Documents* - The Rule will permit documents to be filed in either English or French. Where a translation exists and is delivered to securityholders, the translation will also have to be filed no later than when it is delivered.

Summary of the Rule and Anticipated Costs and Benefits

Many reporting issuers now have to comply with differing requirements in more than one Canadian jurisdiction. Harmonized CD requirements will make it easier and less costly for entities that are reporting issuers in more than one Canadian jurisdiction to know and comply with CD obligations.

The proposed Rule contains some enhancements to existing requirements. It also simplifies or eliminates others. We believe that any incremental costs resulting from the changes are justified by the following considerations.

New deadlines for financial statements

The deadline for filing annual financial statements will be reduced to 90 days after year-end for senior issuers, and 120 days for all other issuers. The deadline for filing interim financial statements will be reduced to 45 days after period end for senior issuers, and remains at 60 days for all other issuers. If the issuer is required to comply with an earlier filing deadline under the laws of a foreign jurisdiction, the issuer will be required to comply with that deadline in Canada.

- This more timely disclosure will benefit the marketplace and will facilitate more timely analysis of reporting issuers' financial performance.
- To meet investor expectations, many issuers already publicly release their financial results well before the current filing deadlines.
- Filing is often delayed because of the requirement to deliver the statements to shareholders concurrently with filing. The elimination of delivery requirements should facilitate compliance with the earlier filing deadlines.
- The elimination of mandated delivery of financial statements to all shareholders should reduce printing and mailing costs.
- Smaller companies will have more time to file their financial statements than senior issuers. This is in recognition of the fact that smaller issuers may have fewer resources available for financial statement preparation and less access to auditing services than larger issuers.
- The shorter deadlines better align our requirements with investor demands, common issuer practice, and requirements in other jurisdictions such as the United States, the United Kingdom and Australia. In the United States, issuers have been subject to filing deadlines of 90 and 45 days for annual and interim statements for 30 years. The SEC is now proposing to shorten these deadlines even further. See "Possible Changes to Instrument – Recent SEC Developments".

SEC issuers permitted to use US GAAP and GAAS

SEC issuers will be permitted to file financial statements prepared in accordance with US GAAP. For the first two years after changing from Canadian to US GAAP, an SEC issuer will have to reconcile its statements to Canadian GAAP.

SEC issuers will also be permitted to file audit reports prepared in accordance with US generally accepted auditing standards (GAAS).

An SEC issuer can include an issuer incorporated or organized in Canada, with a majority of its shareholders, assets or operations in Canada.

- We expect flexibility for SEC issuers to reduce costs significantly for many issuers that must currently prepare two separate sets of financial statements.

Expenditure Analysis for Development-Stage Issuers

Development-stage issuers will have to provide a breakdown of material expenditures reported in their financial statements. Substantially similar requirements already exist in British Columbia and Québec.

- This is important information for assessing management performance.

New Reporting Issuers

An issuer will be required to commence filing annual and interim financial statements for the annual and interim period the filing deadline for which falls after the date the issuer becomes a reporting issuer.

Subject to GAAP, an issuer will not be required to provide comparative figures for interim financial statements for periods in which it was not a reporting issuer.

- This provides continuity between the financial disclosure in the document an issuer files to become a reporting issuer and the financial disclosure in its first set of financial statements filed under CD requirements.

All issuers to provide MD&A

All reporting issuers will now be required to prepare and file MD&A with their annual and interim financial statements. An issuer's board of directors will be required to review the MD&A. Similar requirements already exist in Ontario and British Columbia.

The new MD&A form contains the MD&A disclosure requirements already in place in various jurisdictions, but also has the enhancements described above under the heading "Summary of Significant Changes to Existing CD Requirements". Issuers may wish to consider the enhancements in the new MD&A form in preparing their current MD&A.

Disclosure of "trends" (formerly required in AIFs) will now be required in MD&A.

- Most reporting issuers are already subject to a requirement to prepare and file annual and interim MD&A.
- Investors, analysts and other market participants will have the same information to analyze and understand the financial performance of all issuers.

Issuers other than small businesses to file an AIF

All reporting issuers, other than small businesses with a market value of less than \$75 million, will be required to file AIFs. "Small businesses" are issuers with assets and revenues of less than \$10 million as of a specified date. This is different from the current test in Ontario, Québec and Saskatchewan, which exempts issuers that have shareholders' equity and revenues of less than \$10 million.

A small business that is required to file an AIF under the Rule solely because the market value of its equity securities exceeds \$75 million can later be exempt from the AIF requirement if its market value falls beneath the threshold for two consecutive years. Ontario and Saskatchewan currently require the market value of a small business to fall below this threshold for three years before it can rely on the exemption.

Disclosure of reverse takeovers will be required in AIFs, similar to the disclosure required under prospectus rules.

- It is important for investors to have access to a permanent and current disclosure base regarding an issuer, especially if the CSA implements a streamlined capital raising system such as IDS.
- Many issuers already prepare AIFs, either under the existing requirements in Ontario, Quebec and Saskatchewan, or because the issuer wishes to benefit from the reduced hold periods available under Multilateral Instrument 45-102 *Resale of Securities* (MI 45-102) or in order to use a short form prospectus under National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101).

Significant business acquisitions

Reporting issuers will be required to file a BAR within 75 days after completion of a business acquisition. The BAR will include financial statements of the acquired business and pro forma financial information.

The main differences from the significant acquisitions disclosure requirements for prospectuses are as follows:

- Only completed business acquisitions will be reported in a BAR; there will be no requirement to disclose “probable significant acquisitions”. If a proposed acquisition is a material change, the issuer will be required to comply with the material change reporting requirements.
- Issuers will not be required to disclose multiple unrelated acquisitions that collectively meet the significance tests.
- With respect to multiple related acquisitions that collectively meet the significance tests, issuers will be required to aggregate only those acquisitions that are not reflected in their last annual balance sheet.
- There will be no optional significance tests in the Rule. The significance tests will be based on the most recent annual audited financial statements of the issuer filed before completion of the acquisition.
- Under the prospectus rules, an issuer that acquires an oil & gas property may apply for an exemption allowing it to provide audited operating statements instead of full financial statements. This will be a blanket exemption under the CD Rule. The CSA will consider making a similar change for prospectuses.
- No separate filing will be necessary for significant dispositions. However, pro forma financial statements will have to be included in the notes to the next set of financial statements filed by the issuer. If the next set of financial statements are

required to be filed within 30 days of the disposition, then the pro forma financial statements must be included in the subsequent set of financial statements filed by the issuer.

The Rule contains three provisions that will simplify the significant acquisitions reporting requirements for small businesses:

- an exemption from the income test (one of the three significance tests);
- an exemption from the requirement that the annual financial statements of the acquired business be audited, other than in the case of the statements for the most recent year; and
- a provision that in certain circumstances the auditor's report for a small business may contain a reservation relating to inventory.

The requirements for disclosure of significant acquisitions and dispositions will not apply to any transaction if the initial legally binding agreement concerning the transaction was entered into prior to the effective date of the Rule.

- Where an acquisition significantly changes an issuer, timely financial disclosure concerning the acquisition is important for investors.
- SEC issuers are already required to disclose business acquisitions in Form 8-K.
- Compliance with these new requirements will make it easier and less costly to comply with prospectus requirements for disclosure of significant acquisitions.

Proxy/Information Circular Requirements

The Rule will contain proxy solicitation and information circular requirements that are substantially similar to existing requirements.

The information circular form will be substantially similar to the existing form and will require disclosure of executive compensation in a form that is also substantially similar to the current form, except that the public float test will be replaced with an aggregate market value test.

If a reorganization or similar restructuring transaction is to be submitted to a vote of securityholders, the existing forms of information circular in the local jurisdictions generally call for modified application of prospectus disclosure requirements for certain of the issuers involved in the transaction. The new form will make this requirement apply to a broader class of transactions and will require the disclosure for each entity the securities of which are being changed, exchanged, issued or distributed, as well as the resulting entities. The new form will require the disclosure prescribed by the appropriate form of prospectus “to the extent necessary to enable a reasonable securityholder to form a reasoned judgement”.

A domestic issuer that solicits proxies with respect to a restructuring transaction involving an eligible foreign issuer (as defined in the Foreign Issuer Rule), will have the same relief from reconciliation requirements with regard to the financial statements of the foreign issuer as the foreign issuer itself will have under the Foreign Issuer Rule.

Restricted Share Disclosure Requirements

The Rule will require issuers with restricted shares outstanding to refer to them using appropriate, standardized terms. Issuers will also be required to provide certain disclosure regarding voting and participation rights attaching to restricted shares. The requirements for restricted shares will apply to information circulars, AIFs and documents sent to securityholders. They are similar to existing requirements in many jurisdictions.

We will not be maintaining an exemption from restricted share disclosure requirements that existed in Ontario Securities Commission (OSC) Rule 56-501 and applied when Ontario residents owned less than two percent of the shares of each class of equity shares of the issuer.

Additional Filing Requirements

An issuer will have to file a copy of any document that it sends to securityholders. This is not a new requirement.

Issuers will also have to file any documents filed with the SEC that contain information not included in disclosure filed under another requirement of Canadian securities legislation.

Summary and Purpose of the Companion Policy

The purpose of the Companion Policy is to state the manner in which certain provisions of the Instrument will be interpreted or applied by the Canadian securities regulatory authorities. It contains discussions, explanations and examples primarily relating to:

- definitions contained in the Rule;
- the financial statement requirements of the Rule; and
- the BAR requirements of the Rule.

Related Amendments

Amendment, Rescission and Revocation of CSA Instruments

We plan to make changes to the short form prospectus distribution regime under NI 44-101 by replacing Forms 44-101F1 *AIF* and 44-101F2 *MD&A* with the AIF and MD&A forms under the Rule, and to make other conforming amendments.

We plan to make revisions to the software and filer manual used under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* in order to accommodate the filing requirements under the Rule.

We will separately publish proposed amendments to these national instruments.

Proposed amendments to MI 45-102, which reflect the proposed adoption of Form 51-102F1 *Annual Information Form*, are set out in Appendix A to this Notice.

We propose to rescind National Policy No. 3 *Unacceptable Auditors*, National Policy No. 27 *Canadian Generally Accepted Accounting Principles*, National Policy No. 31 *Change of Auditor of a Reporting Issuer*, and National Policy 50 *Reservations in an Auditor's Report*, and to revoke National Instrument 62-102 *Disclosure of Outstanding Share Data* (NI 62-102). These subjects are covered in the Rule.

Local Instruments

We propose to amend or repeal elements of local securities legislation and securities directions, including long form prospectus requirements, in conjunction with implementation of the Instrument. The Canadian securities regulatory authorities may publish these local changes, or proposed changes, separately in their local jurisdictions.

Appendix B to this Notice outlines proposed related amendments to, and revocations of, some provisions of Ontario Regulation 1015, R.R.O. 1990. Appendix B also contains some other information required to be published under the Securities Act (Ontario) (the Ontario Act).

The OSC is also separately publishing for comment proposed Rule 51-801 which is the local rule implementing the proposed Instrument in Ontario. Proposed Rule 51-801 prescribes some requirements for the purposes of the Act and provides exemptions from some CD requirements in the Ontario Act. Proposed Rule 51-801 also proposes to revoke certain OSC rules and to amend the provisions of another OSC rule. Other jurisdictions are also separately publishing similar local implementing rules.

Possible Changes to Instrument

Definitions

Under section 1.1(1) of the Rule, a term used in the Rule 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. We are considering amending either the Rule or the Policy to list the jurisdictions in which the definitions in the Rule apply.

GAAP and GAAS Requirements

We are considering permitting SEC registrants to use US GAAP and US GAAS, as proposed in the Rule, for financial years beginning on or after January 1, 2003, even if the Rule as a whole does not become effective by that date. Accordingly, we will consider moving the GAAP and GAAS provisions into a separate national instrument or rule or adopting blanket orders or granting discretionary orders to allow this to happen. If we develop a separate national instrument that contains no material changes to the GAAP and GAAS provisions proposed in the

Rule, and no material changes to those provisions are required as a result of comments received on the Rule, the separate national instrument could be implemented without a further comment period.

Delivery of Financial Statements and MD&A

The Rule will require an issuer to deliver financial statements and MD&A to a securityholder that requests them. We are considering requiring that if a securityholder requests one of these documents, the issuer must deliver both.

Currency Requirements

We are considering incorporating proposed National Instrument 52-102 *Use of Currencies* or an amended version of it in either the Rule or the GAAP and GAAS instrument mentioned above.

Change in Year End

We are considering incorporating a reformulated version of National Policy No. 51 *Changes in Ending Date of a Financial Year and in Reporting Status* in the Rule.

Recent SEC Developments

We are considering whether to change the Rule to reflect the following proposed changes to SEC requirements. See our requests for comment under the heading “Request for Comment” below.

- **Filing Deadlines**

In Release No. 33-8089 dated April 12, 2002, the SEC proposed to shorten filing deadlines for annual and quarterly reports to 60 and 30 days from period end, respectively, for issuers with a public float of greater than US\$75 million. US\$75 million is the US threshold for being eligible to file a short form prospectus.

- **Current Report Requirements**

In Release No. 33-8090 dated April 12, 2002, the SEC proposed to expand Form 8-K current report requirements to include certain disclosure concerning transactions in an issuer’s securities by directors and officers of the issuer, and loans to directors and officers made or guaranteed by an issuer or its affiliates.

- **Critical Accounting Policies Disclosure**

As noted above, the new MD&A form calls for disclosure of critical accounting policies that impact on an issuer’s financial condition, results of operations and cash flows. In Release Nos. 33-8098 and 34-45907 dated May 10, 2002, the SEC proposes to require that MD&A in annual reports, registration statements and proxy and information statements include critical accounting policies disclosure that goes beyond the new

MD&A form. Specifically, the SEC is considering requiring disclosure about the critical accounting estimates that are made by an issuer in applying its accounting policies and about the initial adoption by an issuer of an accounting policy that has a material impact on its financial presentation.

Significant Acquisitions Disclosure in Information Circulars

We are considering whether to expand item 13.2 of the Information Circular, which requires modified prospectus disclosure concerning issuers whose securities are being changed, exchanged, issued or distributed under certain transactions, to include disclosure concerning significant business acquisitions.

Significant Dispositions Disclosure

In February 2002, the Canadian Institute of Chartered Accountants issued for comment a new handbook section entitled “Impairment or Disposal of Long-Lived Assets”, which deals with disclosure and accounting concerning significant business dispositions. We are monitoring this proposal and will consider whether changes to the significant disposition disclosure requirements of the Rule are appropriate.

Credit Supporters and Exchangeable Shares

We are considering whether, in the two situations described below, CD about an entity other than the issuer of securities itself would be more relevant to market participants than CD about the issuer. See also our specific requests for comment under the heading “Request for Comment” below.

- **Credit Supporters**

If a credit supporter has provided a guarantee or alternative credit support for all or substantially all of the payments to be made under the securities of another issuer, it may be appropriate that there be CD about the credit supporter. A number of approaches could be taken to ensure that this CD is provided:

- (i) the CD obligations of the security issuer could be supplemented or replaced by a requirement that it also provide CD about the credit supporter;
- (ii) the security issuer could be exempted from some or all of its CD obligations on conditions including its filing of CD about the credit supporter; or
- (iii) the credit supporter itself could be deemed to be a reporting issuer with its own CD obligations.

Credit supporter disclosure is not new; it is currently required for prospectuses. See NI 44-101 for the meaning of the terms “credit supporter” and “alternative credit support”.

- The CSA Committee that is revisiting the prospectus rules will be considering SEC Regulation SX 3-10 “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered”. If that committee proposes changes to the prospectus requirements for credit supporters, we may propose corresponding changes to the Rule.
- Exchangeable Shares

“Exchangeable shares” are equity shares that are exchangeable, at the option of the holder, into shares (the “underlying shares”) of the issuer’s “parent issuer” (as defined below) and that provide the holder with economic and voting rights which are, as nearly as practicable (except for tax implications), equivalent to the underlying shares. The “parent issuer” is the issuer of the underlying shares and is the direct or indirect beneficial holder of all of the issued and outstanding voting securities of the exchangeable share issuer (other than the exchangeable shares).

Because CD about the parent issuer is more relevant to holders of exchangeable shares than CD about the issuer itself, we are considering requiring the issuer to provide CD about the parent issuer instead of about itself. Alternatively, we are considering exempting the exchangeable share issuer from CD requirements provided that, among other conditions, the parent issuer is either a reporting issuer or an SEC issuer, and the parent issuer files all its required CD in the appropriate jurisdictions.

Request for Comment

We request your comments on the Rule, each of the Forms, and the Companion Policy. We also request your comments on the proposed amendments to MI 45-102, rescission of Policies and revocation of NI 62-102 discussed above under the heading “Related Amendments”.

In addition to any comments you may wish to make, we also invite comments on the following specific questions:

1. *Criteria for Determining Financial Statement Filing Deadlines* - The Rule uses TSE non-exempt company criteria to identify issuers subject to shortened filing deadlines for annual and interim financial statements and MD&A. Those criteria include having net tangible assets of at least \$7.5 million, or in the case of oil and gas companies, proved developed reserves of at least \$7.5 million. These criteria mean that the more stringent 90 and 45 day filing deadlines will apply to Canada’s most senior issuers, many of which are currently subject to the same filing deadlines in the United States. They are different from the market value threshold that is proposed to trigger the AIF filing requirement in the Rule, in recognition of the fact that an issuer’s market value is not always an appropriate way to assess its ability to prepare financial disclosure within shorter times.

- (a) Is it appropriate to use TSE non-exempt company criteria to determine deadlines for filing financial statements? If not, why not, and what other criteria should we consider?
 - (b) Is your view affected by the fact that some issuers that are eligible to use the short form prospectus regime in NI 44-101 would have 120 days to file annual financial statements?
 - (c) Is your view affected by the fact that the SEC has proposed imposing even shorter filing deadlines than the ones we have proposed, for issuers that have a public float of US\$75 million and are therefore eligible to use the US short form prospectus regime? Why?
 - (d) Is the \$75 million criteria that is used in the Rule as one of the triggers of the AIF requirement, and in NI 44-101 for short form prospectus eligibility, appropriate?
2. *Elimination of Requirement to Deliver Financial Statements* - As noted above under “Summary of Significant Changes to Existing CD Requirements”, the Rule will eliminate mandatory delivery of financial statements and MD&A to all securityholders. Issuers will only be obligated to deliver copies of these documents to securityholders that request them. Issuers will have to disclose annually in their AIFs and information circulars that the financial statements and MD&A are available without charge and how to obtain them. Do you agree with this approach? Why or why not? What approach would you suggest?
3. *SEC Developments* - Under the heading “Recent SEC Developments” above, we identify SEC Releases that propose changes to corporate disclosure requirements for SEC registrants.
- Should we change the Rule to reflect the proposed SEC requirements?
4. *Combination of Financial Statement and MD&A Filings* - We are considering amending the Rule so that financial statements and MD&A would have to be filed at the same time, as one filing. MD&A contains important discussion of financial statement disclosure, and is already subject to the same filing deadlines as financial statements.
- Should we combine financial statement and MD&A filing requirements?
5. *Disclosure of Restructuring Transactions in Information Circulars* - Item 13.2 of Form 51-102F5 *Information Circular* requires an issuer to provide disclosure regarding restructuring transactions.
- (a) Does the definition of “restructuring transaction” in item 13.2 require disclosure about the appropriate classes of transactions? If not, what kinds of transactions should be added or excluded, and why?
 - (b) Should item 13.2 be expanded so that it applies to significant acquisitions of assets in exchange for securities?
 - (c) Does item 13.2 require disclosure about the appropriate entities for any transaction that is subject to this item? If not, which entities should be added or excluded, and why?

- (d) The requirement in item 13.2 to include disclosure prescribed by the prospectus form is qualified by the words “to the extent necessary to allow a reasonable securityholder to form a reasoned investment decision”. Is this clear enough? If not, how could we make the requirement clearer?
- (e) Would it be preferable to prescribe a separate form of information circular for certain restructuring transactions (such as reverse take-overs) similar to new CDNX Form 3B Information Required in an Information Circular for a Qualifying Transaction?
- (f) Should item 13.2 specify which disclosure items in the relevant prospectus forms must be given for certain transactions (such as reverse take-overs or issuances of exchangeable shares)?

6. *Significant acquisitions disclosure* - The proposed significance tests for business acquisitions in the Rule were the subject of extensive comments when the prospectus rules were being reformulated. The CSA analyzed the comments and finalized the tests in the prospectus rules. Several commenters said that significant acquisition disclosure should be required in CD, not just in prospectuses. Many commenters expressed the view that Canadian acquisition disclosure rules should parallel the SEC Rules. The significance tests proposed in the Rule are very similar to the SEC Rules and are consistent with the significance tests in the prospectus rules.

The proposed Rule requires one, two or three years of financial statements depending on whether an acquisition is significant at a 20%, 40% or 50% threshold. Would it be better or worse to have only one threshold for determining significance with a requirement for two years of financial statements when the threshold is met? If you support this approach, what would you suggest as an appropriate threshold and why?

7. *Requirement to File Material Documents* - The Rule requires issuers to file constating documents and other instruments that materially affect the rights of securityholders or create a security.

Would an acceptable alternative to filing be to require issuers to describe these documents in their AIFs or information circulars, rather than file them?

8. *Criteria for Identifying Small Issuers* - The proposed Rule distinguishes small issuers in different ways, for different purposes, as follows:

- Issuers that are not “senior issuers” (that are TSE non-exempt) have more time to file their financial statements, MD&A and AIFs than senior issuers (see *Criteria for Determining Financial Statement Filing Deadlines* for more details);
- Issuers that are “small businesses”, based on a similar definition to that in the prospectus rules (less than \$10 million for each of assets and revenue) are exempt from certain significant acquisition disclosure requirements;

- Issuers that are small businesses (less than \$10 million for each of assets and revenue) and have a market value not exceeding \$75 million are not required to file an AIF;
- For the purpose of Form 51-102F6 *Statement of Executive Compensation*, an “exempt issuer” must have revenue and a market value of less than \$25 million.

Are these ways of identifying small issuers appropriate? Is there one definition that would be appropriate for all purposes? Why or why not?

9. *Approach to Regulation of Small Issuers* - The Rule includes some exemptions or alternative means of satisfying certain CD requirements for small businesses, as summarized immediately above. The anticipated costs and benefits of the Rule were discussed above. We invite comment on whether the cost-benefit analysis might differ for issuers of different sizes. We invite commenters to identify any provisions for which this might be the case, and to provide suggestions for disclosure alternatives that might be more appropriate for specific categories of issuer.
10. *Cost Benefit Analysis* - We believe that the costs and other restrictions on the activities of reporting issuers that will result from the Rule are proportionate to the goal of timely, accurate and efficient disclosure of information about reporting issuers. For more discussion of this, see the section above entitled Summary of Rule and Anticipated Costs and Benefits. We are interested in hearing the views of various market participants on any aspect of the costs and benefits of the Rule and we invite your comments specifically on this matter.
11. *Credit Supporters and Exchangeable Shares* - Under the heading “Possible Changes to the Instrument” above, we discuss certain changes to the Rule relating to credit supporters and exchangeable share issuers that we are considering incorporating into the Rule.
 - (a) We describe three options for addressing CD obligations in credit supporter situations. What are your comments on the merits of these three options? If none of them are appropriate, please suggest other options and justify them.
 - (b) We describe two options for addressing CD obligations in exchangeable share situations. What are your comments on the merits of these options? If neither of them are appropriate, please suggest other options and justify them.
 - (c) In each of the credit supporter and exchangeable share situations, should we require the credit supporter or parent to comply with all CD obligations under the Rule, or should the credit supporter or parent only be required to file certain types of documents concerning the credit supporter, such as financial statements and MD&A?
 - (d) Are there any other situations for which we should consider providing exemptions from the Rule? If so, give details of the situation, how often it occurs and explain why specific exemptions should be given.

How to Provide Your Comments

Please provide your comments by September 19, 2002.

Please address your submission to all of the CSA member commissions, as follows:

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Securities Administration Branch, New Brunswick
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Ontario Securities Commission
Office of the Attorney General, Prince Edward Island
Commission des valeurs mobilières du Québec
Saskatchewan Securities Commission
Registrar of Securities, Government of Yukon

You do not need to deliver your comments to all of the CSA member commissions. Please deliver your comments to the two addresses that follow, and they will be distributed to all other jurisdictions by CSA staff.

Peter Brady, Chair of the Continuous Disclosure Harmonization Committee
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Fax: (604) 899-6814
e-mail : pbrady@bcsc.bc.ca

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montréal, Québec
H4Z 1G3
Fax : (514) 864-6381
e-mail : consultation-en-cours@cvmq.com

If you are not sending your comments by e-mail, please send a diskette containing your comments (in DOS or Windows format, preferably Word).

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

Questions

Please refer your questions to any of:

Peter Brady
Senior Legal Counsel
British Columbia Securities Commission
(604) 899-6874 or (800) 373-6393 (in B.C.)
pbrady@bcsc.bc.ca

Carla-Marie Hait
Chief Accountant, Corporate Finance
British Columbia Securities Commission
(604) 899-6726 or (800) 373-6393 (in B.C.)
chait@bcsc.bc.ca

Michael Moretto
Associate Chief Accountant, Corporate Finance
British Columbia Securities Commission
(604) 899-6767 or (800) 373-6393 (in B.C.)
mmoretto@bcsc.bc.ca

Mavis Legg
Manager, Securities Analysis
Alberta Securities Commission
(403) 297-2663
mavis.legg@seccom.ab.ca

Stephen Murison
Legal Counsel
Alberta Securities Commission
(403) 297-4233
stephen.murison@seccom.ab.ca

Bob Bouchard
Director, Corporate Finance
Manitoba Securities Commission
(204) 945-2555
bbouchard@gov.mb.ca

Bill Slattery
Deputy Director, Corporate Finance and Administration
Nova Scotia Securities Commission
(902) 424-7355
slattejw@gov.ns.ca

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
(416) 593-8134
jpeters@osc.gov.on.ca

Irene Tsatsos
Senior Accountant, Continuous Disclosure
Ontario Securities Commission
(416) 593-8223
itsatsos@osc.gov.on.ca

Rosetta Gagliardi
Conseillère en réglementation
Commission des valeurs mobilières du Québec
(514) 940-2199 ext. 4554
rosetta.gagliardi@cvmq.com

Ian McIntosh
Deputy Director, Corporate Finance
Saskatchewan Securities Commission
(306) 787-5867
imcintosh@ssc.gov.sk.ca

June 21, 2002

Additional Information

This Notice and Request for Comment refers to securities legislation administered by the CSA member commissions listed above and certain other documents. Additional information concerning the legislation can be found at the following public websites:

Alberta Securities Commission: www.albertasecurities.com
British Columbia Securities Commission: www.besc.bc.ca
Manitoba Securities Commission: www.msc.gov.mb.ca
New Brunswick Securities Administration Branch: www.gov.nb.ca
Securities Commission of Newfoundland and Labrador: www.gov.nf.ca/gsl/cca/s/
Nova Scotia Securities Commission: www.gov.ns.ca/nssc/
Ontario Securities Commission: www.osc.gov.on.ca

Prince Edward Island Office of the Attorney General: www.gov.pe.ca
Commission des valeurs mobilières du Québec: www.cvmq.com
Saskatchewan Securities Commission: www.ssc.gov.sk.ca

APPENDIX A**AMENDMENTS TO MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES****PART 1 AMENDMENTS TO MULTILATERAL INSTRUMENT 45-102****1.1 Definition of Current AIF –**

Multilateral Instrument 45-102 (MI 45-102) is amended by:

(1) deleting the definition of “current AIF” in section 1.1 and substituting the following:

“**current AIF**” means

- (a) an AIF that is a current AIF filed under NI 44-101 in at least one of the jurisdictions listed in Appendix B,
- (b) an AIF that is a “current AIF” as defined in NP 47 filed under NP 47 in at least one of the jurisdictions listed in Appendix B,
- (c) an AIF in the form required by NI 44-101 filed in at least one of the jurisdictions listed in Appendix B by an issuer not eligible to use NI 44-101 and containing audited financial statements for the issuer’s most recently completed financial year,
- (d) an AIF that is a current AIF filed under British Columbia Instrument 45-506 or Alberta Rule 45-501,
- (e) a prospectus which has been filed in any jurisdiction that includes audited financial statements for the issuer’s most recently completed financial year, other than:
 - (i) a short form prospectus filed under NI 44-101,
 - (ii) a short form prospectus filed under NP 47, or
 - (iii) a prospectus filed under a CPC instrument,
- (f) a CPC information circular filed in any jurisdiction that includes:
 - (i) audited financial statements for the issuer’s most recently completed financial year,

- (ii) audited financial statements for the target issuer’s most recently completed financial year, and
- (iii) a pro forma balance sheet that gives effect to the qualifying transaction accompanied by a compilation report of an auditor,
- (g) a current annual report on Form 10-K or Form 20-F under the 1934 Act for the issuer’s most recently completed financial year filed in any jurisdiction by an issuer that has securities registered under Section 12 of the 1934 Act or has a reporting obligation under subsection 15(d) of the 1934 Act, and
- (h) an AIF in the form required by NI 51-102F1 in respect of a financial year for which annual financial statements are required to have been filed under NI 51-102 or NI 51-103, as applicable;”;
- (2) inserting the following definitions immediately after the definition of “NI 44-101”:

“NI 51-102” means National Instrument 51-102 Continuous Disclosure Obligations

“NI 51-103” means National Instrument 51-103 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers”;

- (3) deleting section 3.1 of MI 45-102 and replacing it with the following:

“3.1 Current AIF

- (1) An issuer that has not filed an AIF
 - (a) under NI 44-101,
 - (b) prior to the effective date of NI 44-101, under NP 47, or
 - (c) under NI 51-102 or NI 51-103,
 may file a current AIF under this Instrument at any time.
- (2) An issuer filing a current AIF as defined in paragraphs (d), (e), (f) or (g) of the definition of current AIF shall file a notice on SEDAR:
 - (a) advising that it has filed a current AIF, and
 - (b) identifying the SEDAR project number under which the current AIF was filed.”

PART 2 EFFECTIVE DATE

- 2.1 Effective Date** – This Amendment comes into force on •.

APPENDIX B**Related Amendments to Ontario Securities Regulation****and****Additional Information Required in Ontario****Provisions of Regulation to be Revoked or Amended**

1. The Ontario Securities Commission (“the Commission”) proposes to revoke the following provisions of the Regulation made under the *Securities Act* (Ontario) (the Act) R.R.O. 1990 Reg. 1015, as am. (the “Regulation”):

subsection 2(3);
sections 3, 5, 6 and 176 to 181 inclusive; and
Forms 27, 28 30 and 40.
2. The Commission proposes to amend the following provisions of the Regulation to refer to proposed National Instrument 51-102 *Continuous Disclosure Obligations* (the “Rule”), to proposed National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and to National Instrument 81-106 *Investment Funds Continuous Disclosure* in order to expand the exemptions to the requirements contained in those provisions:

subsections 2(1), 2(2), 2(5) and 2(6).
3. The Commission proposes to replace references to Form 27 with references to Form 51-102F3 in the following provisions of the Regulation:

clause 4(a)(ii) and section 35 of Schedule 1 to the Regulation.
4. The Commission proposes to replace references to OSC Policy Statement 5.10 with references to the Rule and to National Instrument 81-106 *Investment Funds Continuous Disclosure* in the following provisions of the Regulation:

sections 34 and 50 of Schedule 1 to the Regulation.
5. The Commission proposes to amend section 34 of Schedule 1 to the Regulation by adding a reference to the Rule and to National Instrument 81-106 *Investment Funds Continuous Disclosure*.

Authority for the Rule

The following provisions of the Act provide the Commission with authority to adopt the proposed Rule.

Paragraph 143(1)22 authorizes the Commission to prescribe requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to the requirements under the Act, including requirements in respect of an annual report, an annual information form and supplemental analysis of financial statements.

Paragraph 143(1)23 authorizes the Commission to exempt reporting issuers from any requirement of Part XVIII (Continuous Disclosure) of the Act.

Paragraph 143(1)24 authorizes the Commission to require issuers or other persons and companies to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 143(1)22 of the Act.

Paragraph 143(1)25 authorizes the Commission to prescribe requirements in respect of financial accounting, reporting and auditing for the purposes of the Act, the regulations and the rules.

Paragraph 143(1)26 authorizes the Commission to prescribe requirements for the validity and solicitation of proxies.

Paragraph 143(1)38 authorizes the Commission to prescribe requirements in respect of reverse take-overs including requirements for disclosure that are substantially equivalent to that provided by a prospectus.

Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules and all documents determined by the regulations or the rules to be ancillary to the documents, including financial statements, proxies and information circulars.

Paragraph 143(1)44 authorizes the Commission to vary the Act to permit or require the use of an electronic or computer-based system for the filing, delivery or deposit of:

- i. documents or information required under or governed by the Act, the regulations or rules, and
- ii. documents determined by the regulations or rules to be ancillary to documents required under or governed by the Act, the regulations or rules.

Paragraph 143(1)49 authorizes the Commission to vary the Act to permit or require methods of filing or delivery, to or by the Commission, issuers, registrants, security holders or others, of documents, information, notices, books, records, things, orders, authorizations or other communications required under or governed by Ontario securities laws.

Paragraph 143(1)56 authorizes the commission to make rules providing for exemptions from or varying any or all time periods in the Act.

Alternatives Considered

The Instrument contains provisions which are intended to harmonize existing obligations under securities legislation in the jurisdictions. The only alternative to those provisions that the Commission considered was the status quo of having differing requirements in various jurisdictions. The Commission decided to harmonize because the following is one of the fundamental principles that the Commission is to have regard to under section 2.1 of the Act: “The integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes.”

The Instrument also includes provisions which either impose additional continuous disclosure obligations or remove existing obligations (the “Additional Provisions”) from those presently found under the Act, the Regulation or the rules thereunder. The Commission considered whether to implement the Additional Provisions by local rule. However, the Commission followed the principle quoted above and determined to implement the Additional Provisions in the Instrument.

NATIONAL INSTRUMENT 51-102
CONTINUOUS DISCLOSURE OBLIGATIONS

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NATIONAL INSTRUMENT 51-102
CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1
DEFINITIONS AND INTERPRETATION

1.1 *Definitions and Interpretation*¹

(1) A term used in this Instrument and defined in the securities statute of the local jurisdiction has the meaning given to it in that statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure, proxy solicitation or financial disclosure matters; or (b) the context otherwise requires.

(2) Subject to subsection (1), in this Instrument:

“acquisition of related businesses” means the acquisition of two or more businesses if:

- (a) the businesses were under common control or management before the acquisitions were completed;
- (b) each acquisition was conditional upon the completion of each other acquisition; or
- (c) the acquisitions were contingent upon a single common event;

“aggregate market value” means the aggregate of the market value of each class of an issuer’s equity securities for which there is a published market, calculated for each class, by multiplying:

- (a) the simple average of the closing prices of the class of equity securities, on the published market on which that class is principally traded, for each of the 20 most recent trading days up to and including the last day of the issuer’s financial year on which there was a closing price; by
- (b) the simple average number of equity securities of the class outstanding over the 20 day trading period;

“AIF” means a completed Form 51-102F1 *AIF* or, in the case of an SEC issuer, either a completed Form 51-102F1 or a current annual report on Form 10-K, or on Form 20-F, under the 1934 Act;

“asset-backed security” means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, either fixed or revolving,

¹ National Instrument 14-101 *Definitions* defines certain terms that are used in more than one national or multilateral instrument.

that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or timely distribution of proceeds to securityholders;

“board of directors” means, for a person or company that does not have a board of directors, a person or group of persons that performs similar functions;

“business acquisition report” means a completed Form 51-102F4 *Business Acquisition Report*;

“class” includes a series of a class;

“common share” means an equity share to which is attached voting rights exercisable in all circumstances, irrespective of the number or percentage of shares owned, that are not less, on a per share basis, than the voting rights attached to any other shares of an outstanding class of shares of the reporting issuer;

“date of acquisition” means the date of acquisition as determined for accounting purposes pursuant to the Handbook;

“development-stage issuer” means a reporting issuer that is devoting substantially all of its efforts to establishing a new business and planned principal operations have not commenced;

“equity security” or “equity share” means any security or share, as the case may be, of a reporting issuer that carries a residual right to participate in earnings of the reporting issuer and, on the liquidation or winding-up of the reporting issuer, in its assets;

“exchange-traded security” means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

“exchangeable security” means a security of a reporting issuer that is exchangeable for, or carries the right of the holder to acquire, or of the reporting issuer to cause the acquisition of, a security of another reporting issuer;

“executive officer” of a reporting issuer for a financial year, means an individual who at any time during the year was:

- (a) a chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;
- (b) a vice-chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;
- (c) the president of the reporting issuer;

- (d) a vice-president of the reporting issuer in charge of a principal business unit, division or function including sales, finance or production;
- (e) an officer of the reporting issuer or any of its subsidiaries who performed a policy-making function in respect of the reporting issuer; or
- (f) any other person who performed a policy-making function in respect of the reporting issuer;

“form of proxy” means a document in written, printed or, if permitted under the legislation of the reporting issuer’s jurisdiction of incorporation, electronic form containing the content required under section 9.4 that, on completion and execution by or on behalf of a securityholder, becomes a proxy;

“group scholarship plan” means a scholarship plan the securities of which entitle the beneficiaries, who are designated in connection with the acquisition of the securities that have the same year of maturity, to a scholarship award proportionate to the value of the securities in respect of which they are designated, on or after maturity of the securities;

“income from continuing operations” means income or loss, adjusted to exclude discontinued operations, extraordinary items, and net income taxes;

“insider” means:

- (a) every director or executive officer of a reporting issuer;
- (b) every director or executive officer of a company that is itself an insider or subsidiary of a reporting issuer;
- (c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of a reporting issuer or a combination of both carrying more than 10 percent of the voting rights attached to all voting securities of the reporting issuer for the time being outstanding other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) a reporting issuer where it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities;

“inter-dealer bond broker” means a person or company that is approved by the IDA under IDA By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to IDA By-law No. 36 and IDA Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“interim period” means a period commencing with the beginning of a financial year and ending nine, six or three months before the end of the financial year;

“investee” means an entity that the Handbook recommends that a reporting issuer account for by the equity method or the proportionate consolidation method;

“investment fund” means a mutual fund, a non-redeemable investment fund or a group scholarship plan;

“marketplace” means

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

but does not include an inter-dealer bond broker;

“material change” means, if used in relation to the affairs of a reporting issuer, a change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the reporting issuer and includes a decision to implement such a change made by the board of directors of the reporting issuer or by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors is probable;

“MD&A” means a completed Form 51-102F2 *Management Discussion & Analysis* or, in the case of an SEC issuer, either a completed Form 51-102F2 or management discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

“mineral project” means any exploration, development or production activity in respect of natural, solid, inorganic or fossilized organic material including base and precious metals, coal and industrial minerals;

“non-voting shares” means restricted shares that do not carry the right to vote generally, except for a right to vote that is mandated, in special circumstances, by law;

“non-redeemable investment fund” means, an issuer

- (a) whose primary purpose is to invest money provided by its securityholders;
- (b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests, other than mutual funds or other non-redeemable investment funds; and
- (c) that is not a mutual fund;

“preference shares” means shares to which are attached a preference or right over the shares of any class of equity shares of the reporting issuer, but do not include equity shares;

“principal obligor” means, for any asset-backed security, a person or company that is obligated to make payments, has guaranteed payments, or has provided alternative credit support for payments, on financial assets that represent a third or more of the aggregate amount owing on all of the financial assets underlying the asset-backed security;

“proxy” means a completed and executed form of proxy by which a securityholder has appointed a person or company as the securityholder’s nominee to attend and act for the securityholder and on the securityholder’s behalf at a meeting of securityholders;

“published market” means, for a class of securities, a marketplace on which the securities have traded that discloses regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means the prices at which those securities have traded;

“recognized exchange” means

- (a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange,
- (b) in Québec, an exchange recognized by the securities regulatory authority as a self-regulatory organization; and
- (c) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

“recognized quotation and trade reporting system” means

- (a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system; and

- (b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

“restricted share term” means each of the terms “non-voting shares”, “subordinate voting shares” and “restricted voting shares”;

“restricted shares” means:

- (a) equity shares that are not common shares; and
- (b) equity shares, if any of the following apply:
 - (i) there is another class of shares that, to a reasonable person, appears to carry a disproportionate vote per share relative to the equity shares;
 - (ii) the conditions of a class of equity shares, the conditions of other classes of shares, or the reporting issuer’s constating documents have provisions that nullify or, to a reasonable person, appear to significantly restrict the voting rights of another class of equity shares; or
 - (iii) there is a second class of equity shares that, to a reasonable person, appears to entitle the owner of equity shares of that second class to participate in the earnings or assets of the reporting issuer disproportionately relative to the first class of equity shares;

“restricted voting shares” means restricted shares that carry a right to vote subject to a restriction on the number or percentage of shares that may be voted by one or more persons or companies, except to the extent the restriction is permitted or prescribed by statute and is applicable only to persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians;

“SEC issuer” means a reporting issuer that:

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

“senior issuer” means a reporting issuer that, as at the end of its most recently completed financial year or as at the end of any previous financial year ending after ● was listed on the Toronto Stock Exchange and did not qualify as, or if the reporting issuer had been listed on the Toronto Stock Exchange at any of these times would not have qualified as, a “non-exempt company” under the rules and policies of that exchange;

“significance tests” means the tests set out in subsection 8.2(1);

“small business” means a business that satisfies both of the following criteria:

- (a) the consolidated assets of the business as at the specified date are less than \$10,000,000; and
- (b) the consolidated revenue of the business for a financial year ending on the specified date is less than \$10,000,000;

“solicit”, in connection with a proxy, includes:

- (a) requesting a proxy whether or not the request is accompanied by or included in a form of proxy;
- (b) requesting a holder of voting securities to execute or not to execute a form of proxy or to revoke a proxy;
- (c) sending a form of proxy or other communication to a holder of voting securities under circumstances that to a reasonable person will likely result in the procurement, withholding or revocation of a proxy of that holder of voting securities; or
- (d) sending, along with a notice of a meeting, a form of proxy to a holder of voting securities by management of a reporting issuer;

but does not include:

- (e) sending a form of proxy to a holder of securities in response to a unsolicited request made by or on behalf of the holder of securities; or
- (f) performing administrative acts or professional services on behalf of a person or company soliciting a proxy; or
- (g) making a public announcement as to how a person or company intends to vote and the reasons for that decision;

“subject securities” means shares that, if and when issued, will result in an existing class of outstanding equity shares being considered, for the purposes of this Instrument, restricted shares;

“subordinate voting shares” means restricted shares that carry a right to vote, if there are shares of another class of shares outstanding that carry a greater right to vote on a per share basis;

“US GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support and as supplemented by Regulation S-X and Regulation S-B under the 1934 Act; and

“US GAAS” means generally accepted auditing standards in the United States of America as supplemented by the SEC’s rules on auditor independence.

PART 2

APPLICATION & TRANSITION

2.1 *Application*

This Instrument does not apply to investment funds unless otherwise expressly stated.

2.2 *Transition*

Unless otherwise stated, the provisions of this Instrument concerning:

- (a) annual financial statements and MD&A, apply for financial years beginning on or after ●, 2003²;
- (b) interim financial statements and MD&A, apply for interim periods in financial years beginning on or after ●, 2003;
- (c) AIFs, apply in respect of financial years beginning on or after ●, 2003, and
- (d) all other disclosure obligations under this Instrument, apply from and after ●, 2003.

PART 3

LANGUAGE OF DOCUMENTS

3.1 *French or English*

- (1) A person or company must file a document required to be filed under this Instrument in French or in English or both.
- (2) Notwithstanding subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.
- (3) In Québec, linguistic obligations and rights prescribed by Québec law must be complied with.

² The date this Instrument is expected to become effective.

PART 4
FINANCIAL STATEMENTS

4.1 *Annual Financial Statements and Auditor's Report*

- (1) A reporting issuer must file comparative annual financial statements that include:
 - (a) an income statement, a statement of retained earnings, and a cash flow statement for:
 - (i) the period that commenced on the date of incorporation or organization of the reporting issuer and ended as at the close of the first financial year or, if the reporting issuer has completed a financial year, the period covered by the most recently completed financial year, as the case may be; and
 - (ii) the period covered by the financial year immediately preceding the most recently completed financial year, if any;
 - (b) a balance sheet as at the end of each of the periods referred to in paragraph (a); and
 - (c) notes to the financial statements.
- (2) A reporting issuer must, at the same time, file an auditor's report on the financial statements filed under subsection (1).

4.2 *Filing Deadline for Annual Financial Statements*

- (1) The comparative financial statements and auditor's report required to be filed under section 4.1 must be filed:
 - (a) in the case of a senior issuer, on or before the earlier of:
 - (i) the 90th day after the end of its most recently completed financial year; and
 - (ii) the date of filing annual financial statements for its most recently completed financial year in a foreign jurisdiction, or
 - (b) in the case of a reporting issuer other than a senior issuer, on or before the earlier of:
 - (i) the 120th day after the end of its most recently completed financial year; and
 - (ii) the date of filing annual financial statements for its most recently completed financial year in a foreign jurisdiction.

4.3 *Approval of Audited Financial Statements*

The comparative financial statements required to be filed under section 4.1 must be reviewed by the audit committee, if any, of the board of directors and must be approved by the board of directors before the statements are filed.

4.4 *Interim Financial Statements*

- (1) A reporting issuer must file:
 - (a) if it has not completed its first financial year, interim financial statements for all of the interim periods of the reporting issuer's current financial year other than a period that is less than three months in length; or
 - (b) if it has completed its first financial year, interim financial statements for all of the interim periods of the reporting issuer's current financial year.
- (2) Subject to 4.13(2), the financial statements required to be filed under subsection (1) must include:
 - (a) a balance sheet as at the end of the interim period for which the financial statements are prepared and a balance sheet as at the end of the immediately preceding financial year;
 - (b) an income statement, a statement of retained earnings and a cash flow statement, all for the year-to-date interim period for which the financial statements are prepared and comparative financial information for the corresponding interim period in the immediately preceding financial year;
 - (c) an income statement and cash flow statement for the three-month period for which financial statements are prepared and comparative financial information for the corresponding period in the preceding financial year; and
 - (d) notes to the financial statements.

4.5 *Filing Deadline for Interim Financial Statements*

- (1) The financial statements required to be filed under section 4.4 must be filed:
 - (a) in the case of a senior issuer, on or before the earlier of:
 - (i) the 45th day after the end of the interim period, and
 - (ii) the date of filing interim financial statements for a period ending on the last day of the interim period in a foreign jurisdiction; or
 - (b) in the case of a reporting issuer other than a senior issuer, on or before the earlier of:

- (i) the 60th day after the end of the interim period; and
- (ii) the date of filing interim financial statements for a period ending on the last day of the interim period in a foreign jurisdiction.

4.6 *Review of Interim Financial Statements*

- (1) The board of directors of a reporting issuer must review the financial statements required to be filed under section 4.4 before filing the statements.
- (2) The board of directors may delegate the review required by subsection (1) to an audit committee of the board.

4.7 *Generally Accepted Accounting Principles*

- (1) Subject to subsection (2) and section 8.6, the financial statements required to be filed under sections 4.1 and 4.4 and any other financial statements included in a document required by this Instrument must be prepared in accordance with Canadian GAAP but may not be prepared in accordance with differential reporting options set out in the Handbook.
- (2) Subject to subsection (3), an SEC issuer may prepare the financial statements referred to in subsection (1) in accordance with US GAAP.
- (3) If an SEC issuer that previously filed financial statements prepared in accordance with Canadian GAAP chooses to file financial statements under subsection (2), the reporting issuer must, in the notes to the first two sets of annual comparative financial statements required by section 4.1, after the change from Canadian GAAP to US GAAP and in the notes to the interim financial statements for interim periods during those two years filed under this Instrument:
 - (a) explain the material differences between Canadian GAAP and US GAAP that relate to measurement in the reporting issuer's financial statements;
 - (b) quantify the effect of material differences between Canadian GAAP and US GAAP that relate to measurement in the reporting issuer's financial statements, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP; and
 - (c) provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements.
- (4) Subject to subsection (5), a reporting issuer must use the same accounting principles for all the periods presented in the financial statements referred to in subsection (1) except where a reporting issuer previously used Canadian GAAP and has used US GAAP to prepare the financial information for the most recent period presented in the financial

statements, in which case the reporting issuer must present financial information for the comparative periods as follows:

- (a) as previously reported in accordance with Canadian GAAP; and
 - (b) the comparative information in paragraph (a) adjusted for differences between Canadian GAAP and US GAAP and supported by accompanying notes that set out the reconciling items in the manner specified in subsection (3).
- (5) The comparative information specified in paragraphs (a) and (b) of subsection (4) must be presented on the face of the balance sheet and statements of income, retained earnings, and cash flow except that in the case of interim financial statements, the comparative information specified in paragraph (a) of subsection (4) may be presented in the notes to the financial statements.
- (6) The notes to the financial statements referred to in subsection (1) must state which accounting principles the financial statements have been prepared in accordance with.

4.8 Auditor's Report

- (1) An auditor's report required by section 4.1 must be prepared by a person or company that is authorized, by the laws and professional standards of the jurisdiction or foreign jurisdiction in which the report is signed, to sign an auditor's report.
- (2) Subject to subsection (3), for the purposes of section 4.1, a reporting issuer must file an auditor's report that is prepared in accordance with Canadian GAAS and does not contain a reservation.
- (3) An SEC issuer may file an auditor's report prepared in accordance with US GAAS if:
- (a) the auditor's report contains an unqualified opinion; and
 - (b) where the SEC issuer must comply with subsection 4.7(3), the auditor's report on those financial statements referred to in subsection 4.7(3) is accompanied by a statement by the auditor disclosing any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS.
- (4) An auditor's report required under section 4.1 must identify all audited financial periods presented for which the auditor has issued an auditor's report. If the reporting issuer has changed its auditor and comparative periods presented in the financial statements were audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative periods.

4.9 Balance Sheet Line Items

- (1) Subject to subsection (2), a reporting issuer must present separately in the balance sheets that form part of the annual and interim financial statements required under sections 4.1 and 4.4 at least the following items:
 - (a) cash and cash equivalents;
 - (b) temporary investments;
 - (c) long-term investments;
 - (d) accounts and notes receivable;
 - (e) investments accounted for using the equity method;
 - (f) inventories;
 - (g) property, plant and equipment;
 - (h) goodwill;
 - (i) intangible assets excluding goodwill;
 - (j) accounts payable;
 - (k) current interest-bearing liabilities;
 - (l) long-term debt;
 - (m) non-controlling interest(s);
 - (n) share capital;
 - (o) contributed surplus;
 - (p) retained earnings; and
 - (q) deferred expenses.
- (2) A reporting issuer is not required to present separately an item listed in paragraphs (1)(a) through (l) of subsection (1) if the item represents less than 5 percent of the total assets of the reporting issuer as at the balance sheet date unless otherwise required by the Handbook.

4.10 Additional Information for Development-Stage Issuers

A development-stage issuer must include, as a schedule or note to the financial statements required under sections 4.1 and 4.4, for each period covered by those financial statements, a breakdown of material components of:

- (a) exploration and development expenses;
- (b) research and development expenses;
- (c) administration expenses;
- (d) any material expenses not referred to in paragraphs (a) through (c); and
- (e) additions to deferred expenditures,

and, if the reporting issuer is a natural resource issuer (other than an oil and gas issuer), a breakdown of material components for each material property of the reporting issuer.

4.11 Disclosure of Outstanding Share Data

- (1) A reporting issuer must include the disclosure required by this section in its annual and interim financial statements required under sections 4.1 and 4.4 or in its annual and interim MD&A required under section 6.1 or its MD&A supplement, if one is required under section 6.2.
- (2) The disclosure prepared by a reporting issuer under this section must be prepared as of the latest practicable date.
- (3) The disclosure prepared by a reporting issuer under this section must consist of the designation and number or principal amount of:
 - (a) each class and series of voting or equity securities of the reporting issuer that is outstanding;
 - (b) each class and series of securities of the reporting issuer that is outstanding and that are convertible into, or exercisable or exchangeable for, voting or equity securities of the reporting issuer; and
 - (c) to the extent determinable upon reasonable inquiry, each class and series of voting or equity securities of the reporting issuer into which, or for which, any outstanding securities of the reporting issuer are convertible, exercisable or exchangeable.

4.12 Delivery of Financial Statements

- (1) A reporting issuer must send, as soon as practicable and without charge to any securityholder of the reporting issuer who requests them, a copy of any annual or interim financial statements that have been filed under this Instrument.
- (2) A reporting issuer must disclose at least annually in its AIF and information circular that the annual and interim financial statements are available without charge to securityholders and how those financial statements may be obtained.

4.13 Filing of Financial Statements After Becoming a Reporting Issuer

- (1) Despite any other provision of this Part except subsections (2) and (3), a reporting issuer must commence filing, in accordance with the filing deadlines set out in sections 4.2 and 4.5, the annual and interim financial statements required by sections 4.1 and 4.4, the filing deadline for which occurs after the date it becomes a reporting issuer.
- (2) Unless otherwise required by the accounting principles used to prepare the reporting issuer's financial statements, a reporting issuer is not required to provide comparative figures for interim financial statements for comparative periods in which it was not a reporting issuer and did not prepare interim financial statements.
- (3) Subsection (1) does not apply to a reporting issuer in respect of an issuer's first financial statements required to be filed after it becomes a reporting issuer if the financial statements were previously filed with a regulator or securities regulatory authority in another Canadian jurisdiction and the reporting issuer files a letter with the applicable regulator or securities regulatory authority indicating where and when the financial statements were previously filed.

4.14 Change of Auditor

- (1) In this section:

“appointment” means, in relation to a reporting issuer, the earlier to occur of

- (a) the appointment as its auditor of a different person or company than its former auditor; and
- (b) the decision by the board of directors of the reporting issuer to propose to holders of qualified securities to appoint as its auditor a different person or company than its former auditor;

“consultation” means advice provided, whether or not in writing, to a reporting issuer during the relevant period by a successor auditor which the successor auditor concluded was an important factor considered by the reporting issuer in reaching a decision concerning:

- (a) the application of accounting principles or policies to a transaction, whether or not the transaction is completed;
- (b) an auditor's report on the reporting issuer's financial statements;
- (c) a matter of audit scope or procedure; or
- (d) a matter of financial statement disclosure;

“disagreement” means a difference of opinion between personnel of a reporting issuer responsible for the finalization of the reporting issuer's financial statements and the personnel of a former auditor responsible for authorizing the issuance of audit reports with respect to the reporting issuer, if the difference of opinion:

- (a) resulted in a reservation in the former auditor's report on the reporting issuer's financial statements for any period during the relevant period; or
- (b) would have resulted in a reservation in the former auditor's report on the reporting issuer's financial statements for any period during the relevant period if the difference of opinion had not been resolved to the former auditor's satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the former auditor upon the receipt of further information;

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

“qualified securities” means securities of a reporting issuer that carry the right to participate in voting on the appointment or removal of the reporting issuer's auditor;

“relevant information circular” means:

- (a) if a reporting issuer's constating documents or applicable law require holders of qualified securities to take action in order to remove the reporting issuer's auditor or to appoint a successor auditor:
 - (i) the information circular required to accompany or form part of every notice of meeting at which that action is proposed to be taken; or
 - (ii) the disclosure document accompanying the text of the written resolution provided to holders of qualified securities, or
- (b) if paragraph (a) does not apply, the information circular required to accompany or form part of the first notice of meeting to be sent to holders of qualified securities following the preparation of a reporting package concerning a termination or resignation;

“relevant period” means the period:

- (a) commencing at the beginning of the reporting issuer’s two most recently completed financial years; and
- (b) ending on the date of termination;

“reportable event” means a disagreement, a consultation, or an unresolved issue;

“reporting package” means

- (a) the documents referred to in clauses (4)(a)(i) and (b)(i);
- (b) the letter referred to in paragraph (8)(b), if received by the reporting issuer; and,
- (c) the letter referred to in paragraph (9)(b), if received by the reporting issuer;

“successor auditor” means the person or company:

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

as the reporting issuer’s auditor after the termination or resignation of the reporting issuer’s former auditor;

“termination” means, in relation to a reporting issuer, the earlier to occur of:

- (a) the removal of its auditor before the expiration of the auditor’s term of appointment, the expiration of its auditor’s term of appointment without reappointment, or the appointment of a different person or company as its auditor upon expiration of its auditor’s term of appointment; and
- (b) the decision by the board of directors of the reporting issuer to propose to holders of its qualified securities that its auditor be removed before, or that a different person or company be appointed as its auditor upon, the expiration of its auditor’s term of appointment;

“unresolved issue” means any matter that, in the former auditor’s opinion, has, or could have, a material impact on the financial statements or audit reports of any financial period during the relevant period, and about which the former auditor has advised the reporting issuer if:

- (a) the former auditor was unable to reach a conclusion as to the matter's implications before the date of termination;
 - (b) the matter was not resolved to the former auditor's satisfaction before the date of termination; or
 - (c) the former auditor is no longer willing to be associated with any of these financial statements;
- (2) For the purposes of this section, the term "material" has a meaning consistent with the discussion of the term "materiality" in the Handbook.
- (3) This section applies to a change of auditor of a reporting issuer, unless:
- (a) the change of auditor is required by the legislation under which the reporting issuer exists or carries on its activities; or
 - (b) the change of auditor arises from an amalgamation, merger or other reorganization of the auditor.
- (4) Upon a termination or resignation of its auditor, a reporting issuer must:
- (a) within 10 days after the date of termination:
 - (i) prepare a change of auditor notice in accordance with subsection (6) and deliver a copy of it to the former auditor; and
 - (ii) make the request of the former auditor specified in subsection (8);
 - (b) within 30 days after the date of termination:
 - (i) obtain from the audit committee of its board of directors or, in the absence of such a committee, its board of directors, written confirmation that the committee or board, as the case may be, has reviewed the change of auditor notice and any auditor response;
 - (ii) deliver a copy of the reporting package to the applicable regulator or securities regulatory authority;
 - (iii) deliver a copy of the reporting package to the former auditor;
 - (iv) if there are any reportable events, issue and file a news release describing the information in the reporting package; and
 - (c) include with each relevant information circular:
 - (i) a copy of the reporting package as an appendix; and

- (ii) a summary of the contents of the reporting package with a cross-reference to the appendix.
- (5) Upon an appointment of a successor auditor, a reporting issuer must:
 - (a) within 10 days after the date of appointment:
 - (i) deliver a copy of the change of auditor notice prepared in accordance with subsection (6) to the successor auditor; and
 - (ii) make the request of the successor auditor specified in subsection (9); and
 - (b) within 30 days after the date of appointment:
 - (i) obtain from the audit committee of its board of directors or, in the absence of such a committee, its board of directors, written confirmation that the committee or board, as the case may be, has reviewed the change of auditor notice and any auditor response;
 - (ii) deliver a copy of the reporting package to the applicable regulator or securities regulatory authority;
 - (iii) deliver a copy of the reporting package to the successor auditor; and
 - (iv) if there are any reportable events, issue and file a news release disclosing the appointment of the successor auditor.
- (6) A change of auditor notice must state:
 - (a) the date of termination;
 - (b) whether the former auditor:
 - (i) resigned on the former auditor's own initiative or at the reporting issuer's request;
 - (ii) was removed or is proposed to holders of qualified securities to be removed during the former auditor's term of appointment; or
 - (iii) was not reappointed or has not been proposed for reappointment;
 - (c) whether the termination or resignation of the former auditor and any appointment of the successor auditor were considered or approved by the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors if the reporting issuer does not have an audit committee;

- (d) whether the former auditor's report on any of the reporting issuer's financial statements relating to the relevant period contained any reservation and, if so, a description of each reservation;
- (e) if there is a reportable event, the following information:
 - (i) for a disagreement:
 - (A) a description of the disagreement;
 - (B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the disagreement with the former auditor; and
 - (C) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the disagreement and, if not, a description of and reasons for any limitation;
 - (ii) for a consultation:
 - (A) a description of the issue that was the subject of the consultation;
 - (B) a summary of the successor auditor's oral advice, if any, provided to the reporting issuer concerning the issue;
 - (C) a copy of the successor auditor's written advice, if any, received by the reporting issuer concerning the issue; and
 - (D) whether the reporting issuer consulted with the former auditor concerning the issue and, if so, a summary of the former auditor's advice concerning the issue;
 - (iii) for an unresolved issue:
 - (A) a description of the issue;
 - (B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the issue with the former auditor; and
 - (C) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the issue and, if not, a description of and reasons for any limitation; and
- (f) if there are no reportable events, a statement to that effect.

- (7) A change of auditor notice must be approved by the board of directors of the reporting issuer.
- (8) For the purposes of clause (4)(a)(ii), the reporting issuer must request the former auditor to:
 - (a) review the reporting issuer's change of auditor notice;
 - (b) prepare a letter, addressed to the applicable regulator or securities regulatory authority, stating, to the former auditor's knowledge, whether or not the change of auditor notice states correctly all information required under subsection (6) and, if not, the information required under subsection (6) that has not been stated correctly; and
 - (c) deliver the letter to the reporting issuer within 20 days after the date of termination.
- (9) For the purposes of clause (5)(a)(ii), the reporting issuer must request the successor auditor to:
 - (a) review the reporting issuer's change of auditor notice;
 - (b) prepare a letter that:
 - (i) is addressed to the securities regulatory authority;
 - (ii) states, to the successor auditor's knowledge, whether or not the change of auditor notice states correctly, all information required under subsection (6) and, if not, the information required under subsection (6) that has not been stated correctly;
 - (c) deliver that letter to the reporting issuer and a copy of the letter to the former auditor within 20 days after the date of appointment.
- (10) If the successor auditor becomes aware that the required disclosure under this Instrument has not been made by the reporting issuer, the auditor must, within 7 days, advise the reporting issuer in writing and deliver a copy of the letter to the applicable regulator or securities regulatory authority.
- (11) A reporting issuer is not required to comply with this section if:
 - (a) a termination, or resignation, and appointment occur in connection with an amalgamation, arrangement, take-over or similar transaction involving the reporting issuer or a reorganization of the reporting issuer;

- (b) the termination, or resignation, and appointment have been disclosed in a news release that has been filed or in a disclosure document that has been delivered to holders of qualified securities and filed; and
 - (c) no reportable event has occurred.
- (12) An SEC issuer is not required to comply with this section if it:
- (a) complies with the requirements of Item 304 of Regulation S-K; and
 - (b) at the same time that the information is provided to the SEC:
 - (i) files the information with the applicable regulator or securities regulatory authority; and
 - (ii) issues and files with the applicable regulator or securities regulatory authority the news release required under clause (4)(b)(iv) or (5)(b)(iv), if any, and
 - (c) includes the information with each relevant information circular.

PART 5

ANNUAL INFORMATION FORM

5.1 *Requirement to file an AIF*

- (1) Subject to subsection (2), a reporting issuer must file an AIF.
- (2) A reporting issuer that is a small business as at the end of the reporting issuer's most recently completed financial year, and that has an aggregate market value of less than \$75 million is exempt from the requirements of subsection (1) if the reporting issuer:
 - (a) has never been required to file an AIF under this Instrument; or
 - (b)
 - (i) was previously required to file an AIF under this Instrument solely by virtue of having aggregate market value exceeding \$75 million;
 - (ii) had an aggregate market value of less than \$75 million as at the end of each of its two most recently completed financial years; and
 - (iii) prior to the date the AIF would otherwise have to be filed under section 5.2, notifies the applicable securities regulatory authority or regulator in writing that the reporting issuer is relying on this paragraph 5.1(2)(b).

5.2 *Filing Deadline for an AIF*

- (1) An AIF required to be filed under section 5.1 must be filed:
 - (a) subject to paragraph (b), in the case of a senior issuer, on or before the 90th day after the end of its most recently completed financial year;
 - (b) in the case of a senior issuer that is an SEC issuer filing its AIF in Form 10-K or Form 20-F, on or before the earlier of:
 - (i) the date the reporting issuer would be required to file an AIF under paragraph (a); and
 - (ii) the date the reporting issuer files its Form 10-K or Form 20-F with the SEC;
 - (c) subject to paragraph (d), in the case of a reporting issuer other than a senior issuer, on or before the 120th day after the end of the reporting issuer's most recently completed financial year; and
 - (d) in the case of a reporting issuer, other than a senior issuer, that is an SEC issuer filing its AIF in Form 10-K or Form 20-F, on or before the earlier of:
 - (i) the date the reporting issuer would be required to file an AIF under paragraph (c); and
 - (ii) the date the reporting issuer files its Form 10-K or Form 20-F with the SEC.

5.3 *Additional / Supporting Documents*

A reporting issuer that files an AIF must at the same time file copies of all material incorporated by reference in the AIF and not previously filed.

PART 6

ANNUAL & INTERIM MD&A

6.1 *Filing of Annual and Interim MD&A*

Subject to section 6.2, a reporting issuer must file annual or interim MD&A at the same time as it files its annual or interim financial statements (or a letter under subsection 4.13(3) referring to its financial statements), as applicable.

6.2 *Alternative Filing of Annual and Interim MD&A and Supplement for Reporting Issuers Filing with the SEC*

- (1) A reporting issuer that is an SEC issuer filing its annual or interim MD&A prepared in accordance with Item 303 of Regulation S-K under the 1934 Act must file:
 - (a) that document on or before the earlier of:
 - (i) the date the reporting issuer would be required to file that document under section 6.1; and
 - (ii) the date the reporting issuer files that document with the SEC; and
 - (b) at the same time, a supplement prepared in accordance with subsection (2) if the reporting issuer:
 - (i) has based the discussion in the MD&A on financial statements prepared in accordance with US GAAP; and
 - (ii) is required to comply with subsection 4.7(3) with respect to the financial statements on which the MD&A is based.
- (2) A supplement required under subsection (1) must restate, based on financial information of the reporting issuer prepared in accordance with or reconciled to Canadian GAAP, those parts of the MD&A that:
 - (a) are based on financial statements of the reporting issuer prepared in accordance with US GAAP; and
 - (b) would contain material differences if they were based on financial statements of the reporting issuer prepared in accordance with Canadian GAAP.

6.3 *Disclosure of Outstanding Share Data*

If a reporting issuer has not included the disclosure required by section 4.11 in its financial statements, it must include that disclosure in its MD&A or in its MD&A supplement if one is required under section 6.2.

6.4 *Review of Annual and Interim MD&A*

- (1) The board of directors of a reporting issuer must review the annual and interim MD&A required by this Part before it is filed.
- (2) The board of directors may delegate the review required by subsection (1) to an audit committee of the board.

6.5 *Delivery of Annual and Interim MD&A*

- (1) A reporting issuer must send, as soon as practicable and without charge, a copy of any annual or interim MD&A and any MD&A supplement required by this Part to any securityholder of the reporting issuer who requests it.
- (2) The reporting issuer must disclose at least annually in the reporting issuer's AIF and information circular that annual and interim MD&A is available without charge to securityholders and how the MD&A may be obtained.

PART 7

MATERIAL CHANGE REPORTS

7.1 *Publication of Material Change*

- (1) If a material change occurs in the affairs of a reporting issuer, the reporting issuer must:
 - (a) promptly issue and file a news release that is authorized by an executive officer and that discloses the nature and substance of the change; and
 - (b) file a completed Form 51-102F3 *Material Change Report*, as soon as practicable, but in any event no later than 10 days after the date on which the change occurs.
- (2) The requirements of paragraph (1)(a) do not apply to reporting issuers that immediately file a completed Form 51-102F3 marked "Confidential" together with written reasons why a news release under paragraph (1)(a) should not be issued, so long as:
 - (a) in the opinion of the reporting issuer, the issuance of a news release required by paragraph (1)(a) will be unduly detrimental to its interest; or
 - (b) a material change in the affairs of the reporting issuer:
 - (i) consists of a decision to implement a change made by senior management of the reporting issuer who believe that confirmation of the decision by the directors is probable; and
 - (ii) senior management of the reporting issuer has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the reporting issuer.
- (3) The requirements of subsection (1) do not apply in Québec if senior management of the reporting issuer has reasonable grounds to believe that disclosure would be seriously prejudicial to the interests of the issuer and that no transaction in the securities of the issuer has been or will be carried out on the basis of the information not generally known. The reporting issuer must comply with subsection (1) when the circumstances that justify non-disclosure have ceased to exist.

- (4) If a report has been filed under subsection (2), the reporting issuer must advise the applicable regulator or securities regulatory authority by letter marked ‘Confidential’, within 10 days after the date of filing the initial report and every 10 days thereafter, that it believes that the report should continue to remain confidential until:
 - (a) the material change is generally disclosed in the manner referred to in subsection (1); or
 - (b) if the material change consists of a decision of the type referred to in clause (2)(b)(i), that decision has been rejected by the directors of the reporting issuer.

PART 8

BUSINESS ACQUISITION REPORT AND DISCLOSURE OF SIGNIFICANT DISPOSITIONS

8.1 *Obligation to File a Business Acquisition Report*

- (1) In addition to any obligations of reporting issuers under Part 7 of this Instrument, if a reporting issuer completes a significant acquisition it must file a completed Form 51-102F4 *Business Acquisition Report* within 75 days after the date of acquisition.
- (2) In this Part, the term “acquisition” includes an acquisition of an interest in a business accounted for using the equity method or an acquisition of an interest in a joint venture.
- (3) In this Part, and in the definition of “acquisition of related businesses” in subsection 1.1(2), the term “business” or “businesses” includes an interest in an oil and gas property.
- (4) This Part does not apply to significant acquisitions or dispositions if the initial legally binding agreement relating to the acquisition or disposition was entered into prior to the date of this Instrument.

8.2 *Determination of Significance*

- (1) For the purposes of this Instrument, an acquisition of a business or related businesses is a significant acquisition if it satisfies any of the following three significance tests:
 - (a) **The Asset Test.** The reporting issuer’s proportionate share as at the date of acquisition of the consolidated assets of the business or related businesses exceeds 20 percent of the consolidated assets of the reporting issuer calculated using the audited financial statements of each of the reporting issuer and the business or the related businesses for the most recently completed financial year of each that ended before the date of the acquisition.

- (b) **The Investment Test.** The reporting issuer's consolidated investments in and advances to the business or the related businesses as at the date of the acquisition exceeds 20 percent of the consolidated assets of the reporting issuer as at the last day of the most recently completed financial year of the reporting issuer ended before the date of the acquisition, excluding any investments in or advances to the business or the related businesses as at that date.
 - (c) **The Income Test.** The reporting issuer's proportionate share as at the date of acquisition of the consolidated income from continuing operations of the business or related businesses exceeds 20 percent of the consolidated income from continuing operations of the reporting issuer calculated using the audited financial statements of each of the reporting issuer and the business or related businesses for the most recently completed financial year of each ended before the date of acquisition.
- (2) For the purposes of paragraph (1)(c), if any of the reporting issuer, the business or the related businesses has incurred a loss, the significance test must be applied using the absolute value of the loss.
 - (3) For the purposes of paragraph (1)(c), if the reporting issuer's consolidated income from continuing operations for the most recently completed financial year was:
 - (a) positive; and
 - (b) lower by 20 percent or more than the average consolidated income from continuing operations of the reporting issuer for the three most recently completed financial years,

then, the average consolidated income for the three most recently completed financial years may, subject to subsection (4), be substituted in determining whether the significance test set out in paragraph (1)(c) is satisfied.

- (4) If the reporting issuer's consolidated income from continuing operations for either of the two earlier financial years referred to in subsection (3) is a loss, the reporting issuer's income from continuing operations for that period is considered to be zero for the purposes of calculating the average consolidated income for the three financial years.
- (5) In determining whether an acquisition of related businesses is a significant acquisition, related businesses acquired after the ending date of the most recently filed annual audited financial statements of the reporting issuer must be considered on a combined basis.
- (6) For the purposes of the significance tests in subsection (1), if the financial statements of the business or related business are prepared using accounting principles other than those used to prepare the reporting issuer's financial statements, and the reporting issuer's financial statements are prepared in accordance with:

- (a) Canadian GAAP, then the financial statements for a business or related businesses must be prepared in accordance with, or reconciled to, Canadian GAAP and the significance tests must be applied using financial information for both the reporting issuer and the business or related businesses based on Canadian GAAP;
 - (b) US GAAP, then the financial statements of the business or related businesses must be prepared in accordance with, or reconciled to, US GAAP and the significance tests must be applied using financial information for both the reporting issuer and the business or related businesses based on US GAAP; or
 - (c) US GAAP reconciled to Canadian GAAP in a manner specified by subsection 4.7(3), then financial statements for a business or related businesses must be prepared in accordance with, or reconciled to, either US GAAP or Canadian GAAP and the significance tests must be applied using financial information for both the reporting issuer and the business or the related businesses based on the same accounting principles; and
- (7) For the purposes of the significance tests in subsection (1), if the financial statements of the business or related business are denominated in a currency other than the currency used in the reporting issuer's financial statements, then the significance tests must be applied using financial information for both the reporting issuer and the business or related businesses, based on the currency used in the reporting issuer's financial statements.
- (8) For the purposes of the significance tests in subsection (1), the financial information used in the tests for the business or related businesses must be adjusted for any material differences between the accounting policies used to prepare the financial statements of the business or related businesses and the accounting policies used to prepare the reporting issuer's financial statements.
- (9) Despite subsection (1), the significance of an acquisition of a business or an acquisition of related businesses may be calculated using unaudited financial statements of the business or related businesses that comply with subsection (6) if the financial statements of the business or related businesses for the most recently completed financial year prior to the date of acquisition have not been audited.

8.3 *Modified Significance Tests for Small Businesses*

An acquisition of a business or related businesses by a reporting issuer that is a small business (determined as at the end of the reporting issuer's most recently completed financial year) is a significant acquisition only if it satisfies either of the significance tests set out in paragraphs 8.2(1)(a) and (b).

8.4 Financial Statement Disclosure for Significant Acquisitions

(1) Annual Financial Statements

Subject to sections 8.10 through 8.15, a business acquisition report must include the following financial statements of each business or related business acquired that is a significant acquisition:

- (a) an income statement, a statement of retained earnings and a cash flow statement for at least the periods specified in section 8.5;
- (b) a balance sheet as at the date on which each of the periods specified in section 8.5 ended, except that, if section 8.5 specifies that separate financial statements of the business are to be included for three financial years, a balance sheet as at the end of the earliest of the three financial years is not required;
- (c) notes to the financial statements; and
- (d) an auditor's report on the financial statements for each of the periods specified in section 8.5.

(2) Interim Financial Statements

Subject to sections 8.10 through 8.15, if a reporting issuer must include financial statements in a business acquisition report under subsection (1), the business acquisition report must include interim financial statements for:

- (a) either:
 - (i) the most recently completed interim period of the business that started the day after the balance sheet date specified in paragraph (1)(b) and ended before the date of acquisition; or
 - (ii) the period that started the day after the balance sheet date specified in paragraph (1)(b) and ended on a day that is more recent than the ending date of the period in paragraph (i) and is not later than the date of acquisition; and
- (b) the comparable period in the preceding financial year of the business.

(3) Pro Forma Financial Statements

- (a) If a reporting issuer must include financial statements in a business acquisition report under subsection (1) or (2), the business acquisition report must include:
 - (i) a pro forma balance sheet of the reporting issuer as at the date of the reporting issuer's most recent balance sheet filed that gives effect, as if they had taken place as at the date of the pro forma balance sheet, to

significant acquisitions that have been completed, but are not reflected in the reporting issuer's most recent annual or interim balance sheet;

- (ii) a pro forma income statement of the reporting issuer that gives effect to significant acquisitions completed after the ending date of the reporting issuer's most recently completed financial year of the reporting issuer for which financial statements are required to have been filed, as if they had taken place at the beginning of that financial year, for each of the following financial periods:
 - (A) the reporting issuer's most recently completed financial year for which financial statements are required to have been filed; and
 - (B) the reporting issuer's most recently completed interim period that ended after the period in (A) for which financial statements are required to have been filed;
 - (iii) pro forma earnings per share based on the pro forma financial statements referred to in clause (ii);
 - (iv) a compilation report accompanying the pro forma financial statements required under (i) and (ii) signed by the reporting issuer's auditor and prepared in accordance with the Handbook;
- (b) where a reporting issuer must include pro forma financial statements in a business acquisition report under subsection (a), the following provisions apply:
- (i) if the pro forma financial statements give effect to more than one significant acquisition, the pro forma financial statement must separately identify each significant acquisition;
 - (ii) the reporting issuer must include in the pro forma financial statements a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment;
 - (iii) if the financial year-end of the business differs from the reporting issuer's year-end by more than 93 days, then for purposes of preparing the pro forma income statement for the reporting issuer's most recently completed financial year, an income statement of the business must be constructed for a period of 12 consecutive months ending no more than 93 days before or after from the reporting issuer's year-end, by adding the results for a subsequent interim period to the most recent financial year of the business and deducting the comparable interim results for the immediately preceding year;
 - (iv) no audit report is required for a constructed period referred to in (iii);

- (v) where a constructed period is required under (iii), the pro forma financial statements must clearly disclose the constructed period on the face of the pro forma financial statements and must include a note stating that the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro formas and do not conform with the financial statements for the business included elsewhere in the business acquisition report;
- (vi) if a reporting issuer is required to prepare a pro forma income statement for an interim period required by clause (3)(a)(ii)(B), and the pro forma income statement for the most recently completed financial year includes results of the business which are also included in the pro forma income statement for the interim period, a note to the pro forma financial statements must disclose the revenue, expenses, gross profit and income from continuing operations included in each pro forma income statement for the overlapping period.

(4) Financial Statements of Related Businesses

If a reporting issuer is required under subsection (1) to include financial statements in the business acquisition report for more than one business because the significant acquisition involves an acquisition of related businesses, the financial statements required under subsection (1) must be presented separately for each business, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

8.5 Reporting Periods

Subject to sections 8.11 and 8.12, the periods for which the financial statements are required under paragraph 8.4(1) must be determined by reference to the significance tests set out in subsection 8.2(1) as follows:

- (a) if none of the significance tests is satisfied if “20 percent” is read as “40 percent”, financial statements must be included for:
 - (i) the most recently completed financial year of the business ended more than 45 days before the date of acquisition; or
 - (ii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.
- (b) if any of the significance tests are satisfied if “20 percent” is read as “40 percent” but none of the tests are satisfied if “20 percent” is read as “50 percent”, financial statements must be included for:

- (i) each of the two most recently completed financial years of the business ended more than 45 days before the date of acquisition;
 - (ii) if the business has not completed two financial years, any completed financial year ended more than 45 days before the date of acquisition; or
 - (iii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, a financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition;
- (c) if any of the significance tests are satisfied if “20 percent” is read as “50 percent”, financial statements must be included for:
- (i) each of the three most recently completed financial years of the business ended more than 45 days before the date of acquisition;
 - (ii) if the business has not completed three financial years, any completed financial year ended more than 45 days before the date of acquisition; or
 - (iii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.

8.6 *Generally Accepted Accounting Principles*

- (1) Financial statements required to be filed under subsections 8.4(1) and (2) must be prepared in accordance with:
 - (a) Canadian GAAP but may not be prepared in accordance with differential reporting options as set out in section 1300 of the Handbook; or
 - (b) accounting principles that cover substantially the same core subject matter as Canadian GAAP including recognition and measurement principles and disclosure requirements;
- (2) The notes to the financial statements required to be filed under subsections 8.4(1) and (2) must state which accounting principles the financial statements have been prepared in accordance with.
- (3) Financial statements required to be filed under subsections 8.4(1) and (2) must be prepared in accordance with the same accounting principles for each period presented.

- (4) If the financial statements required to be filed under subsections 8.4(1) and (2) are prepared in accordance with accounting principles that are different than the accounting principles used to prepare the reporting issuer's most recent financial statements filed, then the notes to the most recent financial statements required under subsection 8.4(1) and the notes to the financial statements required under subsection 8.4(2) must:
- (a) explain the nature of material differences that relate to measurement, between the accounting principles used to prepare the financial statements of the business acquired and the accounting principles used to prepare the reporting issuer's most recent financial statements filed;
 - (b) quantify the effect of material differences that relate to measurement, between the accounting principles used to prepare the financial statements of the business acquired and the accounting principles used to prepare the reporting issuer's most recent financial statements filed, including a tabular reconciliation between net income reported in the financial statements of the business acquired and net income computed in accordance with the accounting principles used to prepare the reporting issuer's most recent financial statements filed; and
 - (c) provide disclosure consistent with the accounting principles used to prepare the reporting issuer's most recent financial statements filed, to the extent such disclosure is not already reflected in the financial statements.
- (5) Pro forma financial statements required to be filed under subsection 8.4(3) and section 8.17 must be prepared as follows:
- (a) if the reporting issuer's financial statements are prepared in accordance with Canadian GAAP, then the pro forma financial statements must be prepared in accordance with Canadian GAAP;
 - (b) if the reporting issuer's financial statements are prepared in accordance with US GAAP and are not reconciled to Canadian GAAP in the manner specified by subsection 4.7(3), then the pro forma financial statements must be prepared in accordance with US GAAP; or
 - (c) if the reporting issuer's financial statements are prepared in accordance with US GAAP and are reconciled to Canadian GAAP in the manner specified by subsection 4.7(3), then the pro forma financial statements may be prepared in accordance with US GAAP or Canadian GAAP.

8.7 Reporting Currency

Financial statements for the business or related businesses required to be filed under section 8.4 must be presented in the same currency as used in the reporting issuer's financial statements.

8.8 *Auditor's Report*

- (1) An auditor's report required by subsection 8.4(1) must be prepared by a person or company that is expressly permitted to sign an auditor's report under the laws of the jurisdiction or foreign jurisdiction in which the report is signed.
- (2) The auditor's report accompanying the financial statements required by subsection 8.4(1) must be prepared in accordance with either:
 - (a) Canadian GAAS; or
 - (b) auditing standards that are substantially equivalent to Canadian GAAS.
- (3) The auditor's report must:
 - (a) identify the auditing standards applied,
 - (b) not contain a reservation except where the financial statements are for a small business in which case, the auditor's report may contain a reservation relating to inventory if:
 - (i) the auditor's report does not contain a qualification relating to closing inventory; or
 - (ii) the reporting issuer includes in the business acquisition report a balance sheet for the business that is:
 - (A) for a date that is subsequent to the ending date of the financial statements accompanied by the auditor's report containing the reservation; and
 - (B) the subsequent balance sheet referred to in (A) is accompanied by an auditor's report that does not contain a qualification relating to closing inventory;
 - (c) be accompanied by statements from the auditor:
 - (i) that describe any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with the auditing standards used to audit the reporting issuer's most recent audited financial statement filed, and
 - (ii) if auditing standards other than Canadian GAAS or US GAAS are used, that the auditing standards used are substantially equivalent to Canadian GAAS.

8.9 *Balance Sheet Line Items and Additional Information for Development-stage Issuers*

Financial statement required by subsections 8.4(1) and (2) must include:

- (a) the balance sheet line items set out in section 4.9; and
- (b) for a development-stage issuer or a business that is in the development-stage, the additional information set out in section 4.10.

8.10 *Exemption from Disclosure Requirements for Significant Acquisitions Accounted for Using the Equity Method*

- (1) A reporting issuer is exempt from the requirements in section 8.4 to include in its business acquisition report financial statements of a business and the pro forma financial statements if:
 - (a) the acquisition is, or will be, an investment accounted for using the equity method, as that term is defined in the Handbook;
 - (b) disclosure is included in the business acquisition report for the periods for which financial statements are otherwise required under subsection 8.4(1) that:
 - (i) summarizes information as to the assets, liabilities and results of operations of the business; and
 - (ii) describes the reporting issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the reporting issuer's share of earnings;
 - (c) the financial information provided under paragraph (b) for any completed financial year:
 - (i) has been derived from audited financial statements of the business; or
 - (ii) has been audited; and
 - (d) the business acquisition report:
 - (i) identifies the financial statements referred to in subparagraph (c)(i) from which the disclosure provided under paragraph (b) has been derived; or
 - (ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and
 - (iii) discloses that the audit opinion with respect to the financial statements referred to in subparagraph (i), or the financial information referred to in subparagraph (ii), was issued without a reservation.

8.11 Exemptions from Disclosure Requirements for Significant Acquisitions if More Recent Statements Included

- (1) If under section 8.5 a reporting issuer is required to file financial statements of a business for more than one completed financial year, a reporting issuer may omit the financial statements for the oldest financial year, if audited financial statements of the business are included in the business acquisition report for a financial year ended 45 days or less before the date of acquisition.
- (2) If under section 8.5 a reporting issuer is required to file financial statements of a business for more than one completed financial year, a reporting issuer may omit the financial statements for the oldest financial year if:
 - (a) audited financial statements are included in the business acquisition report 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 8.5;
 - (b) the business is not seasonal; and
 - (c) the reporting issuer has not included audited financial statements in the business acquisition report for a period of less than 12 months using the exception set out in section 8.12.
- (3) A reporting issuer is exempt from the requirement in subsection 8.4(2) to provide interim financial statements in its business acquisition report if the reporting issuer includes in the business acquisition report annual audited or unaudited financial statements of the business for a financial year ended 45 days or less before the date of acquisition.

8.12 Exemption from Disclosure Requirements for Significant Acquisitions if Financial Year End Changed

If under section 8.5, a reporting issuer is required to file financial statements of a business acquired for more than one completed financial year and the business changed its financial year end during any of the financial years required to be included, the reporting issuer may include financial statements for the transition period in satisfaction of the financial statements for one of the years, provided that the transition period is at least nine months.

8.13 Exemption from Audit Requirement for Financial Statements of a Small Business

If an acquired business was a small business (determined as at the end of its most recently completed financial year) and separate financial statements of the business are required to be included in the business acquisition report for more than one financial year, the reporting issuer may omit from its business acquisition report an auditor's report on the financial statements of the business for financial years other than the most recently completely financial year for which audited financial statements of the business are included, if:

- (a) an auditor has not issued an auditor's report on the financial statements; and
- (b) the most recently completed financial year for which audited financial statements are included in the business acquisition report is not less than 12 months.

8.14 Exemption Where Financial Statements Not Previously Prepared

Unless otherwise required by the accounting principles used to prepare the financial statements of a business, a reporting issuer is not required to provide comparative figures in its business acquisition report for interim financial statements for comparative periods in which the business acquired did not prepare interim financial statements.

8.15 Exemption for Acquisition of an Interest in an Oil and Gas Property

A reporting issuer is exempt from the requirements in section 8.4 to include in its business acquisition report financial statements in respect of a significant acquisition if:

- (a) the significant acquisition is:
 - (i) an acquisition of a business that is an interest in an oil and gas property; or
 - (ii) an acquisition of related businesses that are interests in oil and gas properties;
- (b) the reporting issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required under this Part because those financial statements do not exist or because the reporting issuer does not have access to those financial statements;
- (c) the acquisition does not constitute a reverse take-over under Canadian GAAP;
- (d) the business or related businesses did not, immediately before the time of completion of the acquisition, constitute a "reportable segment" of the vendor, as defined in section 1701 of the Handbook;
- (e) in respect of the business or related businesses, for each of the financial years for which financial statements would, but for this section, be required under section 8.5, the business acquisition report includes:
 - (i) an operating statement, accompanied by a report of an auditor, presenting for the business or related businesses at least the following:
 - (A) gross revenue;
 - (B) royalty expenses;
 - (C) production costs; and

- (D) operating income;
 - (ii) a description of the property or properties and the interest acquired by the reporting issuer; and
 - (iii) disclosure of the annual oil and gas production volumes from the business or related businesses; and
- (f) the business acquisition report discloses:
- (i) the estimated reserves and related future net revenue attributable to the business or related businesses, the material assumptions used in preparing the estimates and the identity and relationship to the reporting issuer or to the vendor of the person who prepared the estimates; and
 - (ii) the estimated oil and gas production volumes from the business or related businesses for the first year reflected in the estimates disclosed under clause (f)(i).

8.16 *Significant Dispositions*

- (1) In sections 8.16 and 8.17, “date of disposition” means the commitment date for an exit plan as determined for accounting purposes pursuant to the Handbook.
- (2) For the purposes of this Instrument, a disposition of a business or a portion of a business is a significant disposition if it satisfies either of the following conditions:
 - (a) the reporting issuer’s proportionate share of the total consolidated assets of the business or portion of the business exceeds 20 percent of the consolidated assets of the reporting issuer, as at the date of the most recently completed financial year end of the reporting issuer before the date of disposition, without giving effect to the disposition; or
 - (b) the reporting issuer’s proportionate share of the consolidated income from continuing operations of the business or portion of the business for the most recently completed financial year of the business before the date of the disposition exceeds 20 percent of the total consolidated income from continuing operations of the reporting issuer for the most recently completed financial year of the reporting issuer before the date of disposition, without giving effect to the disposition.
- (3) Unless the context otherwise requires, the term “significant disposition” refers to a disposition of a business or a portion of a business that satisfies either of the two conditions in subsection (2) by sale, abandonment or distribution to shareholders, but does not include the disposition of a business segment as that term is defined in the Handbook.

8.17 Pro Forma Financial Statement Disclosure for Significant Dispositions

If a reporting issuer has made a significant disposition, the reporting issuer must include in the notes to the next financial statements filed whether for a financial year or an interim period or if such financial statements are required to be filed within 30 days of the disposition then in its next filed financial statements (either annual or interim), the following pro forma financial statements:

- (a) **Pro Forma Balance Sheet** - a pro forma balance sheet of the reporting issuer prepared as at the date of the reporting issuer's most recent balance sheet filed to give effect to, as if they had taken place as at the date of the pro forma balance sheet, significant dispositions that have been completed, but are not reflected in the reporting issuer's most recent balance sheet filed;
- (b) **Pro Forma Income Statement** - pro forma income statements must be prepared to give effect to significant dispositions completed:
 - (i) during the most recently completed financial year for which financial statements are filed as if they had taken place at the beginning of the most recently completed financial year of the reporting issuer for which audited financial statements have been filed; and
 - (ii) after the end of the most recently completed financial year for which financial statements are filed, for each of the financial periods referred to in clauses (A) and (B):
 - (A) the most recently completed financial year of the reporting issuer for which audited financial statements have been filed; and
 - (B) the most recently completed interim period of the reporting issuer for which financial statements have been filed,

as if they had taken place at the beginning of the most recently completed financial year of the reporting issuer for which audited financial statements are filed;
- (c) if a pro forma financial statement prepared in accordance with this section gives effect to more than one significant disposition, the pro forma financial statement must separate and identify each significant disposition;
- (d) the reporting issuer must include in the pro forma financial statements required under this section a description of the underlying assumptions upon which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment; and

- (e) the notes to the pro forma financial statements required under this section must include pro forma earnings per share based upon the pro forma financial statements referred to in this section.

PART 9

PROXY SOLICITATION AND INFORMATION CIRCULARS

9.1 *Sending of Proxies and Information Circulars*

- (1) If management of a reporting issuer gives or intends to give notice of a meeting to its securityholders management must, at the same time as or before giving that notice, send to each securityholder who is entitled to notice of the meeting a form of proxy for use at the meeting.
- (2) Subsection 9.1(1) applies, adapted as required, to a meeting of holders of debt securities of a reporting issuer, whether called by management of the reporting issuer or by the trustee of the debt securities.
- (3) Subject to section 9.2, a person or company that solicits proxies from securityholders of a reporting issuer must:
 - (a) in the case of a solicitation by or on behalf of management of a reporting issuer, send with the notice of meeting to each securityholder whose proxy is solicited a completed Form 51-102F5 *Information Circular*; or
 - (b) in the case of any other solicitation, concurrently with or before the solicitation, send a completed Form 51-102F5 and a form of proxy to each securityholder whose proxy is solicited.

9.2 *Exemption*

- (1) Subsection 9.1(3) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.
- (2) Paragraph 9.1(3)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.
- (3) For the purposes of subsection (2), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

9.3 *Filing of Information Circulars and Proxy-Related Material*

Every person or company that is required under this Instrument to send an information circular or form of proxy to securityholders of a reporting issuer must promptly file a copy of the information circular, form of proxy and all other material required to be sent by the person or

company in connection with the meeting to which the information circular or form of proxy relates.

9.4 Content of Form of Proxy

- (1) Every form of proxy sent or delivered to securityholders of a reporting issuer by a person or company soliciting proxies must indicate in bold-face type whether or not the proxy is solicited by or on behalf of the management of the reporting issuer, provide a specifically designated blank space for dating the form of proxy and specify the meeting in respect of which the proxy is solicited.
- (2) Either an information circular sent to securityholders of a reporting issuer or the form of proxy to which the information circular relates must:
 - (a) indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company if any, designated in the form of proxy; and
 - (b) contain instructions as to the manner in which the securityholder may exercise the right referred to in paragraph (a).
- (3) If a form of proxy sent to securityholders of a reporting issuer contains a designation of a named person or company as nominee, it must provide an option for the securityholder to designate in the form of proxy some other person or company as the securityholder's nominee.
- (4) A form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the securityholder's name will be voted for or against each matter or group of related matters identified in the form of proxy, in the notice of meeting or in an information circular, other than the appointment of an auditor and the election of directors.
- (5) A proxy executed by a securityholder of a reporting issuer may confer discretionary authority with respect to each matter referred to in subsection (4) as to which a choice is not so specified if the form of proxy or the information circular states in bold-face type how the securities represented by the proxy will be voted in respect of each matter or group of related matters.
- (6) A form of proxy must provide an option for the securityholder to specify that the securities registered in the name of the securityholder must be voted or withheld from voting in respect of the appointment of an auditor or the election of directors.
- (7) Either an information circular sent to securityholders of a reporting issuer or the form of a proxy to which the information circular relates must state that:

- (a) the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for; and
 - (b) if the securityholder specifies a choice under subsection (4) or (6) with respect to any matter to be acted upon, the securities will be voted accordingly.
- (8) A proxy executed by a securityholder of a reporting issuer may confer discretionary authority with respect to:
- (a) amendments or variations to matters identified in the notice of meeting; and
 - (b) other matters which may properly come before the meeting;
- if,
- (c) the person or company by whom or on whose behalf the solicitation is made is not aware within a reasonable time prior to the time the solicitation is made that any such amendments, variations or other matters are to be presented for action at the meeting; and
 - (d) a specific statement is made in the information circular or in the form of proxy that the proxy is conferring such discretionary authority.
- (9) No proxy executed by a securityholder of a reporting issuer may confer authority to vote:
- (a) for the election of any person as a director of a reporting issuer unless a bona fide proposed nominee for such election is named in the information circular; or
 - (b) at any meeting other than the meeting specified in the notice of meeting or any adjournment thereof.

PART 10

RESTRICTED SHARE DISCLOSURE REQUIREMENTS

10.1 Content and Dissemination of Disclosure Documentation

- (1) Except as otherwise provided in this Instrument, if a reporting issuer has outstanding restricted shares, or securities that are directly or indirectly convertible into or exercisable or exchangeable for restricted shares or subject securities, each document referred to in subsection (2) must:
 - (a) refer to restricted shares using a term or defined term that includes the appropriate restricted share term;

- (b) not refer to shares by a term or defined term that includes “common”, or “preference” or “preferred”, unless the shares are common shares or preference shares, respectively;
 - (c) describe any restrictions on the voting rights of restricted shares;
 - (d) describe the rights to participate, if any, of holders of restricted shares if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted shares;
 - (e) state the percentage of the aggregate voting rights attached to the reporting issuer’s securities that are represented by the class of restricted shares; and
 - (f) if holders of restricted shares have no right to participate if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted shares, contain a statement to that effect in bold-face type.
- (2) Subsection (1) applies to the following documents except as provided in subsections (3) and (8):
- (a) a Form 51-102F5;
 - (b) a document required by securities legislation to be sent by a reporting issuer to any of its securityholders;
 - (c) a document required by this Instrument to be delivered upon request by a reporting issuer to any of its securityholders; and
 - (d) an AIF prepared by a reporting issuer.
- (3) Despite subsection (2), interim financial statements, annual financial statements and MD&A or other accompanying discussion by management of those financial statements are not required to include the details referred to in paragraphs (1)(c), (d) and (f).
- (4) Each reference to restricted shares in any document not referred to in subsection (2) that a reporting issuer sends to its securityholders must include the appropriate restricted share term.
- (5) A reporting issuer must not refer, in any of the documents described in subsection (4), to shares by a term or a defined term that includes “common” or “preference” or “preferred”, unless the shares are common shares or preference shares, respectively.
- (6) If a reporting issuer sends a document to all holders of any class of its equity shares the document must also be sent by the reporting issuer at the same time to the holders of its restricted shares.

- (7) A reporting issuer that is required by this Instrument to arrange for, or voluntarily makes arrangements for, delivery of the documents referred to in subsection (6) to the beneficial owners of any shares of a class of equity shares registered in the name of a registrant, must make similar arrangements for delivery of the documents to the beneficial owners of shares of a class of restricted shares registered in the name of a registrant.
- (8) Despite paragraph (1)(b) and subsection (5), a reporting issuer may, in one place only in a document referred to in subsection (2) or (4), describe the restricted shares by the term used in the constating documents of the reporting issuer, to the extent that term differs from the appropriate restricted share term, if the description is not on the front page of the document and is in the same type face and type size as that used generally in the document.

10.2 Exemptions for Certain Reporting Issuers

- (1) The provisions of section 10.1 do not apply to:
 - (a) shares that carry a right to vote subject to a restriction on the number or percentage of shares that may be voted or owned by persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians, but only to the extent of the restriction; and
 - (b) shares that are subject to a restriction, imposed by any law governing the reporting issuer, on the level of ownership of the shares by any person, company or combination of persons or companies, but only to the extent of the restriction.

PART 11

ADDITIONAL FILING REQUIREMENTS

11.1 Additional Filing Requirements

- (1) A reporting issuer must file a copy of any material that it:
 - (a) sends to its securityholders; or
 - (b) in the case of an SEC issuer, that it files or furnishes to the SEC if the material contains information that has not been included in disclosure already filed in a jurisdiction by the SEC issuer.
- (2) A reporting issuer must file the material referred to in subsection (1) on the same date as, or as soon as practicable after, the earlier of:
 - (a) the date on which the reporting issuer sends the material to its securityholders; or
 - (b) the date on which the reporting issuer files or furnishes the material to the SEC.

PART 12
FILING OF MATERIAL DOCUMENTS

12.1 *Filing of Certain Material Documents*

- (1) Unless previously filed, a reporting issuer must file a copy of its articles, by-laws, memorandum, governing indenture, partnership agreement or other constating documents and any agreement or other instrument that defines or otherwise materially affects the rights of securityholders, or creates a security, and any material amendment to such constating document, agreement or other instrument:
 - (a) either:
 - (i) as an attachment to the reporting issuer's AIF required to be filed under section 5.1, if the constating document, agreement, instrument or amendment was made or adopted prior to the date of the issuer's AIF; or
 - (ii) if the reporting issuer is not required to file an AIF under section 5.1, as a separate filing to be made within 120 days after the end of the issuer's most recently completed financial year, if the constating document, agreement, instrument or amendment was made or adopted prior to the end of the issuer's most recently completed financial year; and
 - (b) as an attachment to the reporting issuer's material change report in Form 51-102F3 if the making of the constating document, agreement, instrument or amendment constitutes a material change for the issuer.

PART 13
EXEMPTIONS

13.1 *Exemptions from this Instrument*

- (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

13.2 *Existing Exemptions*

- (1) A reporting issuer that was eligible to rely on an exemption, waiver or approval granted by a regulator or securities regulatory authority relating to continuous disclosure requirements of securities legislation or securities directions existing immediately before this Instrument came into force is exempt from any substantially similar provision of this

Instrument, if any, to the same extent and on the same conditions, if any, as contained in the earlier exemption, waiver or approval.

- (2) A reporting issuer must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of:
 - (a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and
 - (b) the requirement under prior securities legislation or securities directions in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

PART 14

EFFECTIVE DATE

14.1 Effective Date

This Instrument comes into force on ●, 2003.

COMPANION POLICY 51-102CP TO NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1 – INTRODUCTION AND DEFINITIONS

1.1 Introduction and Purpose

- (1) National Instrument 51-102 *Continuous Disclosure Obligations* (the “Instrument”) sets out disclosure requirements for all issuers, other than investment funds, that are reporting issuers in one or more Canadian jurisdictions.
- (2) The purpose of this Companion Policy (“this Policy”) is to help you understand how the Canadian securities regulatory authorities interpret or apply certain provisions of the Instrument. This Policy includes explanations, discussion and examples of various parts of the Instrument.

1.2 Filing Obligations

Reporting issuers must file continuous disclosure documents under the Instrument only in the local jurisdictions in which they are a reporting issuer.

1.3 Corporate Law Requirements

Reporting issuers are reminded that corporate law requirements may apply to certain matters which are addressed by the Instrument. For example, applicable corporate law may require the delivery of annual financial statements to shareholders and may not allow a reporting issuer to prepare its financial statements in accordance with US GAAP. The Instrument does not override corporate law requirements.

1.4 Definitions

- (1) **General** – Many of the terms for which the Instrument or forms prescribed by the Instrument provide definitions are defined somewhat differently in the applicable securities legislation of several local jurisdictions. For instance, the terms “form of proxy”, “proxy”, “recognized quotation and trade reporting system”, “solicit”, “equity security”, “published market”, “material change” and “insider” are defined in local securities legislation of most jurisdictions. The Canadian securities regulatory authorities consider the meanings given to these terms in securities legislation to be substantially similar to the definitions set out in the Instrument.

As stated in section 1.1(1) of the Instrument, 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. This means, for example, that the definitions of “insider” and “material

change” found in section 1.1(2) of the Instrument only apply in jurisdictions that do not have definitions of these terms in either the general definitions section of their securities statutes or in portions of their securities statutes governing continuous disclosure.

- (2) **Aggregate market value** – For the purposes of calculating the aggregate market value, the market value of instalment receipts should not be included in calculating the market value of a reporting issuer’s outstanding equity securities. Instalment receipts that evidence the beneficial ownership of outstanding equity securities (subject to an encumbrance to secure the obligation of the instalment receipt holder to pay future instalments) and other similar receipts that evidence beneficial ownership of outstanding equity securities are not, themselves, equity securities. The market value of the equity securities evidenced by the receipt will, however, be included.
- (3) **Asset-backed security** – Section 1.7 of Companion Policy 44-101CP provides guidance for the definitions of “asset-backed securities” and “principal obligor”. In addition, Section 8.1 of Companion Policy 44-101CP outlines the views of Canadian securities regulatory authorities with respect to disclosure items in the AIF for issuers of asset-backed securities.
- (4) **Development Stage Issuer** – The definition of development stage issuer in the Instrument is consistent with the concept of an enterprise in the development stage as discussed in Accounting Guideline ACG-11.
- (5) **Directors and Officers** – Where the Instrument or any of the Forms use the term “directors” or “officers”, a reporting issuer that is not a corporation, must refer to the definitions in securities legislation of “director” and “officer”. The definition of “officer” may include any individual acting in a capacity similar to that of an officer of a company. Similarly, the definition of “director” typically includes a person acting in a capacity similar to that of a director of a company. Therefore, non-corporate issuers must determine in light of the particular circumstances which individuals or persons are acting in such capacities for the purposes of complying with the Instrument and the Forms.

1.5 Plain Language Principles

We believe that plain language will help investors understand your disclosure so that they can make informed investment decisions. You can achieve this by:

- using short sentences
- using definite everyday language
- using the active voice
- avoiding superfluous words

- organizing the document in clear, concise sections, paragraphs and sentences
- avoiding jargon
- using personal pronouns to speak directly to the reader
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure
- not relying on boilerplate wording
- avoiding abstract terms by using more concrete terms or examples
- avoiding multiple negatives
- using technical terms only when necessary and explaining those terms
- using charts, tables and examples where it makes disclosure easier to understand.

1.6 Signature and Certificates

Reporting issuers are not required to sign or certify documents filed under the Instrument. Whether or not a document is signed or certified, it is an offence under securities legislation to make a false or misleading statement in any required document.

PART 2 – FOREIGN ISSUERS

2.1 Foreign Issuers

National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* provides relief for eligible foreign issuers from certain continuous disclosure and other obligations, including those contained in the Instrument.

PART 3 - FINANCIAL STATEMENTS

3.1 Filing Deadline for Annual Financial Statements and Auditor's Report

Section 4.2 of the Instrument sets out filing deadlines for annual financial statements. While section 4.2 of the Instrument does not address the auditor's report date, reporting issuers are encouraged to file their annual financial statements as soon as practicable after the date of the auditor's report. The delivery obligations

set out in section 4.12 of the Instrument are not tied to the filing of the financial statements.

3.2 GAAP Reconciliation

Subsection 4.7(3)(b) of the Instrument specifies that where a reconciliation from US GAAP to Canadian GAAP is required, it must include quantification of the effect of material differences between Canadian GAAP and US GAAP that relate to measurement in the issuer's financial statements, including a tabular reconciliation between net income reported in the issuer's financial statements and net income computed in accordance with Canadian GAAP. While the differences impacting net income must be presented in a tabular format, differences relating to assets, liabilities, retained earnings, and other aspects of the issuer's financial statements may be presented in a tabular format or some other format.

3.3 Presentation of Comparatives After Change From Canadian GAAP to US GAAP

Subsections 4.7(4) and 4.7(5) of the Instrument require that for the first year after a change from Canadian GAAP to US GAAP, financial information for the comparative periods must be provided both as previously reported under Canadian GAAP and restated under US GAAP. For annual financial statements, both comparatives must be presented on the face of the financial statements; for interim financial statements, the comparatives as previously reported under Canadian GAAP, may be presented either on the face of the financial statements or in the notes. Examples of the format for presentation of the comparatives for both annual and interim financial statements may be found in Appendix A to this Companion Policy.

3.4 Balance Sheet Line Items

The balance sheet line item requirements in section 4.9 of the Instrument establish a minimum level of balance sheet disclosure for interim and annual financial statements that may be in addition to the requirements under the accounting principles used to prepare the financial statements. The Instrument does not prescribe an order in which the items must be presented. A reporting issuer should consider its industry sector, stage of development and transactions to determine whether additional items should be separately presented in the balance sheet or the notes to the financial statements to facilitate an investor's overall understanding of the reporting issuer's financial position.

3.5 Additional Information for Development Stage Issuers

Section 4.10 of the Instrument requires development stage issuers to provide, as a schedule or note to their interim and annual financial statements, a breakdown of material components of expenses and additions to deferred expenditures. A component of a class of expenses or additions to deferred costs is generally considered to be a material component if it exceeds:

- (a) 20% of the total amount of the class; and
- (b) \$25,000

While the Instrument requires breakdowns only for expenses and additions to deferred expenditures recorded for each period covered by the income statement or the cash flow statement, reporting issuers are encouraged to provide information about operating results, cash flow, and deferred expenditures on a cumulative from inception basis.

3.6 Canadian GAAS

Sections 4.8 and 8.8 of the Instrument refer to auditor's reports prepared in accordance with Canadian GAAS. NI 14-101 states that "Canadian GAAS means generally accepted auditing standards as determined with reference to the Handbook." Section 5100 of the Handbook sets out the general standard of Canadian GAAS and includes reference to an auditor's "objective state of mind." This standard, when read together with the objectivity standard for auditors contained in the Standards of Professional Conduct applicable to Canadian auditors in each jurisdiction, emphasizes the importance of the independence of the auditor. In the view of the Canadian securities regulatory authorities, auditor independence is an essential element of Canadian GAAS.

3.7 Reservation of Opinion in an Auditor's Report

An auditor's report required by section 4.1 of the Instrument that accompanies a reporting issuer's annual financial statements may not contain a reservation of opinion unless exemptive relief is granted under section 13.1. We are of the view that such exemptive relief will not be granted where the reservation is:

- (a) due to a departure from GAAP acceptable under 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 because of a limitation in the scope of the audit;
 - (ii) is imposed or could reasonably be eliminated by management; or
 - (iii) could reasonably be expected to be recurring.

3.8 Auditor Involvement with Interim Financial Statements

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

3.9 Change in Ending Date of Financial Year

Where a reporting issuer changes the ending date of its financial year, the reporting issuer should refer to National Policy 51 for guidance concerning reporting periods, filing deadlines and notification procedures. Among other things, National Policy 51 contemplates that an interim period may be other than a period commencing with the beginning of a financial year and ending nine, six or three months before the end of the financial year.

3.10 Change of Auditor

Subsection 4.14(4) of the Instrument requires a reporting issuer, upon a termination or resignation of its auditor, to prepare a change of auditor notice, have the audit committee or board of directors confirm their review of the notice, deliver the reporting package to the applicable regulator or securities regulatory authority, and if there are any reportable events, issue and file a news release describing the information in the reporting package. Subsection 4.14(5) of the Instrument requires the reporting issuer to perform these same procedures upon an appointment of a successor auditor. Where a termination or resignation of a former auditor and appointment of a successor auditor occur within a short period of time, it may be possible for a reporting issuer to perform the procedures described above required by both 4.14(4) and 4.14(5) concurrently and meet the timing requirements set out in those sections. In other words, the reporting issuer would prepare only one comprehensive notice and reporting package.

3.11 Disclosure of Financial Results

Section 4.3 of the Instrument requires that annual financial statements be reviewed by a company's audit committee (if any) and approved by the board of directors before filing. Section 4.6 of the Instrument requires the board of directors to review interim financial statements before they are filed and this can be delegated to an audit committee. We believe that extracting information from financial statements that have not been reviewed by the board or audit committee and releasing that information to the marketplace in a news release is inconsistent with the prior review requirement. Also see National Policy 51-201 *Disclosure Standards*.

PART 4 – AIF

4.1 Additional / Supporting Documentation

Any material incorporated by reference in an AIF is required under section 5.3 of the Instrument to be filed with the AIF unless the material has been previously filed. When a reporting issuer using SEDAR files a previously unfiled document with its AIF, the reporting issuer should ensure that the document is filed under the appropriate SEDAR filing type and document type specifically applicable to the document, rather than generic type "Documents Incorporated by Reference". For example, a reporting issuer that has incorporated by reference an information circular in its AIF and has not previously filed the circular should file the circular

under the “Management Proxy Materials” filing subtype and the “Management proxy/information circular” document type.

PART 5 – ELECTRONIC DELIVERY OF DOCUMENTS

5.1 Electronic Delivery of Documents

Any documents required to be sent under this Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with Québec Staff Notice, *The Delivery of Documents by Electronic Means*, in Québec, and National Policy 11-201 *Delivery of Documents by Electronic Means*, in the rest of Canada.

PART 6 - BUSINESS ACQUISITION REPORT AND FINANCIAL STATEMENTS FOR SIGNIFICANT DISPOSITIONS

6.1 Obligations to File a Business Acquisition Report

- (1) **Financial Statement Disclosure of Significant Acquisitions** – Appendix B to this Policy is a chart outlining the key obligations for financial statement disclosure of significant acquisitions in a business acquisition report.
- (2) **Acquisition of a Business** – A reporting issuer that has made a significant acquisition must include in its business acquisition report certain financial statements of each business acquired. The term “business” should be evaluated in light of the facts and circumstances involved. We generally consider that a separate entity, a subsidiary or a division is a business and that in certain circumstances a smaller component of a company may also be a business, whether or not the business previously prepared financial statements. In determining whether an acquisition constitutes the acquisition of a business, a reporting issuer should consider the continuity of business operations, including the following factors:
 - (a) whether the nature of the revenue producing acquisition or potential revenue producing activity will remain generally the same after the acquisition; and
 - (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the reporting issuer instead of remaining with the vendor after the acquisition.

6.2 Determination of Significance

- (1) **Business uses Accounting Principles other than those used by the Reporting Issuer** – Subsection 8.2(6) of the Instrument provides that where the financial statements of the business or related businesses are prepared in accordance with accounting principles other than those used in reporting issuer’s financial statements, for purposes of applying the significance tests, the relevant financial

statements for the business or related businesses must be reconciled. It is unnecessary for the reconciliation to be audited for the purpose of the test.

If the acquisition of the business or related businesses is determined to be significant, then a reconciliation must be included in the most recent annual and interim financial statements as required by subsection 8.6(4).

- (2) **Acquisition of a Previously Unaudited Business** – Subsection 8.2(1) of the Instrument requires the significance of an acquisition to be determined using the most recent audited financial statements of the reporting issuer and the business acquired. However, if the financial statements of the business or related businesses for the most recently completed financial year were not audited, subsection 8.2(9) of the Instrument permits use of the unaudited financial statements for the purpose of applying the significance tests. If the acquisition is determined to be significant, then the annual financial statements required by subsection 8.4(1) of the Instrument must be audited.
- (3) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsection 8.2(1) of the Instrument is whether the reporting issuer’s consolidated investments in and advances to the business or related businesses exceeds 20 per cent of the consolidated assets of the reporting issuer as at the last day of the most recently completed financial year of the reporting issuer that ended before the date of the acquisition. In applying this test, the “investments in” the business should be determined using the total cost of the purchase, as determined by generally accepted accounting principles, including consideration paid or payable and the costs of the acquisition. If the acquisition agreement includes a provision for contingent consideration, for the purpose of applying the test, the contingent consideration should be included in the total cost of the purchase unless the likelihood of payment is considered remote at the date of the acquisition. In addition, any payments made in connection with the acquisition which would not constitute purchase consideration 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.

6.3 Financial Statements of Related Businesses

Subsection 8.4(4) of the Instrument requires that if a reporting issuer includes in its business acquisition report financial statements for more than one related businesses, separate financial statements must be presented for each business except for the periods during which the businesses were under common control or management, in which case the reporting issuer may present the financial statements on a combined basis. Although one or more of the related businesses may be insignificant relative to the others, separate financial statements of each business for the same number of periods required must be presented. Relief from the

requirement to include financial statements of the least significant related business or businesses may be granted depending on the facts and circumstances.

6.4 Preparation of Divisional and Carve-out Financial Statements

- (1) **Interpretations** – In this section of this Companion Policy, unless otherwise stated, the following interpretations apply:
 - (a) A reference to “a business” means a division or some lesser component of another business acquired by a reporting issuer that constitutes a significant acquisition, as that term is used in subsection 8.2(1) of the Instrument.
 - (b) The term “parent” refers to the vendor from whom the reporting issuer purchased a business.
- (2) **Acquisition of a Division** - As discussed in subsection 6.1(2) of this Companion Policy, the acquisition of a division of a business and in certain circumstances, a lesser component of a person or company may constitute a business for purposes of the Instrument, whether or not the subject of the acquisition previously prepared financial statements. In order to determine the significance of the acquisition and comply with the requirements for financial statements in a business acquisition report under Part 8 of the Instrument, financial statements for the business must be prepared. This section provides guidance on preparing the financial statements.
- (3) **Divisional and Carve-Out Financial Statements** – The terms “divisional” and “carve-out” financial statements are often used interchangeably although a distinction is possible. Some companies maintain separate financial records and financial statements for a business activity or unit that is operated as a division. Financial statements prepared from these financial records are often referred to as “divisional” financial statements. In other circumstances, no separate financial records for a business activity are maintained; they are simply consolidated with the parent’s records. In these cases, if the parent’s financial records are sufficiently detailed, it is possible to extract or “carve-out” the information specific to the business activity in order to prepare separate financial statements of that business. Financial statements prepared in this manner are commonly referred to as “carve-out” financial statements. The guidance in this section applies to the preparation of both divisional and carve-out financial statements unless otherwise stated.
- (4) **Preparation of Divisional and Carve-Out Financial Statements**
 - (a) When complete financial records of the business acquired have been maintained, those records should be used for preparing and auditing the financial statements of the business. For the purposes of this section, it is presumed that the parent maintains separate financial records for its divisions.

- (b) When complete financial records of the business acquired do not exist, carve-out financial statements should generally be prepared in accordance with the following guidelines:
- (i) *Allocation of Assets and Liabilities* – A balance sheet should include all assets and liabilities directly attributable to the business.
 - (ii) *Allocation of Revenues and Expenses* – Income statements should include all revenues and expenses directly attributable to the business. Some fundamental expenditures may be shared by the business and its parent in which case the parent’s management must determine a reasonable basis for allocating a share of these common expenses to the business. Examples of such common expenses include salaries, rent, depreciation, professional fees, general and administration.
 - (iii) *Calculation of Income and Capital Taxes* – Income and capital taxes should be calculated as if the entity had been a separate legal entity and filed a separate tax return for the period presented.
 - (iv) *Disclosure of Basis of Preparation* – The financial statements should include a note describing the basis of preparation. If expenses have been allocated as discussed in paragraph (b)(ii), the financial statements should include a note describing the method of allocation for each significant line item, at a minimum.
- (5) **Statements of Assets Acquired, Liabilities Assumed and Statements of Operations** – When it is impracticable to prepare carve-out financial statements of a business, a reporting issuer may be required to include in its business acquisition report an audited statement of assets acquired and liabilities assumed and a statement of operations of the business. The statement of operations should exclude only those indirect operating costs not directly attributable to the business, such as corporate overhead. If indirect operating costs were previously allocated to the business and there is a reasonable basis of allocation, they should not be excluded.

6.5 Preparation of Pro Forma Financial Statements Giving Effect to Significant Acquisitions

- (1) **Objective and Basis of Preparation** – The objective of pro forma statements is to illustrate the impact of a transaction on a reporting issuer’s financial position and results of operations by adjusting the historical financial statements of the reporting issuer to give effect to the transaction. Accordingly, the pro forma financial statements should be prepared on the basis of the reporting issuer’s financial statements as already filed. No adjustment should be made to eliminate extraordinary items or discontinued operations.

- (2) **Pro Forma Balance Sheet and Income Statements** – Subsection 8.4(3) of the Instrument does not require a pro forma balance sheet to be prepared to give effect to significant acquisitions that are reflected in the reporting issuer’s most recent annual or interim balance sheet filed under the Instrument.
- (3) **Non-coterminous Year-ends** - Where the financial year-end of a business differs from the reporting issuer’s year-end by more than 93 days, subsection 8.4(3)(b)(iii) requires an income statement for the business to be constructed for a period of 12 consecutive months. For example, if the constructed reporting period is 12 months and ends on June 30, the 12 months should commence on July 1 of the immediately preceding year; it should not begin on March 1st of the immediately preceding year with three of the following 15 months omitted, such as the period from October 1 to December 31, since this would not be a consecutive 12 month period.
- (4) **Effective Date of Adjustments** - For the pro forma income statements included in a business acquisition report, the acquisition and most of the adjustments should be computed as if the acquisition had occurred at the beginning of the reporting issuer’s most recently completed financial year and carried through the most recent interim period presented, if any. However, adjustments related to the allocation of the purchase price, including the amortization of fair value increments and intangibles, should be based on the purchase price allocation arising from giving effect to the acquisition as if it occurred on the date of the reporting issuer’s most recent balance sheet filed.
- (5) **Acceptable Adjustments** – Pro forma adjustments should be limited to those that are directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable.
- (6) **Multiple Acquisitions** – If the pro forma financial statements give effect to more than one acquisition, the pro forma adjustments may be grouped by line item on the face of the pro forma financial statements provided the details for each transaction are disclosed in the notes.

6.6 **Relief from the Requirement to Audit Operating Statements of an Oil and Gas Property**

The applicable securities regulatory authority or regulator may exempt a reporting issuer from the requirement to include the report of an auditor on the operating statements referred to in section 8.15 of the Instrument if during the 12 months preceding the date of the acquisition, the daily average production of the property on a barrel of oil equivalent basis (with gas converted to oil in the ratio of 6,000 cubic feet of gas to one barrel of oil), is less than 20% of the total daily average production of the vendor for the same or similar periods, and:

- (a) the reporting issuer provides written submissions prior to the deadline for filing the business acquisition report which establishes to the satisfaction of

the appropriate regulator, that despite reasonable efforts during the purchase negotiations, the reporting issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;

- (b) the purchase agreement includes representations and warranties by the vendor that the amounts presented in the operating statement agree to the vendor's books and records; and
- (c) the reporting issuer discloses in the business acquisition report its inability to obtain an audited operating statement, the reasons therefor, the fact that the representations and warranties referred to in clause (ii) have been obtained, and a statement that the results presented in the operating statements may have been materially different if the statements had been audited.

6.7 GAAP Reconciliation

Subsection 8.6(4) of the Instrument specifies that if financial statements for an acquired business or related businesses are prepared in accordance with accounting principles that are different than the accounting principles used to prepare the reporting issuer's financial statements, a reconciliation is required. Paragraph (b) of subsection 8.6(4) requires quantification of the effect of material differences that relate to measurement, including a tabular reconciliation for net income. As discussed in section 3.2 of this Companion Policy, while the differences impacting net income must be presented in a tabular format, differences relating to assets, liabilities, retained earnings, and other aspects of the financial statements may be presented in a tabular format or some other format.

6.8 Auditor's Report Accompanying Financial Statements of an Acquired Business or Related Businesses

An auditor's report required by subsection 8.4(1) that accompanies financial statements of an acquired business or related businesses may not contain a reservation of opinion except in the case of a reservation relating to inventory of a small business as set out in subsection 8.8(3)(b). The comments in section 3.4 of this Companion Policy also apply.

6.9 Pro Forma Financial Statement Disclosure for Significant Dispositions

- (1) **Business and Business Segments** – Section 8.17 of the Instrument requires that the notes to a reporting issuer's next filed financial statements include pro forma financial statements that give effect to significant dispositions that have been completed but are not reflected in the reporting issuer's financial statements. The disposition of a business segment, as defined in the Handbook, is excluded from the pro forma requirements because the financial statements presentation of a discontinued business segment is addressed by the Handbook.

- (2) **Acceptable Adjustments** – Pro forma adjustments should be limited to those that are directly attributable to a specific disposition transaction for which there are firm commitments and for which complete financial effects are objectively determinable.
- (3) **Multiple Dispositions** – If the pro forma financial statements give effect to more than one significant disposition, the pro forma adjustments may be grouped by line item on the face of the pro forma financial statements provided the details for each transaction are disclosed in the notes.

6.10 Exemptions From Requirement for Financial Statements in a Business Acquisition Report

- (1) **Exemptions** – We are of the view that relief from the financial statement requirements of Part 8 of the Instrument should be granted only in unusual circumstances not related to cost or the time involved in preparing and auditing the financial statements. Reporting issuers seeking relief from the financial statement or audit requirements of Part 8 must apply for the relief before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable. Reporting issuers are reminded that many securities regulatory authorities and regulators do not have the power to grant retroactive relief.
- (2) **Conditions to Exemptions** – If relief is granted from the requirements of Part 8 of the Instrument to include audited financial statements of an acquired business or related businesses, conditions will likely be imposed, such as a requirement to include audited divisional or partial income statements or divisional statements of cash flow, financial statements accompanied by an auditor’s report containing a reservation of opinion relating to inventory, or an audited statement of net operating income for a business.
- (3) **Exemption from Including One or More Years** – Relief may be granted from the requirement to include financial statements of an acquired business or related businesses for one or more years in a business acquisition report in some situations that may include the following:
 - (a) the business’s historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to:
 - (i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is required to be filed, that the reporting issuer made every reasonable effort to obtain copies of, or reconstruct the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and
 - (ii) disclose in the business acquisition report the fact that the historical accounting records have been destroyed and cannot be reconstructed;

- (b) the business has recently emerged from bankruptcy and current management of the business and the reporting issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to:
 - (i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is filed that the reporting issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful;
 - (ii) disclose in the business acquisition report the fact that the business has recently emerged from bankruptcy and current management of the business and the reporting issuer are denied access to the historical accounting records;
 - (c) the business has undergone a fundamental change in the nature of its business or operations affecting the majority of its operations and all, or substantially all, of the executive officers and directors of the company have changed. The evolution of a business or progression of a development cycle will not be considered to be a fundamental change in a reporting issuer's business or operations. Relief from the requirement to include audited financial statements of the business for the year in which the change in operations occurred, or for the most recently completed financial year if the change in operations occurred during the business's current financial year, generally will not be granted.
- (4) **Pro Forma Income Statement** – The pro forma income statement prepared to give effect to significant dispositions should only present items included in income from continuing operations.
- (5) **Constructed Financial Statements of the Business for the Purpose of Preparing Pro Forma Financial Statements** – An income statement of a disposed business that is constructed or otherwise carved out from the reporting issuer's financial statements for the purpose of preparing a pro forma income statement does not need to be audited or provided as separate financial statements. Only a separate column in the pro forma income statements is required.

6.11 Foreign GAAS Substantially Equivalent to Canadian GAAS

We are of the view that in order for auditing standards to be substantially equivalent to Canadian GAAS, they must require underlying audit work that is comparable in scope, nature and timing to the work required in connection with an audit in accordance with Canadian GAAS. For example, auditing standards of a foreign jurisdiction such as the United States are known to the Canadian securities regulatory authorities to be substantially equivalent to the standards of the CICA.

Foreign issuers using auditors from foreign jurisdictions, with auditing standards and supervision that are less well known to securities regulatory authorities or regulators, are encouraged to consult with staff of securities regulatory authorities or regulators in advance of filing of financial statements to resolve uncertainty as to whether the securities regulatory authority or regulator will consider a particular auditor or auditing standards to be acceptable.

In making a determination of whether the foreign auditing standards applied are substantially equivalent to Canadian GAAS, auditors are referred, in particular, to the general standard of Canadian GAAS as set out in Section 5100 of the Handbook and its reference to an auditor's "objective state of mind". As discussed in Section 3.6 of this Companion Policy, auditor independence is an essential element of Canadian GAAS and should be reflected, among other things, in the foreign GAAS applied in order for the foreign GAAS applied and Canadian GAAS to be considered substantially equivalent.

PART 7 – ADDITIONAL FILING REQUIREMENTS

7.1 Additional Filing Requirements

Section 11.1 of the Instrument requires a document to be filed only if it contains information that has not been included in disclosure already filed by the reporting issuer. For example, if a reporting issuer has filed a material change report under the Instrument and the Form 6-K filed by the reporting issuer with the SEC discloses the same information, whether in the same or a different format, there is no requirement to file the Form 6-K under the Instrument.

PART 8 – EXEMPTIONS

8.1 Review of Exemptions and Waivers

Section 13.2 of the Instrument essentially allows a reporting issuer, in certain circumstances, to continue to rely upon an exemption or waiver from continuous disclosure obligations obtained prior to the Instrument coming into force if the exemption or waiver relates to a substantially similar provision in the Instrument and the reporting issuer provides written notice to the securities regulatory authority or regulator of its reliance on such exemption or waiver. Upon receipt of such notice, the Canadian securities regulatory authorities will review it to determine if the provision of the Instrument referred to in the notice is substantially similar to the provision from which the prior exemption, waiver or approval was granted.

Appendix A
Presentation of Comparatives after Change from Canadian GAAP
To US GAAP for SEC Issuers

As discussed in section 3.3 of this Companion Policy, the following are examples of the format for presentation of comparative financial information for both annual and interim financial statements.

1. Annual Financial Statements

(a) First Year in US GAAP

	<u>Current Year</u> (US GAAP)	Prior Year Comparative Restated (US GAAP)	Prior Year Comparative as Previously Reported (Canadian GAAP)
Financial Statement Line Item			

Note: The notes to the annual financial statements would set out the reconciliation information in the manner specified in Part 4.7(3) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- quantification of the differences
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

2. Interim Financial Statements

(a) All Comparative Figures Presented on the Face of the Interim Financial Statements and note disclosure of reconciliation information

(i) Balance Sheet

F/S Line Item	<u>Current Year</u> (US GAAP)	Prior Year Comparative <u>Restated</u> (US GAAP)	Prior Year Comparative as <u>Previously Reported</u> (Canadian GAAP)
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(ii) Statements of Income and Cash Flows

F/S Line Item	Current Interim Period (3 <u>months</u>) (US GAAP)	Comparative Interim Period (3 months) <u>Restated</u> (US GAAP)	Comparative Interim Period (3 months) as Previously <u>Reported</u> (Canadian GAAP)	Current Year to Date Interim <u>Period</u> (US GAAP)	Comparative Year to Date Interim Period <u>Restated</u> (US GAAP)	Comparative Year to Date Interim Period as Previously <u>Reported</u> (Canadian GAAP)
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(iii) Notes to the Interim Financial Statements

The notes to the interim financial statements would set out the reconciliation information in the manner specified in Part 4.7(3) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- quantification of the differences
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

(b) Comparative Figures as Previously Reported in Canadian GAAP Presented as a Schedule or a Note to the Interim Financial Statements and Separate Note Presentation of Reconciliation

(i) Balance Sheet

F/S Line Item	<u>Current Year</u> (US GAAP)	Prior Year Comparative <u>Restated</u> (US GAAP)
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(ii) Statements of Income and Cash Flows

F/S Line Item	Current Interim Period (3 <u>months</u>) (US GAAP)	Comparative Interim Period (3 months) <u>Restated</u> (US GAAP)	Current Year to Date Interim <u>Period</u> (US GAAP)	Comparative Year to Date Interim Period <u>Restated</u> (US GAAP)
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(iii) Schedule or Note to the Interim Financial Statements - Disclosing the Comparatives as Previously Reported in Canadian GAAP and as Restated in US GAAP

(A) Schedule or Note to the Interim Financial Statements – Balance Sheet Comparatives

F/S Line Item	Prior Year Comparative <u>Restated</u> (US GAAP)	Prior Year Comparative as <u>Previously Reported</u> (Canadian GAAP)
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**(B) Schedule or Note to the Interim Financial Statements –
Statements of Income and Cash Flows Comparatives**

Comparative Interim Period (3 months) <u>Restated</u> (US GAAP)	Comparative Interim_Period (3 months) as Previously <u>Reported</u> (Canadian GAAP)	Comparative Year to Date Interim Period <u>Restated</u> (US GAAP)	Comparative Year to Date Interim Period as Previously <u>Reported</u> (Canadian GAAP)
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F/S Line Item

(iv) Notes to the Interim Financial Statements

The notes to the interim financial statements would set out the reconciliation information in the manner specified in Part 4.7(3) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- quantification of the differences
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

(c) Comparative Figures as Previously Reported in Canadian GAAP Presented as a Schedule or a Note to the Interim Financial Statements and Integrated with Reconciliation Information

(i) Balance Sheet

<u>Current Year</u> (US GAAP)	Prior Year Comparative <u>Restated</u> (US GAAP)
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F/S Line Item

(ii) **Statements of Income and Cash Flows**

	Current Interim Period (3 months) <u>months</u> (US GAAP)	Comparative Interim Period (3 months) <u>Restated</u> (US GAAP)	Current Year to Date Interim <u>Period</u> (US GAAP)	Comparative Year to Date Interim Period <u>Restated</u> (US GAAP)
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F/S Line Item

(iii) **Schedule or Note to the Interim Financial Statements - Disclosing the Comparatives as Previously Reported in Canadian GAAP, Reconciling Adjustments, and Comparatives in US GAAP as Restated**

(A) **Schedule or Note to the Interim Financial Statements – Balance Sheet Comparatives**

	Prior Year Comparatives as <u>Previously Reported</u> (Canadian GAAP)	<u>Reconciling Adjustments</u>	Prior Year Comparative <u>Restated</u> (US GAAP)
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F/S Line Item

(B) **Schedule or Note to the Interim Financial Statements – Statements of Income and Cash Flows Comparatives**

Comparative Interim Period (3 months) as Previously <u>Reported</u> (Canadian GAAP)	<u>Reconciling Adjustments</u>	Comparative Interim Period (3 months) <u>Restated</u> (US GAAP)	Comparative Year to Date Interim Period as Previously <u>Reported</u> (Canadian GAAP)	<u>Reconciling Adjustments</u>	Comparative Year to Date Interim Period <u>Restated</u> (US GAAP)
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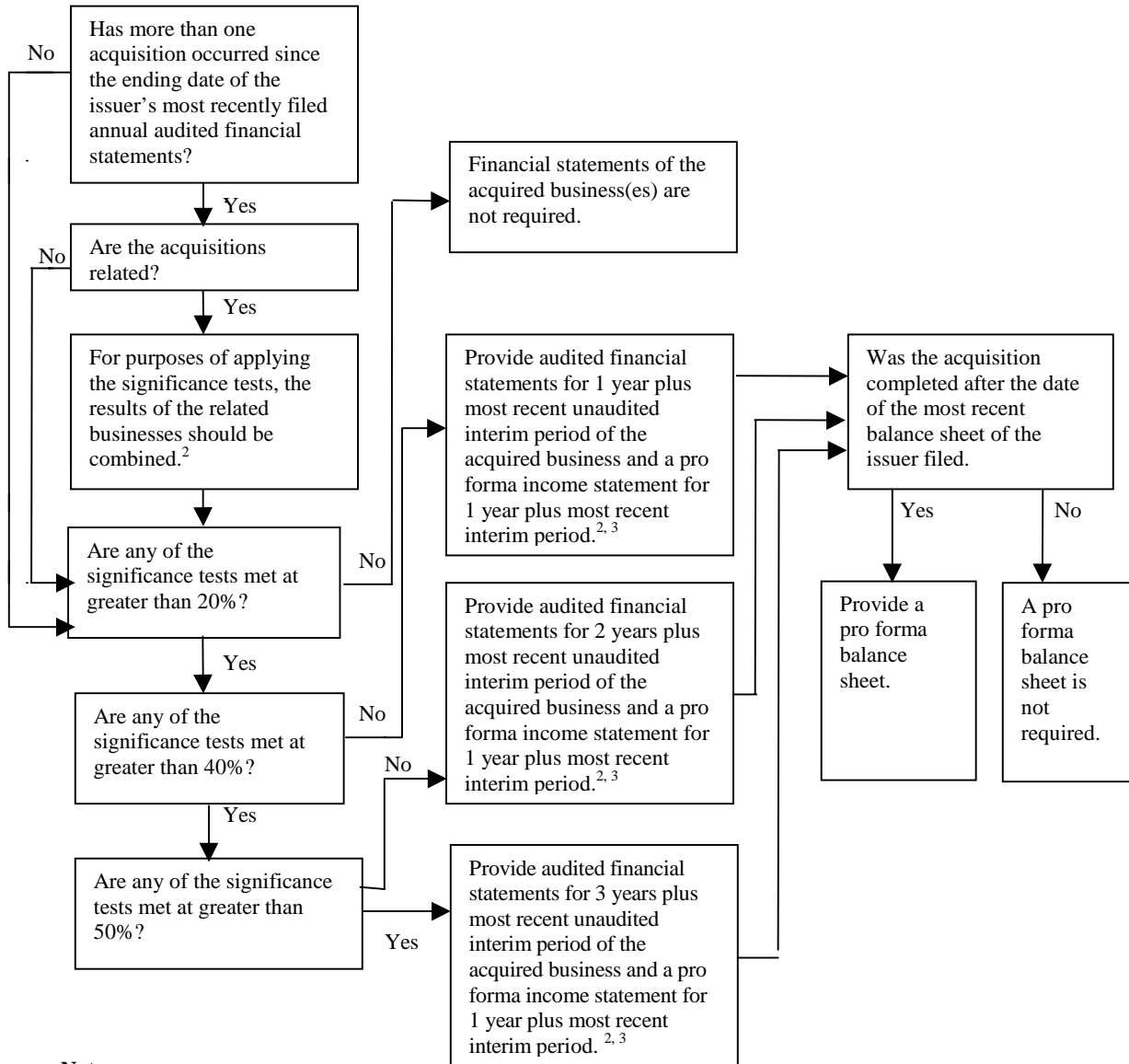
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(iv) **Notes to the Interim Financial Statements**

The notes to the interim financial statements would set out the reconciliation information in the manner specified in Part 4.7(3)(a) and (c) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

**APPENDIX B
BUSINESS ACQUISITIONS DECISION CHART FOR DETERMINING
FINANCIAL STATEMENTS REQUIRED IN A BUSINESS ACQUISITION REPORT¹**



Notes

¹ This decision chart provides general guidance and should be read in conjunction with National Instrument 51-102 and Companion Policy 51-102CP.

² If an acquisition of related businesses constitutes a significant acquisition when the results of the related businesses are combined, the required financial statements shall be provided for each of the related businesses, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

³ As an alternative to the most recent interim period, financial statements for the acquired business may be provided for the period that started the day after the business' most recent annual balance sheet and ended on a day that is more recent than the ending date of the most recent interim period otherwise required and is not later than the date of acquisition.

FORM 51-102F1

ANNUAL INFORMATION FORM

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FORM 51-102 F1

AIF

Part 1 – General Instructions and Interpretation

(a) What is an AIF?

An AIF (annual information form) is required to be filed annually by certain companies under Part 5 of National Instrument 51-102. An AIF is a disclosure document intended to provide material information about your company and its business up to a point in time. This disclosure is supplemented throughout the year by subsequent continuous disclosure filings including press releases, material change reports, business acquisition reports, financial statements and management discussion and analysis. Your AIF describes your company, its operations and prospects, risks and other external factors that impact your company specifically.

(b) Use of “Company”

Wherever this Form uses the word “company”, the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Focus on Material Information

Focus your AIF on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material. However, you must disclose all corporate and individual cease trade orders, bankruptcies, penalties and sanctions in accordance with Item 7 of this Form.

(d) What is Material?

Would a reasonable investor’s decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(e) Incorporating Information by Reference

You may incorporate information in your AIF by reference to another document. Clearly identify the referenced document or any excerpt of it that you incorporate into your AIF. Unless the referenced document or excerpt has already been filed, you must file it with your AIF.

(f) Date / Timing of Information

Information in your AIF must be presented as at the last day of your company’s most recently completed financial year, except where noted in your AIF.

Your AIF must be dated as of a particular date. The date of your AIF must be no earlier than the last date of the auditor's report on your company's most recent annual financial statements. If a material change affecting the company occurs after the date as at which the disclosure in the AIF is presented and before filing, include this information in the AIF.

You must file your AIF within 10 days of the date of the AIF.

(g) Reverse Take-overs

If your company has been involved in a business combination accounted for as a reverse take-over, disclosure required in your AIF must also be provided for the legal subsidiary, as that term is used in the Handbook.

(h) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(i) Plain Language

Write this document so that readers are able to understand it. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(j) Special Purpose Vehicles

If your company is a special purpose vehicle, you may have to modify the disclosure items in this Form to reflect the special purpose nature of your company's business.

(k) Numbering / Headings

The numbering, headings and ordering of items included in this Form are intended as guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(l) Include Subsidiaries and Investees

All references to your company in Items 3 through 5 of this Form apply to both your company and its subsidiaries and investees, if the disclosure concerning your company's subsidiaries and investees is material.

(m) Omitted Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

Part 2 – Content of AIF

Item 1: Cover Page

1.1 Date

Date your AIF.

1.2 Revisions

If you revise your company's AIF after you have filed it, identify it as a "revised AIF".

Item 2: Corporate Structure

2.1 Name and Incorporation

(1) State your company's full corporate name or, if your company is an unincorporated entity, the full name under which it exists and carries on business.

(2) State the statute under which your company is incorporated, continued or organized or, if your company is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of your company.

2.2 Intercorporate Relationships

Describe, by way of a diagram or otherwise, the intercorporate relationships among your company and its subsidiaries as of your company's most recent financial year-end. For each subsidiary state

- (a) what percentage of the votes attaching to all voting securities are beneficially owned, controlled or directed, by your company;
- (b) what percentage of each class of non-voting securities are beneficially owned, controlled or directed, by your company; and
- (c) where it was incorporated or continued.

INSTRUCTION

You may omit a particular subsidiary if, at the most recent financial year-end of your company,

- (i) the total assets of the subsidiary do not exceed 10% of the consolidated assets of your company;*
- (ii) the sales and operating revenues of the subsidiary do not exceed 10% of the consolidated sales and operating revenues of your company; and*

- (iii) *the conditions in paragraphs (i) and (ii) would be satisfied if you*
 - (A) *aggregated the subsidiaries that may be omitted under paragraphs (i) and (ii), and*
 - (B) *changed the reference in those paragraphs from 10% to 20%.*

Item 3: General Development of the Business

3.1 Three Year History

Describe how your company's business has developed over the last three completed financial years. Include only major events or conditions that have influenced the general development of the business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in your company's business that you expect will occur during the current financial year.

INSTRUCTION

Include the business of subsidiaries only to the extent necessary to explain the character and development of the business conducted by the combined enterprise.

3.2 Significant Acquisitions and Significant Dispositions

(1) General - Disclose

- (a) any significant acquisition completed by your company during its most recently completed financial year for which financial statement disclosure is required under Part 8 of National Instrument 51-102, other than significant acquisitions for which your company has already filed a Form 51-102 F4;
- (b) by cross-reference, any Forms 51-102 F4 filed by your company since you filed your previous AIF; and
- (c) any significant disposition completed by your company during its most recently completed financial year.

(2) Details - Under subsection (1) include particulars of

- (a) the nature of the assets acquired or disposed of;
- (b) the date of each significant acquisition or significant disposition;
- (c) the consideration, both monetary and non-monetary, paid to, or by, your company;
- (d) any material obligations that must be satisfied to keep any significant acquisition or significant disposition agreement in good standing;

- (e) how the significant acquisition or significant disposition will impact the operating results and financial position of your company;
- (f) any valuation opinion obtained by the acquired business or your company within the last 12 months required under securities legislation or a requirement of a Canadian exchange or market to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used; and
- (g) whether the transaction is with an insider, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

Item 4: Describe the Business

4.1 General

- (1) Describe the business of your company and its operating segments that are reportable segments as those terms are used in the Handbook. For each reportable segment include:
 - (a) **Summary** - For principal products or services,
 - (i) their principal markets;
 - (ii) distribution methods;
 - (iii) for each of the two most recently completed financial years, as dollar amounts or as percentages, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from
 - A. sales to customers, other than investees, outside the consolidated entity,
 - B. sales or transfers to investees, and
 - C. sales or transfers to controlling shareholders.
 - (b) **Competitive Conditions** - The competitive conditions in your company's principal markets and geographic areas, including, if reasonably possible, an assessment of your company's competitive position.
 - (c) **New Products** - If you have publicly announced the introduction of a new product, the status of the product.
 - (d) **Components** - The sources, pricing and availability of raw materials, component parts or finished products.

- (e) **Intangible Properties** - The importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks.
 - (f) **Cycles** - The extent to which the business of the segment is cyclical or seasonal.
 - (g) **Contracts** - A description of any aspect of your company's business that may be affected in the current financial year by renegotiation or termination of contracts or sub-contracts and the likely effect.
 - (h) **Environmental Protection** - The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of your company in the current financial year and the expected effect in future years.
 - (i) **Employees** - The number of employees as at the most recent financial year-end or the average number of employees over the year, whichever is more meaningful in order to understand the business.
 - (j) **Foreign Operations** - Describe the dependence of your company and any segment upon foreign operations.
- (2) **Bankruptcy, etc.** - Disclose the nature and results of any bankruptcy, receivership or similar proceedings against your company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by your company or any of its subsidiaries, within the three most recently completed financial years or the current financial year.
- (3) **Reorganizations** - Disclose the nature and results of any material reorganization of your company or any of its subsidiaries within the three most recently completed financial years or the current financial year.

4.2 Risk Factors

Disclose risk factors relating to your company and its business.

4.3 Companies with Asset-backed Securities Outstanding

For companies with asset-backed securities outstanding that were distributed under a prospectus, disclose:

- (1) **Payment Factors** - a description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the asset-backed securities;

(2) **Underlying Pool of Assets** - for the two most recently completed financial years of your company or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, information on the underlying pool of financial assets relating to

- (a) the composition of the pool as of the end of each financial year or partial period;
- (b) income and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;
- (c) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;
- (d) servicing and other administrative fees; and
- (e) any significant variances experienced in the matters referred to in paragraphs (a), (b), (c), or (d);

(3) **Investment Parameters** - the investment parameters applicable to investments of any cash flow surpluses;

(4) **Payment History** - the amount of payments made during the two most recently completed financial years or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on asset-backed securities of your company outstanding;

(5) **Acceleration Event** - the occurrence of any event that has led to, or with the passage of time could lead to, the accelerated payment of principal, interest or capital of asset-backed securities; and

(6) **Principal Obligors** - the identity of any principal obligors for the outstanding asset-backed securities of your company at the end of the most recent financial year or interim period, the percentage of the underlying pool of financial assets represented by obligations of each principal obligor and whether the principal obligor has filed an AIF in any jurisdiction or a Form 10-K or Form 20-F in the United States.

INSTRUCTIONS

(i) *Present the information requested under subsection (1) in a manner that enables a reader to easily determine the status of the events, covenants, standards and preconditions referred to in subsection (1).*

(ii) *If the information required under subsection (2)*

- (A) *is not compiled specifically on the underlying pool of financial assets, but is compiled on a larger pool of the same assets from which the securitized assets are*

randomly selected such that the performance of the larger pool is representative of the performance of the pool of securitized assets, or

- (B) *in the case of a new company, where the underlying pool of financial assets will be randomly selected from a larger pool of the same assets such that the performance of the larger pool will be representative of the performance of the pool of securitized assets to be created,*

then a company may comply with subsection (2) by providing the information required based on the larger pool and disclosing that it has done so.

4.4 Companies With Mineral Projects

For companies with a mineral project, disclose the following information for each property material to your company:

(1) Property Description and Location

- (a) The area (in hectares or other appropriate units) and the location of the property.
- (b) The nature and extent of your company's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights.
- (c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject.
- (d) All environmental liabilities to which the property is subject.
- (e) The location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailing ponds, waste deposits and important natural features and improvements.
- (f) To the extent known, the permits that must be acquired to conduct the work proposed for the property and if the permits have been obtained.

(2) Accessibility, Climate, Local Resources, Infrastructure and Physiography

- (a) The means of access to the property.
- (b) The proximity of the property to a population centre and the nature of transport.
- (c) To the extent relevant to the mining project, the climate and length of the operating season.
- (d) The sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas,

potential waste disposal areas, heap leach pads areas and potential processing plant sites.

(e) The topography, elevation and vegetation.

(3) **History**

(a) The prior ownership and development of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known.

(b) If your company acquired a property within the three most recently completed financial years or during the current financial year from, or intends to acquire a property from, an insider or promoter of your company or an associate or affiliate of an insider or promoter, the name and address of the vendor, the relationship of the vendor to your company, and the consideration paid or intended to be paid to the vendor.

(c) To the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in paragraph (b).

(4) **Geological Setting** - The regional, local and property geology.

(5) **Exploration** - The nature and extent of all exploration work conducted by, or on behalf of, your company on the property, including

(a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;

(b) an interpretation of the exploration information;

(c) whether the surveys and investigations have been carried out by your company or a contractor and if by a contractor, the name of the contractor; and

(d) a discussion of the reliability or uncertainty of the data obtained in the program.

(6) **Mineralization** - The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.

(7) **Drilling** - The type and extent of drilling, including the procedures followed and an interpretation of all results.

- (8) **Sampling and Analysis** - The sampling and assaying including
- (a) description of sampling methods and the location, number, type, nature, spacing or density of samples collected;
 - (b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;
 - (c) a discussion of the sample quality and whether the samples are representative and of any factors that may have resulted in sample biases;
 - (d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and
 - (e) quality control measures and data verification procedures.
- (9) **Security of Samples** - The measures taken to ensure the validity and integrity of samples taken.
- (10) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including
- (a) the quantity and grade or quality of each category of mineral resources and mineral reserves;
 - (b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and
 - (c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.
- (11) **Mining Operations** - For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.
- (12) **Exploration and Development** - A description of your company's current and contemplated exploration or development activities, to the extent they are material.

INSTRUCTIONS

(i) Disclosure regarding mineral exploration development or production activities on material properties must comply with and is subject to the limitations set out in National Instrument 43-101 Standards of Disclosure for Mineral Projects. You must use the appropriate terminology to describe mineral reserves and mineral resources. You must base your disclosure on a technical report, or other information, prepared by or under the supervision of a qualified person.

(ii) *Disclosure is required for each property material to your company. A property will not generally be considered material to a company if the book value of the property as reflected in your company's most recently filed financial statements or the value of the consideration paid or to be paid (including exploration obligations) is less than 10 per cent of the book value of the total of your company's mineral properties and related plant and equipment.*

(iii) *In giving the information required under section 4.4 include the nature of ownership interests, such as fee interests, leasehold interests, royalty interests and any other types and variations of ownership interests.*

4.5 Companies with Oil and Gas Activities

If your company is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) or in extracting hydrocarbons from shale, tar sands or coal, disclose the following information:

(1) Reserves Data and Other Information

- (a) In the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared as at the end of a financial year, disclose that information as at your company's most recently completed financial year-end.
- (b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for the most recently completed financial year for which MD&A is provided.
- (c) To the extent not reflected in the information disclosed in response to paragraphs (a) and (b), disclose the information contemplated by Part 6 of National Instrument 51-101, in respect of material changes that occurred after your company's most recently completed financial year-end.

(2) **Report of Qualified Independent Evaluator** - Include with the disclosure under subsection 4.5(1) the report of a qualified evaluator, referred to in Item 2 of section 5.1 of National Instrument 51-101, on the reserves data included in the disclosure required under paragraph (1)(a) above.

(3) **Report of Management** - Include with the disclosure under subsection 4.5(1) a report in the form of Form 51-101F2 *Report of Management on Oil and Gas Disclosure* that refers to the information disclosed under subsection 4.5(1).

INSTRUCTION

The information presented in response to section 4.5 must be in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Item 5: Selected Consolidated Financial Information

5.1 Annual Information

Provide the following financial data derived from your company's financial statements filed under section 4.1 of National Instrument 51-102 in summary form for each of the three most recently completed financial years:

- (a) Net sales or total revenues.
- (b) Income from continuing operations.
- (c) Net income or loss.
- (d) Total assets.
- (e) Total long-term financial liabilities as defined in the Handbook.
- (f) Cash dividends declared per share for each class of share.

Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of your business, and any other information your company believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

5.2 Dividends

- (1) Describe any restriction that could prevent your company from paying dividends.
- (2) Disclose your company's current dividend policy and any intended change in dividend policy.

5.3 Foreign Accounting Principles

You may present the selected consolidated financial information required under section 5.1 using accounting principles other than Canadian GAAP if:

- (a) your company's primary financial statements have been prepared using accounting principles other than Canadian GAAP as permitted under securities legislation; and
- (b) if your company has reconciled its financial statements to Canadian GAAP, you provide a cross-reference to the notes to the financial statements containing the reconciliation.

Item 6: Market for Securities

Identify the exchange(s) and quotation system(s) on which your company's securities are listed and posted for trading or quoted.

Item 7: Directors and Officers

7.1 Name, Address, Occupation and Security Holding

- (1) List the name and municipality of residence of each director and executive officer of your company and indicate their respective positions and offices held with your company and their respective principal occupations within the five preceding years.
- (2) State the period or periods during which each director has served as a director and when his or her term of office will expire.
- (3) State the number and percentage of securities of each class of voting securities of your company or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised, by all directors and executive officers of your company as a group.
- (4) Identify the members of each committee of the board.
- (5) If the principal occupation of a director or officer of your company is acting as an officer of a person or company other than your company, disclose the fact and state the principal business of the person or company.

INSTRUCTION

For the purposes of subsection (3), securities of subsidiaries that are beneficially owned, directly or indirectly, or controlled or directed by directors or executive officers through ownership or control or direction over securities of your company, do not need to be included.

7.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

- (1) If a director or officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, is, or within the 10 years before the date of the AIF has:
 - (a) been a director or officer of any company (including your company) that, while that person was acting in that capacity:
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;
or

- (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
 - (b) been the subject of an order to cease trading in securities or an order that denied the person or company access to any exemptions under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
 - (c) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder, state the fact.
- (2) Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, has:
- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.
- (3) Despite subsection (2), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

INSTRUCTION

The disclosure required by subsections (1) and (2) also applies to any personal holding companies of any of the persons referred to in subsections (1) and (2).

7.3 Conflicts of Interest

Disclose particulars of existing or potential material conflicts of interest between your company or a subsidiary of your company and any director or officer of your company or a subsidiary of your company.

Item 8: Additional Information

8.1 Additional Information

(1) Disclose that additional information relating to your company may be found on SEDAR at www.sedar.com. Disclose the manner in which holders of securities of your company may contact the company in order to obtain, without charge, copies of financial statements and MD&A of your company as required by sections 4.12 and 6.5 of National Instrument 51-102.

(2) Include a statement to the effect that additional information including directors' and officers' remuneration and indebtedness, principal holders of your company's securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, if applicable, is contained in your company's information circular for its most recent annual meeting of securityholders that involved the election of directors and that additional financial information is provided in your company's comparative financial statements and MD&A for its most recently completed financial year.

Item 9: Additional Disclosure for Companies Not Sending Information Circulars

9.1 Additional Disclosure

For companies that are not required to distribute a Form 51-102 F5 to any of their securityholders, disclose the information required under Items 5 - 12 of Form 51-102 F5, as modified below:

<u>Form 51-102 F5 Reference</u>	<u>Modification</u>
Item 5 - Voting Securities and Principal Holders of Voting Securities	Include the disclosure specified in section 5.1 without regard to the phrase "entitled to be voted at the meeting". Do not include the disclosure specified in sections 5.2 and 5.3. Include the disclosure specified in section 5.4.
Item 6 – Election of Directors	Disregard the preamble of section 6.1. Include the disclosure specified in section 6.1 without regard to the word "proposed" throughout. Do not include the disclosure specified in section 6.2.
Item 7 – Executive Compensation	Include this disclosure.
Item 8 – Securities Authorized for Issuance under Equity Compensation Plans	Include this disclosure.
Item 9 – Indebtedness of Directors and Executive	Include the disclosure specified throughout; however, replace the phrase "date of the information circular" with "date of the AIF"

<u>Form 51-102 F5 Reference</u>	<u>Modification</u>
Officers	throughout.
Item 10 – Interests of Insiders in Material Transactions	Include this disclosure.
Item 11 – Appointment of Auditor	Name the auditor. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.
Item 12 – Management Contracts	Include this disclosure.

FORM 51-102F2

MANAGEMENT DISCUSSION & ANALYSIS

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FORM 51-102F2

MANAGEMENT DISCUSSION & ANALYSIS

Part 1 — General Instructions and Interpretation

(a) What is MD&A?

MD&A provides an opportunity to explain to your shareholders and other investors how your company performed during the period covered by the financial statements, along with your company's financial condition and future prospects.

MD&A supplements but does not form part of your financial statements. Your MD&A must discuss material information that may not be fully reflected in the financial statements. Some examples are legal proceedings, contingent liabilities and defaults under debt, off-balance sheet financing arrangements or other contractual obligations.

(b) What must you discuss?

You must discuss your company's results of operations, financial condition, liquidity and capital resources.

(c) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(d) Explain your analysis

Explain the nature of and reasons for changes in your company's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate language. Your discussion should assist the reader to understand trends, events, transactions or expenditures.

(e) Focus on material information

Focus your MD&A on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material.

(f) What is material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(g) Forward-looking information

You are encouraged to provide forward-looking information provided you have a reasonable basis for making the statements. Preparing your MD&A necessarily involves some degree of prediction or projection. For example, MD&A requires a discussion of known trends or uncertainties that have had or that your company reasonably expects will have favourable or unfavourable effects on net sales or revenues or income or loss from continuing operations. However, MD&A does not require that your company provide a detailed forecast of future revenues, income or loss or other information.

All forward-looking information must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ materially from the forward-looking information, your material assumptions and appropriate risk disclosure and cautionary language.

You must discuss any forward-looking information disclosed in MD&A for a prior period which in light of intervening events and absent further explanation, may be misleading. Forward looking statements may be considered misleading when they are unreasonably optimistic or aggressive, or lack objectivity, or are not adequately explained. Your timely disclosure obligations might also require you to issue a news release and file a material change report.

(h) Development stage issuers

If your company is a development stage issuer focus your discussion and analysis of results of operations on expenditures and progress towards achieving your business objectives and milestones.

(i) Reverse take-over transactions

When an acquisition is accounted for as a reverse take-over, the business acquired is the legal subsidiary which, for accounting purposes, is the continuing entity. Accordingly, the MD&A should generally be based on the legal subsidiary's financial statements for the year. If the reverse takeover occurred subsequent to the most recently completed financial year, the financial information disclosed in the quarterly MD&A should be of the legal parent; however, separate information about the legal subsidiary must be provided.

(j) Foreign accounting principles

If your company's primary financial statements have been prepared using accounting principles other than Canadian GAAP and a reconciliation is provided, your MD&A must focus on the primary financial statements.

(k) Resource issuers

If your company has mineral projects, your disclosure must comply with National Instrument 43-101 Standards of Disclosure for Mineral Projects, including ensuring all scientific and technical disclosure is based on a technical report or other information prepared by or under the supervision of a qualified person.

If your company has oil and gas activities, your disclosure must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

(l) Numbering / Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(m) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

Part 2 – Content of MD&A

Item 1 — Annual MD&A

1.1 Analyze your overall performance

Provide an analysis of your company's financial condition, results of operations and cash flows. Compare your company's performance in the most recently completed financial year to the prior year's performance. Analyze and compare at least the following:

- (a) operating segments that are reportable segments as those terms as are used in the Handbook or other parts of your business if:
 - (i) any part of the business has a disproportionate effect on revenues, income or cash needs;
 - (ii) there are any legal or other restrictions on the flow of funds from one part of your company's business to another; or
 - (iii) known trends, demands, commitments, events or uncertainties within a part of the business are reasonably likely to have an effect on the business as a whole;
- (b) industry and economic factors affecting your company's performance;
- (c) why changes have occurred or expected changes have not occurred in your company's financial condition and results of operations; and
- (d) the effect of discontinued operations on current operations.

INSTRUCTIONS

- (i) *When explaining changes in your company's financial condition and results, include an analysis of the impact on your continuing operations of any asset acquisition, disposition, write-off, abandonment or other similar transaction.*

- (ii) *Financial condition includes your company's financial position (as shown on the balance sheet) and other factors that may affect your company's liquidity and capital resources.*
- (iii) *Include information for a period longer than two financial years if it will help the reader to better understand a trend.*

1.2 Summary of quarterly results

Provide the following information for each of the eight most recently completed quarters at the end of the most recently completed financial year:

- (a) Net sales and total revenues;
- (b) Income from continuing operations; and
- (c) Net income or loss.

Development stage issuers must also provide:

- (d) Exploration and development expenditures;
- (e) Research and development expenditures, and
- (f) General and administrative expenditures.

Discuss the factors that have caused variations over the quarters.

INSTRUCTIONS

- (i) *You do not have to provide information for a quarter prior to your company becoming a reporting issuer if your company has not prepared quarterly financial statements for those quarters.*
- (ii) *Present the information in (b) and (c) in total and on a per share and fully diluted basis, as required by the Handbook.*

1.3 Results of operations

Discuss your analysis of your company's operations including:

- (a) net sales or total revenues by operating business segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;
- (b) any other significant factors that caused changes in net sales or total revenues;
- (c) cost of sales or gross profit;

- (d) expenditures for exploration, research, development, marketing or administration, whether expensed or deferred, and any other material expense or deferred cost;
- (e) if your company is a development stage issuer, a discussion of the expenditure breakdown included in your financial statements;
- (f) factors that caused a change in the relationship between costs and revenues, including changes in costs of labour or materials, price changes or inventory adjustments;
- (g) known trends, commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance including net sales, total revenue and income from continuing operations;
- (h) effect of inflation and specific price changes on your company's net sales and total revenues and on income from continuing operations;
- (i) a comparison in tabular form of disclosure you previously made about how your company was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on your company's ability to achieve its business objectives and milestones; and
- (j) unusual or infrequent events or transactions.

INSTRUCTIONS

- (i) *For sections 1.1, 1.2 and 1.3, consider identifying, discussing and analyzing the following factors:*
 - (A) *changes in customer buying patterns, including changes due to new technologies and changes in demographics;*
 - (B) *changes in selling practices, including changes due to new distribution arrangements or a reorganization of a direct sales force;*
 - (C) *changes in competition, including an assessment of the issuer's resources, strengths and weaknesses relative to those of its competitors;*
 - (D) *the impact of exchange rates;*
 - (E) *changes in pricing of inputs, constraints on supply, order backlog, or other input-related matters;*
 - (F) *changes in production capacity, including changes due to plant closures and work stoppages;*
 - (G) *changes in volume of discounts granted to customers, volumes of returns and allowances, excise and other taxes or other amounts reflected on a net basis against revenues; and*

- (H) *changes in the terms and conditions of service contracts.*
- (ii) *Your discussion under paragraphs (d) and (e) should enable the reader to understand the nature and purpose of the expenditures.*

1.4 Liquidity

Provide an analysis of your company's liquidity including:

- (a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain capacity to provide for planned growth;
- (b) trends or expected fluctuations in your company's liquidity, taking into account demands, commitments, events or uncertainties;
- (c) its working capital requirements;
- (d) liquidity risks associated with financial instruments;
- (e) if your company has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;
- (f) balance sheet conditions or income or cash flow items that may affect your company's liquidity;
- (g) legal or practical restrictions on the ability of subsidiaries to transfer funds to your company and the effect these restrictions have had or may have on the ability of your company to meet its obligations; and
- (h) defaults or arrears or anticipated defaults or arrears on:
 - (i) dividend payments, interest or principal payment on debt;
 - (ii) debt covenants during the most recently completed financial year; and
 - (iii) redemption or retraction or sinking fund payments;and how your company intends to cure the default or arrears.

INSTRUCTIONS

- (i) *In discussing your company's ability to generate sufficient amounts of cash and cash equivalents you should describe sources of funding and the circumstances that could affect those sources that are reasonably likely to occur. Examples of circumstances that could affect liquidity would be market price changes, economic downturns, defaults on guarantees and contractions of operations.*
- (ii) *In discussing trends or expected fluctuations in your company's liquidity and liquidity risks associated with financial instruments you should discuss:*

- (A) *provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment. Examples of such situations would be provisions linked to credit rating, earnings, cash flows or share price; and*
- (B) *circumstances that could impair your company's ability to undertake transaction considered essential to operations. Examples of such circumstances would be the inability to maintain investment grade credit, earnings per share, cash flow or share price.*
- (iii) *In discussing your company's balance sheet conditions or income or cash flow items you should present a summary, in tabular form, of all contractual obligations including payments due for each of the next five years and thereafter. An example that can be adapted to your company's particular facts is as follows:*

<i>Contractual Obligations</i>	<i>Payments Due by Period</i>				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1 - 3 years</i>	<i>4 - 5 years</i>	<i>After 5 years</i>
<i>Long Term Debt</i>					
<i>Capital Lease Obligations</i>					
<i>Operating Leases</i>					
<i>Unconditional Purchase Obligations</i>					
<i>Other Long Term Obligations</i>					
<i>Total Contractual Obligations</i>					

- (iv) *In discussing your company's working capital requirements you should discuss situations where your company must maintain significant inventory to meet customers' delivery requirements or any situations involving extended payment terms.*

1.5 Capital resources

Provide an analysis of your company's capital resources including:

- (a) commitments for capital expenditures as of the date of your company's financial statements including:

- (i) the amount, nature and purpose of these commitments;
 - (ii) the expected source of funds to meet these commitments;
 - (iii) expenditures not yet committed but required to maintain your company's capacity and meet your company's planned growth;
- (b) known trends or expected fluctuations in your company's capital resources, including expected changes in the mix and relative cost of these resources; and
- (c) sources of financing that your company has arranged but not yet used.

INSTRUCTIONS

(i) *Capital resources are financing resources available to your company and include debt, equity and any other financing arrangements, including off-balance sheet financing arrangements, that you reasonably consider will provide financial resources to your company.*

(ii) *In discussing your company's capital resources you should discuss off-balance sheet arrangements such as their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments. Your discussion of the risks associated with an off-balance sheet arrangement should include:*

- (A) *a description of the other contracting party(ies);*
- (B) *the effects of terminating the arrangement;*
- (C) *the amounts receivable or payable, revenues, expenses and cash flows resulting from the arrangement; and*
- (D) *the amounts of any guarantees, lines of credit, stand-by letters of credit or other arrangements that could require your company to provide funding under the arrangement.*

(iii) *In discussing your company's capital resources you should present a summary, in tabular form, of all contractual commitments as at your latest balance sheet date and detailing the expiry date for each of the next 5 years and thereafter. An example that can be adapted to your company's particular facts is as follows:*

		Amount of commitment expiration per period			
Contractual Commitments	Total Amounts Committed	Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
<i>Lines of Credit</i>					

<i>Contractual Commitments</i>	<i>Total Amounts Committed</i>	<i>Amount of commitment expiration per period</i>			
		<i>Less than 1 year</i>	<i>1 – 3 years</i>	<i>4 – 5 years</i>	<i>Over 5 years</i>
<i>Standby Letters of Credit</i>					
<i>Guarantees</i>					
<i>Standby Repurchase Obligations</i>					
<i>Other Contractual Commitments</i>					
<i>Total Contractual Commitments</i>					

- (iv) *In discussing your company’s commitments you should discuss any exploration and development, and research and development expenditures required to maintain properties or agreements in good standing.*

1.6 Transactions with related parties

Discuss all transactions involving related persons or entities including arrangements that involve transaction terms that differ from those that would likely be negotiated with clearly independent third parties.

Discuss transactions with related persons or entities including all related parties as defined by the Handbook and any parties that do not meet the Handbook definition of “related parties”, but with whom you have a relationship that enables you to negotiate terms of transactions that may not be available from other, more clearly independent third parties.

INSTRUCTION

- (i) *In discussing your company’s transactions with related persons or entities you should discuss:*
- (A) *the business purpose of the arrangement;*
 - (B) *the identification of the related person or entities;*

- (C) *how the transaction prices were determined;*
 - (D) *if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made and by whom; and*
 - (E) *any ongoing contractual or other commitments resulting from the arrangement.*
- (ii) *Specific disclosure may be necessary regarding relationships with unconsolidated, non-independent, limited purpose entities often referred to as structured finance or special purpose entities.*

1.7 Fourth quarter

Discuss and analyze fourth quarter events or items that affected your company's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of your company's business and dispositions of business segments.

1.8 Proposed transactions

Discuss the expected impact on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if your company's board of directors, or senior management who expect the board to agree, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

INSTRUCTION

You do not have to disclose this information if your company has filed a confidential material change report regarding the transaction and the transaction has not yet been publicly disclosed.

1.9 Critical Accounting Policies

Discuss and explain critical accounting policies that impact on the financial condition, results of operations and cash flows, including:

- (a) judgments and uncertainties affecting the application of those policies; and
- (b) the likelihood that materially different amounts would be reported under different policies or using different assumptions.

INSTRUCTION

Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results of operations and cash flows and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

1.10 Changes in accounting policies

Discuss and analyze any changes in your company's accounting policies that you have adopted or expect to adopt subsequent to the date of your company's financial statement. Changes include changes you voluntarily made and those due to a change in an accounting standard, or a new accounting standard, that you do not have to adopt until a future date. Your disclosure should include:

- (a) a brief description of the new standard, the date you are required to adopt it and, if determined, the date you plan to adopt it;
- (b) the methods of adoption permitted by the accounting standard and the method you expect to use;
- (c) the expected impact on the financial statements, or if applicable, a statement that you cannot reasonably estimate the impact; and
- (d) the potential impact on your business, for example technical violations or default of debt covenants or changes in business practices.

1.11 Financial instruments

Provide:

- (a) a discussion of the nature and extent of your company's use of, including relationships among, financial instruments and the business purposes that they serve;
- (b) a description and an analysis of the risks associated with the financial instruments;
- (c) a description of how you manage the risks in (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;
- (d) disclosure of the financial statement classification and amounts of income, expenses, gains and losses associated with the financial instrument; and
- (e) significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in income for the period, and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

INSTRUCTIONS

- (i) *Also discuss other instruments including contractual rights and obligations that may be settled by delivery of non-financial assets, for example a commodity futures contract.*

- (ii) *Your discussion under paragraph (a) should enhance a reader's understanding of the significance of recognized and unrecognized financial instruments on your company's financial position, results of operations and cash flows. The information should also assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments. Also discuss the relationship between liability and equity components of convertible debt instruments.*
- (iii) *For purposes of paragraph (c), if your company is exposed to significant price, credit or liquidity risks, consider providing a sensitivity analysis or tabular information to help readers assess the degree of exposure. For example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future earnings and cash flows may be useful in describing your company's exposure to price risk.*
- (iv) *For purposes of paragraph (d), disclose and explain the income, expenses, gains and losses from hedging activities separately from other activities.*

Item 2 — Interim MD&A

2.1 Interim MD&A

Interim MD&A must update your company's annual MD&A for all disclosure required by Item 1. This disclosure must include:

- (a) a discussion of your analysis of:
 - (i) current quarter and year-to-date results including a comparison of results of operations and cash flows to the corresponding periods in the previous year;
 - (ii) changes in results of operations and elements of income or loss that are not related to ongoing business operations;
 - (iii) any seasonal aspects of your company's business that affect its financial condition, results of operations or cash flows; and
- (b) a comparison of your company's interim financial condition to your company's financial condition as at the most recently completed financial year-end.

INSTRUCTION

- (i) *For the purposes of paragraph (b), you may assume the reader has access to your annual MD&A. You do not have to duplicate the discussion and analysis of financial condition in your annual MD&A. For example, if economic and industry factors are substantially unchanged you may make a statement to this effect.*
- (ii) *For the purposes of subparagraph (a)(i), you should generally give prominence to the current quarter.*

FORM 51-102F3

MATERIAL CHANGE REPORT

Part 1 – General Instructions and Interpretation

(a) Confidentiality

If this Report is filed on a confidential basis, state in block capitals “CONFIDENTIAL” at the beginning of the Report.

(b) Use of “Company”

Wherever this Form uses the word “company” the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Numbering / Headings

The numbering, headings and ordering of the items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(d) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Parts 1 and 8 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(e) Plain Language

Write this document so that readers are able to understand this Report. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

Part 2 – Content of Material Change Report

Item 1: Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

Item 2: Date of Material Change

State the date of the material change.

Item 3: News Release

State the date and method(s) of dissemination of the news release issued under paragraph 7.1(1)(a) of National Instrument 51-102.

Item 4: Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change.

Item 5: Full Description of Material Change

Supplement the summary required under Item 4 with sufficient disclosure to enable a reader to appreciate the significance and impact of the material change without having to refer to other material. Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner. See also Item 7.

Some examples of significant facts relating to the material change include: dates, parties, terms and conditions, description of any assets, liabilities or capital affected, purpose, financial or dollar values, reasons for the change, and a general comment on the probable impact on the issuer or its subsidiaries. Specific financial forecasts would not normally be required.

Other additional disclosure may be appropriate depending on the particular situation.

INSTRUCTIONS

If your company is engaged in oil and gas activities or in extracting hydrocarbons from shale, tar sands or coal, the disclosure under Item 5 must also satisfy the requirements of Part 6 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Item 6: Reliance on subsection 7.1(2) of National Instrument 51-102

If this Report is being filed on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102, state the reasons for such reliance.

INSTRUCTION

Refer to subsection 7.1(4) of National Instrument 51-102 concerning continuing obligations in respect of reports filed pursuant to subsection 7.1(2) of National Instrument 51-102.

Item 7: Omitted Information

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

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

INSTRUCTIONS

In certain circumstances where a material change has occurred and a Report has been or is about to be filed but subsection 7.1(2) or 7.1(4) of National Instrument 51-102 is not or will no

longer be relied upon, your company may nevertheless believe one or more significant facts otherwise required to be disclosed in the Report should remain confidential and not be disclosed or not be disclosed in full detail in the Report.

Item 8: Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

Item 9: Date of Report

Date the Report.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Part 1 – General Instructions and Interpretation

(a) What is a Business Acquisition Report?

Your company must file a Business Acquisition Report after completing a significant acquisition. See Part 8 of National Instrument 51-102. The Business Acquisition Report describes the acquired business and the impact of the acquisition on your company.

(b) Use of “Company”

Wherever this Form uses the word “company”, the term includes other types of business organizations including partnerships, trusts and other unincorporated business entities.

(c) Focus on Relevant Information

When providing the disclosure required by this Form, focus your discussion on information that is relevant to an investor, analyst or other reader.

(d) Incorporating Material By Reference

Attach the financial statements required by Item 3 of this Form. You may incorporate information required by this Form by reference to another document other than a news release or material change report filed in respect of the significant acquisition. Clearly identify the referenced document, or any excerpt of it, that you incorporate into this Report. Unless the referenced document or excerpt has already been filed, you must file it with this Report.

(e) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Parts 1 and 8 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(f) Plain Language

Write this document so that readers are able to understand this Report. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(g) Numbering / Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

Part 2 – Content of Business Acquisition Report

Item 2: Identity of Company

2.1 Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

2.2 Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the significant acquisition and the Report, or the name of an officer through whom such executive officer may be contacted.

Item 3: Details of Acquisition

3.1 Nature of Business Acquired

Describe the nature of the business acquired.

3.2 Date of Acquisition

State the date of acquisition used for accounting purposes.

3.3 Consideration

Disclose the type and amount of consideration, both monetary and non-monetary, paid or payable by your company in connection with the significant acquisition, including contingent consideration. Identify the source of funds used by your company for the acquisition, including a description of any financing associated with the acquisition.

3.4 Material Obligations

Describe any material obligations that must be met to keep any agreement relating to the significant acquisition in good standing.

3.5 Effect on Financial Position

Describe any plans or proposals for material changes in your business affairs or the affairs of acquired business which may have a significant effect on the results of operations and financial position of your company. Examples would include any proposal to liquidate the business, to sell, lease or exchange all or a substantial part of its assets, to amalgamate the

business with any other business organization or to make any material changes to your business or the business acquired such as changes in corporate structure, management or personnel.

3.6 Prior Valuations

Describe in sufficient detail any valuation opinion obtained by the acquired business or your company within the last 12 months required under securities legislation or a requirement of a Canadian exchange or market to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used.

3.7 Parties to Transaction

State whether the transaction is with an insider, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

3.8 Date of Report

Date the Report.

Item 4: Financial Statements

Include the financial statements required by Part 8 of National Instrument 51-102.

FORM 51-102F5

INFORMATION CIRCULAR

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FORM 51-102F5

INFORMATION CIRCULAR

Part 1 — General Instructions and Interpretation

(a) Date / Timing of Information

The information required by this Form 51-102F5 must be given as of a specified date not more than thirty days prior to the date you first send the information circular to any securityholder of the issuer.

(b) Use of “Company”

Wherever this Form uses the word “company”, the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Incorporating Information by Reference

You may omit information that was contained in another information circular, notice of meeting or form of proxy sent to the same persons or companies whose proxies were solicited in connection with the same meeting, as long as you clearly identify the particular document containing the information.

(d) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(e) Plain Language

Write this document so that readers are able to understand it. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(f) Numbering / Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(g) Tables and Figures

Where practicable and appropriate, present information in tabular form. State all amounts in figures.

(h) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers. You may also omit information that is not known to the person or company on whose behalf the solicitation is made and that is not reasonably within the

power of the person or company to obtain if you briefly state the circumstances that render the information unavailable.

Part 2 — Content

Item 1 — Revocability of Proxy

State whether the person or company giving the proxy has the power to revoke it. If any right of revocation is limited or is subject to compliance with any formal procedure, briefly describe the limitation or procedure.

Item 2 — Persons Making the Solicitation

- 2.1 If solicitation is made by or on behalf of the management of the issuer, state this. Name any director of the issuer who has informed the management in writing that he or she intends to oppose any action intended to be taken by the management and indicate the action that he or she intends to oppose.
- 2.2 If a solicitation is made other than by or on behalf of the management of the issuer, state this and give the name of the person or company by whom, or on whose behalf, it is made.
- 2.3 If the solicitation is to be made other than by mail, describe the method to be employed. If the solicitation is to be made by specially engaged employees or soliciting agents, state,
 - (a) the parties to and material features of any contract or arrangement for the solicitation, and
 - (b) the cost or anticipated cost thereof.
- 2.4 State who has borne or will bear, directly or indirectly, the cost of soliciting.

Item 3 — Proxy Instructions

- 3.1 The information circular or the form of proxy to which the information circular relates must indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company, if any, designated in the form of proxy and must contain instructions as to the manner in which the securityholder may exercise the right.
- 3.2 The information circular or the form of proxy to which the information circular relates must state that the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for and that, if the securityholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly.

Item 4 — Interest of Certain Persons or Companies in Matters to be Acted Upon

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

- (a) if the solicitation is made by or on behalf of the management of the issuer, each person who has been a director or executive officer of the issuer at any time since the beginning of the issuer's last financial year;
- (b) if the solicitation is made other than by or on behalf of the management of the issuer, each person or company by whom, or on whose behalf, directly or indirectly, the solicitation is made;
- (c) each proposed nominee for election as a director of the issuer;
- (d) each associate or affiliate of any of the persons or companies listed in (a) – (c),

INSTRUCTIONS

- (i) *The following persons and companies are deemed to be persons or companies by whom or on whose behalf the solicitation is made (collectively, "solicitors" or individually a "solicitor"):*
 - (A) *any member of a committee or group that solicits proxies, and any person or company whether or not named as a member who, acting alone or with one or more other persons or companies, directly or indirectly takes the initiative or engages in organizing, directing or financing any such committee or group;*
 - (B) *any person or company who contributes, or joins with another to contribute, more than \$250 to finance the solicitation of proxies; or*
 - (C) *any person or company who lends money, provides credit, or enters into any other arrangements, pursuant to any contract or understanding with a solicitor, for the purpose of financing or otherwise inducing the purchase, sale, holding or voting of securities of the issuer provided that this clause does not include a bank or other lending institution or a dealer that, in the ordinary course of business, lends money or executes orders for the purchase or sale of securities.*
- (ii) *Subject to (i), the following persons and companies are deemed not to be solicitors:*
 - (A) *any person or company retained or employed by a solicitor to solicit proxies or any person or company who merely transmits proxy-soliciting material or performs ministerial or clerical duties;*
 - (B) *any person or company employed or retained by a solicitor in the capacity of lawyer, accountant, or advertising, public relations or financial advisor and whose activities are limited to the performance of their duties in the course of the employment or retainer;*
 - (C) *any person regularly employed as an officer or employee of the issuer or any of its affiliates; or*
 - (D) *any officer or director of or any person regularly employed by any solicitor.*

Item 5 — Voting Securities and Principal Holders of Voting Securities

- 5.1** For each class of voting securities of the issuer entitled to be voted at the meeting, state the number of securities outstanding and the particulars of voting rights for each class.
- 5.2** Give the record date as of which the securityholders entitled to vote at the meeting will be determined or particulars as to the closing of the security transfer register, as the case may be, and, if the right to vote is not limited to securityholders of record as of specified record date, indicate the conditions under which securityholders are entitled to vote.
- 5.3** If action is to be taken with respect to the election of directors and if the securityholders or any class of securityholders have the right to elect a specified number of directors or have cumulative or similar voting rights, include a statement of such rights and state briefly the conditions precedent, if any, to the exercise thereof.
- 5.4** If to the knowledge of the issuer's directors or executive officers, any person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10 per cent or more of the voting rights attached to any class of voting securities of the issuer, name each person or company and state:
- (a) the approximate number of securities beneficially owned, directly or indirectly, or controlled or directed by each such person or company, and
 - (b) the percentage of the class of outstanding voting securities of the issuer represented by the number of voting securities so owned, controlled or directed.

Item 6 — Election of Directors

- 6.1** If directors are to be elected, provide the following information, in tabular form to the extent practicable, for each person proposed to be nominated for election as a director and each other person whose term of office as a director will continue after the meeting.
- (a) State the municipality of residence of each director and proposed director.
 - (b) State the period or periods during which each director has served as a director and when the term of office for each director and proposed director will expire.
 - (c) Identify the members of each committee of the board.
 - (d) State the present principal occupation, business or employment of each director and proposed director. Give the name and principal business of any company in which any such employment is carried on. Furnish similar information as to all of the principal occupations, businesses or employments of each proposed director within the five preceding years, unless the proposed director is now a director and was elected to the present term of office by a vote of securityholders at a meeting, the notice of which was accompanied by an information circular.

- (e) Where a director or proposed director has held more than one position in the issuer, or a parent or subsidiary state only the first and last position held.
- (f) State the number of securities of each class of voting securities of the issuer or any of its subsidiaries beneficially owned, directly or indirectly, or controlled or directed by each proposed director.
- (g) If securities carrying 10 per cent or more of the voting rights attached to all voting securities of the issuer or of any of its subsidiaries are beneficially owned, directly or indirectly, or controlled or directed by any proposed director and the proposed director's associates or affiliates:
 - (i) state the number of securities of each class of voting securities beneficially owned, directly or indirectly, or controlled or directed by the associates or affiliates; and
 - (ii) name each associate or affiliate whose security holdings are 10 per cent or more.

6.2 If any proposed director is to be elected pursuant to any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the issuer acting solely in such capacity, name the other person or company and describe briefly the arrangement or understanding.

Item 7 — Executive Compensation

Include in this information circular a completed Form 51-102F6 *Statement of Executive Compensation*.

Item 8 — Securities Authorized for Issuance Under Equity Compensation Plans

8.1 In the tabular form under the caption set out, provide the information specified in section 8.2 as of the end of the issuer's most recently completed financial year with respect to compensation plans (including individual compensation arrangements) under which equity securities of the issuer are authorized for issuance, aggregated as follows:

- (a) all compensation plans previously approved by securityholders; and
- (b) all compensation plans not previously approved by securityholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders			
Equity compensation plans not approved by securityholders			
Total			

8.2 Include in the table the following information as of the end of the issuer's most recently completed financial year for each category of equity compensation plan described in section 8.1:

- (a) The number of securities to be issued upon the exercise of outstanding options, warrants and rights (column (a));
- (b) The weighted-average exercise price of the outstanding options, warrants and rights disclosed under subsection 8.2(a) (column (b)); and
- (c) Other than securities to be issued upon the exercise of the outstanding options, warrants and rights disclosed in subsection 8.2(a), the number of securities remaining available for future issuance under the plan (column (c)).

8.3 For each compensation plan under which equity securities of the issuer are authorized for issuance and that was adopted without the approval of securityholders, describe briefly, in narrative form, the material features of the plan.

INSTRUCTIONS

- (i) *Provide disclosure with respect to any compensation plan and individual compensation arrangement of the issuer (or parent, subsidiary or affiliate of your company) under which equity securities of the issuer are authorized for issuance to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services as described in section 3780 of the Handbook. No disclosure is required regarding any plan, contract or arrangement for the issuance of*

warrants or rights to all securityholders of the issuer on a pro rata basis (such as a rights offering).

- (ii) *If more than one class of equity security is issued under the issuer's compensation plans, aggregate plan information for each class of security.*
- (iii) *You may aggregate information regarding individual compensation arrangements with the plan information required under subsections 8.1(a) and (b), as applicable.*
- (iv) *You may aggregate information regarding a compensation plan assumed in connection with a merger, consolidation or other acquisition transaction pursuant to which the issuer may make subsequent grants or awards of its equity securities with the plan information required under subsections 8.1(a) and (b), as applicable. Disclose on an aggregated basis in a footnote to the table the information required under subsections 8.2(a) and (b) with respect to any individual options, warrants or rights assumed in connection with a merger, consolidation or other acquisition transaction.*
- (v) *To the extent that the number of securities remaining available for future issuance disclosed in column (c) includes securities available for future issuance under any compensation plan or individual compensation arrangement other than upon the exercise of an option, warrant or right, disclose the number of securities and type of plan separately for each such plan in a footnote to the table.*
- (vi) *If the description of an equity compensation plan set forth in the issuer's financial statements contains the disclosure required by section 8.3, a cross-reference to the description satisfies the requirements of section 8.3.*
- (vii) *If an equity compensation plan contains a formula for calculating the number of securities available for issuance under the plan, including, without limitation, a formula that automatically increases the number of securities available for issuance by a percentage of the number of outstanding securities of the issuer, describe this formula in a footnote to the table.*

Item 9 — Indebtedness of Directors and Executive Officers

- 9.1** Provide information under this Item for each individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the issuer, each proposed nominee for election as a director of the issuer, and each associate of any such director, officer or proposed nominee,
- (a) who is, or at any time since the beginning of the most recently completed financial year of the issuer has been, indebted to the issuer or any of its subsidiaries, or
 - (b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries.

9.2 State in the tabular form under the caption set out, for any indebtedness referred to in section 9.1 that was entered into in connection with a purchase of securities of the issuer or any of its subsidiaries:

- (a) The name of the borrower (column (a)).
- (b) If the borrower is a director or executive officer, the principal position of the borrower. If the borrower was, during the year, but no longer is a director or officer, state that fact. If the borrower is a proposed nominee for election as a director, state that fact. If the borrower is included as an associate describe briefly the relationship of the borrower to an individual who is or, during the year, was a director or executive officer or who is a proposed nominee for election as a director, name that individual and provide the information required by this subparagraph for that individual (column (a)).
- (c) Whether the issuer or a subsidiary of the issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding (column (b)).
- (d) The largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year (column (c)).
- (e) The aggregate amount of indebtedness outstanding as at a date within thirty days before the date of the information circular (column (d)).
- (f) Separately for each class or series of securities, the sum of the number of securities purchased during the last completed financial year with the financial assistance (column (e)).
- (g) The security for the indebtedness, if any, provided to the issuer, any of its subsidiaries or the other entity (column (f)).

TABLE OF INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER SECURITIES PURCHASE PROGRAMS

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During [Last Completed Financial Year] (\$)	Amount Outstanding as at (current date) (\$)	Financially Assisted Securities Purchases During [Last Completed Financial Year] (#)	Security for Indebtedness
(a)	(b)	(c)	(d)	(e)	(f)

9.3 State in the introduction immediately preceding the table required by section 9.2, for indebtedness entered into in connection with a purchase of securities of the issuer or any of its subsidiaries, separately, the aggregate indebtedness,

- (a) to the issuer or any of its subsidiaries, and
- (b) to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries,

of all officers, directors, employees and former officers, directors and employees of the issuer or any of its subsidiaries outstanding as at a date within thirty days before the date of the information circular.

- 9.4** State in the tabular form under the caption set out for any indebtedness referred to in section 9.1 that was not entered into in connection with a purchase of securities of the issuer or any of its subsidiaries, the information referred to in subsections 9.2(a) through (e).

TABLE OF INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS [insert if the issuer has a securities purchase program "OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS"]

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During [Last Completed Financial Year] (\$)	Amount Outstanding as at [current date] (\$)
(a)	(b)	(c)	(d)

- 9.5** State in the introduction immediately preceding the table required by section 9.4, for indebtedness not entered into in connection with a purchase of securities of the issuer or any of its subsidiaries, separately, the aggregate indebtedness,

- (a) to the issuer or any of its subsidiaries, and
- (b) to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries,

of all officers, directors, employees and former officers, directors and employees of the issuer or any of its subsidiaries outstanding as at a date within thirty days before the date of the information circular.

- 9.6** Disclose in a footnote to, or a narrative accompanying, each table required by this Item,

- (a) the material terms of each incidence of indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including without limitation the term to maturity, rate of interest and any understanding, agreement or intention to limit recourse, and for the table required by section 9.4 only, any security for the indebtedness and the nature of the transaction in which the indebtedness was incurred,
- (b) any material adjustment or amendment made during the most recently completed financial year to the terms of the indebtedness and, if applicable,

the guarantee, support agreement, letter of credit or similar arrangement or understanding, and

- (c) the class or series of the securities purchased with financial assistance or held as security for the indebtedness and, if the class or series of securities is not publicly traded, all material terms of the securities, including but not limited to provisions for exchange, conversion, exercise, redemption, retraction and dividends.

9.7 No disclosure need be made under this Item of an incidence of indebtedness that has been entirely repaid on or before the date of the information circular or of routine indebtedness.

“Routine indebtedness” means indebtedness described in any of the following clauses:

- (i) If an issuer makes loans to employees generally, whether or not in the ordinary course of business, loans are considered routine indebtedness if made on terms, including those as to interest rate and security, no more favourable to the borrower than the terms on which loans are made by the issuer to employees generally, but the amount at any time during the last completed financial year remaining unpaid under the loans to any one director, executive officer or proposed nominee together with his or her associates that are treated as routine indebtedness under this clause must not exceed \$25,000.
- (ii) Whether or not the issuer makes loans in the ordinary course of business, a loan to a director or executive officer is considered routine indebtedness if;
 - (A) the borrower is a full-time employee of the issuer,
 - (B) the loan is fully secured against the residence of the borrower, and
 - (C) the amount of the loan does not exceed the annual salary of the borrower.
- (iii) If the issuer makes loans in the ordinary course of business, a loan is considered routine indebtedness if made to a person or company other than a full-time employee of the issuer, and if the loan,
 - (A) is made on substantially the same terms, including those as to interest rate and security, as are available when a loan is made to other customers of the issuer with comparable credit ratings, and
 - (B) involves no more than usual risks of collectibility.
- (iv) Indebtedness arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances, or for similar reasons is considered routine indebtedness if the repayment arrangements are in accord with usual commercial practice.

9.8 For purposes of this Item, “support agreement” includes, but is not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

Item 10 — Interest of Insiders in Material Transactions

Describe briefly and, where practicable, state the approximate amount of any material interest, direct or indirect, of any insider of the issuer, any proposed director of the issuer, or any associate or affiliate of any insider or proposed director, in any transaction since the commencement of the issuer's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the issuer or any of its subsidiaries.

INSTRUCTIONS:

- (i) Briefly describe the material transaction. State the name and address of each person or company whose interest in any transaction is described and the nature of the relationship giving rise to the interest.*
- (ii) For any transaction involving the purchase or sale of assets by or to the issuer or any subsidiary, otherwise than in the ordinary course of business, state the cost of the assets to the purchaser and the cost of the assets to the seller, if acquired by the seller within two years prior to the transaction.*
- (iii) This Item does not apply to any interest arising from the ownership of securities of the issuer where the securityholder receives no extra or special benefit or advantage not shared on a proportionate basis by all holders of the same class of securities or by all holders of the same class of securities who are resident in Canada.*
- (iv) Include information as to any material underwriting discounts or commissions upon the sale of securities by the issuer where any of the specified persons or companies was or is to be an underwriter in a contractual relationship with the issuer with respect to securities or is an associate or affiliate of a person or company that was or is to be such an underwriter.*
- (v) No information need be given in answer to this Item for any transaction or any interest in that transaction where,*
 - (A) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;*
 - (B) the interest of the specified person in the transaction is solely that of director of another company that is a party to the transaction;*
 - (C) the transaction involves services as a bank or other depository of funds, transfer agent, registrar, trustee under a trust indenture or other similar services; or*
 - (D) the transaction does not directly or indirectly, involve remuneration for services, and*
 - (1) the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company that is a party to the transaction,*
 - (2) the transaction is in the ordinary course of business of the issuer or its subsidiaries, and*

- (3) *the amount of the transaction or series of transactions is less than 10 per cent of the total sales or purchases, as the case may be, of the issuer and its subsidiaries for the most recently completed financial year.*
- (vi) *Provide information for transactions not excluded above which involve remuneration, directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person arises solely from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company furnishing the services to the issuer or its subsidiaries.*

Item 11 — Appointment of Auditor

Name the auditor of the issuer. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.

If action is to be taken to replace an auditor, provide the information required under Section 4.14 of National Instrument 51-102.

Item 12 — Management Contracts

Where management functions of the issuer or of its subsidiaries are to any substantial degree performed other than by the directors or executive officers of the issuer or subsidiary:

- (a) give details of the agreement or arrangement under which the management functions are performed, including the name and address of any person or company who is a party to the agreement or arrangement or who is responsible for performing the management functions;
- (b) give the names and home addresses in full or, alternatively, solely the municipality of residence or postal address, of the insiders of any person or company with which the issuer or subsidiary has any such agreement or arrangement and, if the following information is known to the directors or executive officers of the issuer, give the names and addresses of any person or company that would be an insider of any person or company with which the issuer or subsidiary has any such agreement or arrangement if the person were an issuer;
- (c) for any person or company named under paragraph (a) state the amounts paid or payable by the issuer and its subsidiaries to the person or company since the commencement of the most recently completed financial year and give particulars; and
- (d) for any person or company named under paragraph (a) or (b) and their associates or affiliates, give particulars of,
- (i) any indebtedness of the person, company, associate or affiliate to the issuer or its subsidiaries that was outstanding, and
- (ii) any transaction or arrangement of the person, company, associate or affiliate with the issuer or subsidiary,

at any time since the start of the issuer's most recently completed financial year.

INSTRUCTIONS:

- (i) *Do not refer to any matter that is relatively insignificant.*
- (ii) *In giving particulars of indebtedness, state the largest aggregate amount of indebtedness outstanding at any time during the period, the nature of the indebtedness and of the transaction in which it was incurred, the amount of the indebtedness presently outstanding and the rate of interest paid or charged on the indebtedness.*
- (iii) *Do not include as indebtedness amounts due from the particular person for purchases subject to usual trade terms, for ordinary travel and expense advances and for other similar transactions.*

Item 13 —Particulars of Matters to be Acted Upon

- 13.1** If action is to be taken on any matter to be submitted to the meeting of securityholders other than the approval of financial statements, briefly describe the substance of the matter, or related groups of matters, except to the extent described pursuant to the foregoing items, in sufficient detail to enable reasonable securityholders to form a reasoned judgement concerning the matter. Without limiting the generality of the foregoing, such matters include alterations of share capital, charter amendments, property acquisitions or dispositions, reverse takeovers, amalgamations, mergers, arrangements or reorganizations and other similar transactions.
- 13.2** If the action to be taken is in respect of a restructuring transaction under which securities are to be changed, exchanged, issued, or distributed, the information circular must include information sufficient to enable a reasonable securityholder to form a reasoned judgement concerning the nature and effect of the restructuring transaction and the expected resulting entity or entities. This information must include, to the extent necessary to enable a reasonable securityholder to form a reasoned judgement, the disclosure (including financial statement disclosure) for each entity securities of which are being changed, exchanged, issued, or distributed, and for each entity that would result from the restructuring transaction, prescribed by the form of prospectus that the entity would be eligible to use for a distribution of securities in the jurisdiction. For the purposes of this section 13.2, a restructuring transaction means a reverse take-over, amalgamation, merger, arrangement or reorganization or other similar transaction, but does not include a subdivision, consolidation, or other transaction that only affects the number of securities of a class that are outstanding. If the action is to be taken on a matter that is a business combination which will be accounted for as a reverse take-over, disclosure in this Item must include disclosure prescribed by the appropriate prospectus form for the legal subsidiary, as that term is used in the Handbook.
- 13.3** If the matter is one that is not required to be submitted to a vote of securityholders, state the reasons for submitting it to securityholders and state what action management intends to take in the event of a negative vote by the securityholders.
- 13.4** Where the requirement set out in section 13.2 trigger reconciliation requirements for the financial statements of an SEC foreign issuer or designated foreign issuer (as defined in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*), these requirements are waived provided

that the financial statements comply with the requirements of Part 7 of National Instrument 71-102, as applicable.¹

- 13.5** Section 13.2 does not apply to a form 51-102F5 that is sent to holders of voting securities of a reporting issuer soliciting proxies otherwise than on behalf of management of the reporting issuer (a “dissident circular”), unless the sender of the dissident circular is proposing a restructuring transaction involving the reporting issuer and the sender, under which securities of the sender, or an affiliate of the sender, are to be distributed or transferred to securityholders of the reporting issuer. However, a sender of a dissident circular shall include in the dissident circular the disclosure required by section 13.2 if the sender of the dissident circular is proposing a restructuring transaction under which securities of the sender or securities of an affiliate of the sender are to be changed, exchanged, issued or distributed.

Item 14 —Restricted Shares

- 14.1** If the action to be taken involves a transaction that would have the effect of converting or subdividing, in whole or in part, existing shares into restricted shares, or creating new restricted shares, the information circular must also include, as part of the minimum disclosure required, a detailed description of:

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

- 14.2** If holders of restricted shares do not have all of the rights referred to in section 14.1, the detailed description referred to in section 14.1 must include, in bold-face type, a statement of the rights the holders do not have.

¹ If the prospectus rules are amended to incorporate this relief, this provision will no longer be necessary.

Item 15 — Additional Information

- 15.1** Disclose that additional information relating to the issuer may be found on SEDAR at www.sedar.com. Disclose the manner in which securityholders may contact the issuer in order to obtain, without charge, copies of financial statements and MD&A of the issuer as required by sections 4.12 and 6.5 of National Instrument 51-102.
- 15.2** Include a statement to the effect that financial information is provided in the issuer's comparative financial statements and MD&A for its most recently completed financial year.

FORM 51-102F6

STATEMENT OF EXECUTIVE COMPENSATION

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FORM 51-102F6

STATEMENT OF EXECUTIVE COMPENSATION

Item 1 — General Instructions and Interpretation

1.1 Definitions. For purposes of this Form:

“CEO” of an issuer means an individual who served as chief executive officer of the issuer or acted in a similar capacity during the most recently completed financial year;

“exempt issuer” means an issuer that:

- (a) had revenues of less than \$25 million in the most recently completed financial year,
- (b) is not a non-redeemable investment fund or mutual fund,
- (c) had an aggregate market value of less than \$25 million as at the end of its two most recently completed financial years, and
- (d) if it is a subsidiary of another issuer, that other issuer is also an exempt issuer;

“long-term incentive plan” or “LTIP” means any plan providing compensation intended to serve as incentive for performance to occur over a period longer than one financial year, whether the performance is measured by reference to financial performance of the issuer’s or an affiliate of the issuer, the price for the issuer’s securities, or any other measure, but does not include option or SAR plans or plans for compensation through restricted shares or restricted share units;

“Named Executive Officers” means the individuals referred to in section 1.3;

“normal retirement age”, with respect to a pension or similar plan, means normal retirement age as defined in the plan or, if not defined in the plan, the earliest time at which a participant in the plan may retire without any benefit reduction due to age;

“options” includes all options, share purchase warrants and rights granted by the issuer or any of its subsidiaries as compensation for services rendered or otherwise in connection with office or employment (an extension of an option or replacement grant is a grant of a new option) and includes other securities if:

- (a) the class or series of the securities has been created to be issued, or securities of the class or series have been or will be issued, primarily for compensation for services rendered or otherwise in connection with office or employment;
- (b) the securities carry the right to purchase or otherwise acquire (e.g., through an exchange or conversion) securities of the issuer or of any of its subsidiaries; and
- (c) the securities and the terms of the purchase or acquisition of the securities in effect are similar to options;

“plan” includes, but is not limited to, any plan, contract, authorization or arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants,

convertible securities, restricted shares or restricted share units, performance units and performance shares, or similar instruments may be received or purchased, but does not include the Canada Pension Plan or similar government plans or any group life, health, hospitalization, medical reimbursement or relocation plan that does not discriminate in scope, terms or operation in favour of executive officers or directors of the issuer and is available generally to all salaried employees;

“replacement grant” of an option or SAR means the grant of an option or SAR reasonably related to any prior or potential cancellation of an option or SAR, whether by:

- (a) an exchange of existing options or SARs for options or SARs with new terms;
- (b) the grant of new options or SARs designed to operate in tandem with previously granted options or SARs that upon exercise will operate to cancel the previously granted options or SARs;
- (c) downward repricing of previously granted options or SARs; or
- (d) any other means;

“repricing” of an option or SAR means the adjustment or amendment of the exercise or base price of an option or SAR previously awarded, whether through amendment, cancellation or replacement grants, or any other means, but does not include any repricing occurring through the operation of a formula or mechanism in, or applicable to, the previously awarded option or SAR that results in the periodic adjustment of the effective exercise, purchase or base price, a plan anti-dilution provision, or a recapitalization or similar transaction equally affecting all holders of the class of securities underlying the option or SAR and “repriced” has a corresponding meaning;

“stock appreciation right” (“SAR”) means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or otherwise in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

1.2 Plain, Concise and Understandable Disclosure. Information required by this Form should be provided in a plain, concise and understandable manner under the appropriate Item in the “Executive Compensation” section of the disclosure document. If any Item of this Form requires disclosure of information in tabular form, the information must be presented in the specific format set out. Any table or column of a table may be omitted if there has been no compensation that otherwise would be required to be disclosed in that table or column in any financial year covered by the table.

1.3 Individuals Covered. Disclosure must be provided under this Form for:

- (a) each CEO, despite the amount of compensation of that individual;
- (b) each of the issuer’s four most highly compensated executive officers, other than the CEO, who were serving as executive officers at the end of the most recently completed financial year, provided that disclosure is not required under this Form for an executive officer whose total salary and bonus, as determined in accordance with Item 2, does not exceed \$100,000; and

- (c) any additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year-end.
- 1.4 **Determination of Most Highly Compensated Executive Officers.** The determination of which executive officers are the issuer's most highly compensated executive officers must be made on the basis of the total annual salary and bonus of each executive officer of the issuer during the most recently completed financial year calculated in accordance with Item 2.
- 1.5 **Change in Status of a Named Executive Officer During the Financial Year.** If the CEO served in that capacity during any part of a financial year for which disclosure is required under this Form, information must be provided as to all of his or her compensation for the full financial year. If a Named Executive Officer, other than the CEO, served as an executive officer of the issuer (whether or not in the same position) during any part of a financial year for which disclosure is required under this Form, information must be provided as to all of his or her compensation for the full financial year.
- 1.6 **Exclusion of Executive Officer Due to Unusual Compensation or Compensation for Foreign Assignment.** It may be appropriate, in limited circumstances, for the issuer to exclude from the disclosure required by this Form an individual, other than a CEO, who is one of the issuer's most highly compensated executive officers. Among the factors that should be considered in determining to exclude an individual are:
 - (a) the payment or accrual of an unusually large amount of cash compensation (such as bonus or commission) that is not part of a recurring arrangement and is unlikely to continue; and
 - (b) whether the individual is one of the four most highly compensated executive officers only because of the payment of additional amounts of cash compensation intended to compensate him or her for increased living expenses that may be attributed predominately to an assignment outside of Canada.
- 1.7 **All Compensation Covered.** Unless otherwise specified, this Form requires disclosure of all plan and non-plan compensation awarded to, earned by, or paid to, each Named Executive Officer and each director covered by Item 11 for services rendered by that individual in all capacities to the issuer or a subsidiary of the issuer or otherwise in connection with office or employment of that individual with the issuer or a subsidiary of the issuer. Except as expressly provided, no amount, benefit or right reported as compensation for a financial year need be reported as compensation for any subsequent fiscal year.
- 1.8 **Sources of Compensation.** Compensation to officers and directors from the issuer must include compensation from the issuer and its subsidiaries. In addition, if any understanding or agreement exists among any of the issuer, its subsidiaries or an officer or director of the issuer or its subsidiary and another entity, for the primary purpose of the other entity furnishing compensation to the officer or director for services rendered to, or otherwise in connection with office or employment with, the issuer or any of its subsidiaries, any compensation furnished under that understanding or agreement must be included in the appropriate category of compensation of the officer or director.
- 1.9 **Compensation Furnished to Associates.** If any understanding or agreement exists among any of the issuer, its subsidiaries or another entity and an officer or director of the issuer or its subsidiary for the primary purpose of the issuer, its subsidiary or the other entity

furnishing compensation to the officer or director for services rendered to, or otherwise in connection with office or employment with, the issuer or any of its subsidiaries through compensation to an associate of the director or officer, any compensation to such associate under that understanding or agreement must be included in the appropriate category of compensation of the officer or director.

Item 2 — Summary Compensation Table

2.1 State the information specified in section 2.2 concerning the compensation of each of the Named Executive Officers for each of the issuer’s three most recently completed financial years, in the tabular form under the caption set out below.

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Annual Compensation			Long-Term Compensation			All Other Compensation (i)
		Salary (\$) (c)	Bonus (\$) (d)	Other Annual Compensation (\$) (e)	Awards		Payouts	
					Securities Under Options/SARs Granted (#) (f)	Restricted Shares or Restricted Share Units (\$) (g)	LTIP Payouts (\$) (h)	
CEO								
A								
B								
C								
D								

2.2 The Table required by section 2.1 must include:

- (a) The name and principal position of the Named Executive Officer (column (a)).
- (b) The financial year covered (column (b)).
- (c) Annual compensation (columns (c), (d) and (e)), including:
 - (i) the dollar value of any cash or non-cash base salary earned by the Named Executive Officer during the financial year covered (column (c));
 - (ii) the dollar value of any cash or non-cash bonus earned by the Named Executive Officer during the financial year covered (column (d));and
 - (iii) the dollar value or all other annual compensation of the Named Executive Officer during the financial year covered that is not properly categorized as salary or bonus (column (e)).
- (d) Long-term compensation (columns (f), (g) and (h)), including:

- (i) the sum of the number of securities under option (with or without tandem SARs) and, separately, the sum of the number of securities subject to freestanding SARs (column (f));
 - (ii) the dollar value (net of consideration paid by the Named Executive Officer) of any restricted shares or restricted share units (calculated by multiplying the closing market price of the issuer's unrestricted shares on the date of grant by the number of shares or share units awarded (column (g))); and
 - (iii) the dollar value of all payouts under LTIPs (column (h)).
- (e) All other compensation for the covered financial year that is not properly reported in any other column of the table required by this Item (column (i)).

2.3 For purposes of paragraphs 2.2(c)(i) and (ii) regarding salary and bonus:

- (a) Amounts deferred at the election of a Named Executive Officer must be included in the salary column (column (c)) or bonus column (column (d)), as appropriate, for the financial year in which earned. If the amount of salary or bonus earned in a given financial year is not calculable, that fact must be disclosed in a footnote and that amount must be disclosed in the subsequent financial year in the appropriate column for the financial year in which earned.
- (b) For securities or any other form of non-cash compensation, disclose the fair market value of the compensation at the time the compensation is awarded, earned or paid.
- (c) Any amount of salary or bonus earned in a covered year that was foregone, at the election of a Named Executive Officer, under a program of the issuer under which stock, stock-based or other forms of non-cash compensation may be received in lieu of a portion of annual compensation, need not be included in the salary or bonus columns. Instead, the issuer may disclose the receipt by the Named Executive Officer during that financial year of the non-cash compensation in lieu of salary or bonus in the appropriate column of the table corresponding to that year (i.e. options or SARs (column (f)), restricted shares or restricted share units (column (g)), and all other compensation (column (i))). If the election was made under a long-term incentive plan and therefore is not reportable at the time of grant in the table required by this Item, a footnote must be added to the salary or bonus column disclosing this fact and referring to the table required by Item 3 for disclosure of the reward.

2.4 For purposes of paragraph 2.2(c)(iii) regarding all other annual compensation:

- (a) Perquisites and other personal benefits, securities or property are to be disclosed in column (e), unless the aggregate amount of such compensation is no greater than the lesser of \$50,000 and 10 percent of the total of the annual salary and bonus of the Named Executive Officer for the financial year. Each perquisite or other personal benefit exceeding 25 percent of the total perquisites and other personal benefits reported for a Named Executive Officer must be identified by type and amount in a footnote to the other annual compensation column (column (e)). Perquisites and other personal benefits must be valued on the basis of the aggregate incremental cost to the issuer and its subsidiaries.

- (b) If securities, options, SARs, loans, deferred compensation or other obligations issued to a Named Executive Officer carry a right to receive interest, dividends or other amounts that at the time of issue or reset is above-market or preferential (i.e., at a rate greater than the rate ordinarily paid by the issuer or its subsidiary on securities or other obligations having the same or similar features issued to third parties), the above-market portion of all such interest, dividends or other amounts paid during the financial year or payable during that period but deferred at the election of the Named Executive Officer must be disclosed in column (e).
- (c) Earnings on long-term incentive plan compensation or dividend equivalents paid during the financial year or payable during that period but deferred at the election of the Named Executive Officer must be disclosed in column (e).
- (d) Amounts reimbursed during the financial year for the payment of taxes must be disclosed in column (e).
- (e) The dollar value of the difference between the price paid by a Named Executive officer for a security of the issuer or its subsidiaries that was purchased from the issuer or its subsidiaries (through deferral of salary or bonus or otherwise) and the fair market value of the security at the date of purchase must be disclosed in column (e), unless the discount was available generally, either to all security holders or to all salaried employees of the issuer.
- (f) The dollar value of imputed interest benefits from loans provided to, or debts incurred on behalf of, the Named Executive Officer by the issuer and its subsidiaries as computed in accordance with the *Income Tax Act* (Canada) must be disclosed in column (e).
- (g) The dollar value of amounts of loan or interest obligations of the Named Executive Officer to the issuer, its subsidiary or third parties that were serviced, settled or extinguished by the issuer or its subsidiaries without the substitution of an obligation to repay the amount to the issuer or subsidiary in its place must be disclosed in column (e).

2.5 For purposes of subsection 2.2(d) regarding long-term compensation:

- (a) If at any time during the most recently completed financial year the issuer has repriced downward options or freestanding SARs previously awarded to a Named Executive Officer, disclose the options or SARs so repriced as new options or SARs grants in column (f).
- (b) Awards of restricted shares or restricted share units that are subject to performance-based conditions to vesting, in addition to lapse of time or continued service with the issuer or a subsidiary, may be disclosed as LTIP awards under column (i) instead of under column (g). If this approach is selected, once the restricted share or restricted share unit vests, it must be reported as an LTIP payout in column (h).
- (c) In a footnote to the restricted shares and restricted share units column (column (g)) disclose:
 - (i) the number and value of the aggregate holdings of restricted shares and restricted share units at the end of the most recently completed financial

year with the value being calculated in accordance with paragraph 2.2(d)(ii);

- (ii) for any restricted share or restricted share unit that will vest, in whole or in part, in less than three years from the date of grant, the total number of securities awarded and the vesting schedule; and
 - (iii) whether dividends or dividend equivalents will be paid on the restricted shares and restricted share units disclosed in the column.
- (d) If any specified performance target, goal or condition to payout was waived with respect to any amount included in LTIP payouts, disclose this fact in a footnote to the LTIP payout column (column (h)).

2.6 For purposes of subsection 2.2(e), all other compensation for the covered financial year that is not properly reported in any other column of the table required by this Item includes, but is not limited to:

- (a) The amount paid, payable or accrued to a Named Executive Officer under a plan or arrangement for compensation for:
 - (i) the resignation, retirement or other termination of the officer's employment with the issuer or a subsidiary of the issuer; or
 - (ii) a change in control of the issuer or a subsidiary of the issuer or a change in the officer's responsibilities following such a change in control.
- (b) If securities, options, SARs, loans, deferred compensation or other obligations issued to a Named Executive Officer carry a right to receive interest, dividends or other amounts that at the time of issue or reset is above-market or preferential (i.e., at a rate greater than the rate ordinarily paid by the issuer or its subsidiary on securities or obligations having the same or similar features issued to third parties), the dollar value of the above-market portion of all such interest, dividends or other amounts earned during the financial year, or calculated with respect to that period, except that amounts that are paid during that period, or payable during that period at the election of the Named Executive Officer must be reported as other annual compensation in column (e).
- (c) The dollar value of amounts earned on long-term incentive plan compensation during the financial year, or calculated with respect to that period, and dividend equivalents earned during that period except that amounts that are paid during that period, or payable during that period at the election of the Named Executive Officer must be reported as other annual compensation in column (e).
- (d) Annual contributions or other allocations by the issuer or its subsidiary to vested and unvested defined contribution plans.
- (e) The dollar value of any insurance premium paid by, or on behalf of, the issuer or its subsidiary during the financial year with respect to term life insurance for the benefit of a Named Executive Officer, and, if there is an arrangement or understanding, whether formal or informal, that the officer has or will receive or be allocated an interest in any cash surrender value under the insurance policy, either:

- (i) the full dollar value of the remainder of the premiums paid by, or on behalf of, the issuer or its subsidiary; or
- (ii) if the premiums will be refunded to the issuer or its subsidiary on termination of the policy, the dollar value of the benefit to the officer of the remainder of the premium paid by, or on behalf of, the issuer or its subsidiary during the financial year. This benefit must be determined for the period, projected on an actuarial basis, between payment of premium and the refund.

The same method of reporting under this paragraph must be used for each of the Named Executive Officers. If the issuer changes methods of reporting from one year to the next, that fact and the reason for the change must be disclosed in a footnote to the all other compensation column (column (i)).

- 2.7 For purposes of subsection 2.2(e) regarding all other compensation not otherwise properly reported in any other column:
 - (a) LTIP awards and amounts received on exercise of options and SARs need not be reported as all other compensation in column (i).
 - (b) Information on defined benefit and actuarial plans need not be reported in column (i).
- 2.8 If during any of the financial years covered by the table required by this Item, a Named Executive Officer was not employed by the issuer or its subsidiary for the entire financial year, disclose this fact and the number of months the officer was so employed during the year in a footnote to the table.
- 2.9 If during any of the financial years covered by the table required by this Item, a Named Executive Officer was compensated by a non-subsiary affiliate of the issuer, disclose in a note to the table:
 - (a) the amount and nature of such compensation; and
 - (b) whether the compensation is included in the compensation reported in the table.
- 2.10 Information with respect to a financial year-end prior to the most recently completed financial year-end need not be provided if the issuer was not a reporting issuer at any time during such prior financial year.

Item 3 — Long-term Incentive Plan Awards Table

- 3.1 State the information specified in section 3.2 concerning LTIP awards made to Named Executive Officers during the most recently completed financial year in the tabular form under the caption set out below.

LONG-TERM INCENTIVE PLANS—AWARDS IN MOST RECENTLY COMPLETED FINANCIAL YEAR

Name (a)	Securities, Units or Other Rights (#) (b)	Performance or Other Period Until Maturity or Payout (c)	Estimated Future Payouts Under Non-Securities- Price-Based plans		
			Threshold (\$ or #) (d)	Target (\$ or #) (e)	Maximum (\$ or #) (f)
CEO					
A					
B					
C					
D					

3.2 The table required by section 3.1 must include for each LTIP award:

- (a) The name of the Named Executive Officer (column (a)).
- (b) The number of securities, units or other rights awarded under any LTIP and, if applicable, the number of securities underlying any such unit or right (column (b)).
- (c) The performance or other time period until payout or maturation of the award (column (c)).
- (d) For plans not based on stock price, the dollar value of the estimated payout or range of estimated payouts under the award (threshold, target and maximum amount), whether such award is denominated in stock or cash (columns (d) through (f)).

3.3 Describe in a footnote to, or a narrative that accompanies, the table required by this Item the material terms of any award, including a general description of the formula or criteria to be applied in determining the amounts payable. Issuers are not, however, required to disclose any factor, criterion or performance-related or other condition to payout or maturation of a particular award that involves confidential or business information, disclosure of which would adversely affect the issuer's competitive position.

3.4 Separate disclosure must be provided in the table required by this Item and under section 3.3 for each award made to a Named Executive Officer, if awards were made under more than one plan or awards under the same plan have different material terms. Identify the particular plan under which each award was made.

3.5 For purposes of this Item:

- (a) “threshold” means the minimum amount payable for a certain level of performance under the plan;

“target” means the amount payable if the specified performance target(s) are reached, and “maximum” means the maximum payout possible under the plan.

- (b) A tandem grant of two instruments, only one of which is pursuant to an LTIP, need be reported only in the table applicable to the other instrument.
- (c) In column (e), the issuer must provide a representative amount based on the previous financial year’s performance if the target award is not determinable.

Item 4 — Options and SARs

4.1 State the information specified in section 4.2 concerning individual grants of options to purchase or acquire securities of the issuer or any of its subsidiaries (whether or not in tandem with SARs) and freestanding SARs made during the most recently completed financial year to each of the Named Executive Officers, in the tabular form under the caption set out below.

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name (a)	Securities, Under Options/SARs Granted (#) (b)	Percent of Total Options/ SARs Granted to Employees in Financial Year (c)	Exercise or Base Price (\$/Security) (d)	Market Value of Securities Underlying Options/ SARs on the Date of Grant (\$/Security) (e)	Expiration Date (f)
CEO					
A					
B					
C					
D					

4.2 The table required by section 4.1 must include for each grant of options or SARs:

- (a) The name of the Named Executive Officer (column (a)).
- (b) The number of securities underlying the options or freestanding SARs granted (column (b)).
- (c) The percentage that the grant represents of total options and freestanding SARs granted to employees of the issuer and its subsidiaries during the financial year (column (c)).
- (d) The per-security exercise or base price of the options or freestanding SARs granted (column (d)).
- (e) The per-security market value of the underlying securities on the date of grant (column (e)).

- (f) The expiration date of the options or freestanding SARs granted (column (f)).

4.3 For the table required by section 4.1:

- (a) The information must be presented for each Named Executive Officer in groups according to each issuer and class or series of security underlying the options or SARs granted and within these groups in reverse chronological order. For each grant, disclose in a footnote the issuer and the class or series of securities underlying the options or freestanding SARs granted.
- (b) If more than one grant of options or freestanding SARs was made to a Named Executive Officer during the most recently completed financial year, a separate row must be used to provide the particulars of each grant. However, more than one grant during a single financial year to a Named Executive Officer may be aggregated if each grant being aggregated was made at the same exercise or base price and has the same expiration date and the same performance vesting thresholds, if any.
- (c) A single grant of options or freestanding SARs must be reported as separate grants for each tranche with a different exercise or base price, expiration date or performance vesting threshold.
- (d) Each material term of the grant, including but not limited to the date of exercisability, the number of SARs, dividend equivalents, performance units or other instruments granted in tandem with options, a performance-based condition to exercisability, a re-load feature or a tax-reimbursement feature must be disclosed in a footnote to the table.
- (e) Options or freestanding SARs granted in an option repricing transaction must be disclosed.
- (f) If the exercise or base price is adjustable over the term of an option or freestanding SAR in accordance with a prescribed standard or formula, include in a footnote to, or a narrative accompanying, the table a description of the standard or formula.
- (g) If any provision of an option or SAR (other than an anti-dilution provision) could cause the exercise or base price to be lowered, a description of the provision and its potential consequences must be included in a footnote to, or a narrative accompanying the table.
- (h) In determining the grant date market value of the securities underlying options or freestanding SARs, use either the closing market price or any other formula prescribed under the option or SAR plan. For options or SARs granted prior to the establishment of a trading market in the underlying securities, the initial offering price may be used.

4.4 State the information specified in section 4.5 concerning each exercise of options (or tandem SARs) and freestanding SARs during the most recently completed financial year by each of the Named Executive Officers and the financial year-end value of unexercised options and SARs, on an aggregated basis, in the tabular form and under the caption set out below.

AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

Name (a)	Securities, Acquired on Exercise (#) (b)	Aggregate Value Realized (\$) (c)	Unexercised Options/SARs at FY- End (#) Exercisable/ Unexercisable (d)	Value of Unexercised in-the-Money Options/SARs at FY- End (\$) Exercisable/ Unexercisable (e)
CEO				
A				
B				
C				
D				

4.5 The table required by section 4.4 must include:

- (a) The name of the Named Executive Officer (column (a)).
- (b) The aggregate number of securities received on exercise or, if no securities were received, the aggregate number of securities for which options or SARs were exercised (column (b)).
- (c) The aggregate dollar value realized upon exercise (column (c)).
- (d) The total number of securities underlying unexercised options and SARs held at the end of the most recently completed financial year, separately identifying the exercisable and unexercisable options and SARs (column (d)).
- (e) The aggregate dollar value of in-the-money, unexercised options and SARs held at the end of the financial year, separately identifying the exercisable and unexercisable options and SARs (column (e)).

4.6 For the table required by section 4.4:

- (a) Options or freestanding SARs are in-the-money at financial year-end if the market value of the underlying securities on that date exceeds the exercise or base price of the option or SAR.
- (b) The dollar values in columns (c) and (e) are calculated by determining the difference between the market value of the securities underlying the options or SARs at exercise or financial year-end, respectively, and the exercise or base price of the options or SARs.
- (c) In calculating the dollar value realized on exercise (column (c)), the value of any related payment or other consideration provided (or to be provided) by the issuer or its subsidiary to, or on behalf of, a Named Executive Officer, whether in

payment of the exercise or base price or related taxes, must not be included. Instead, these payments are to be disclosed in accordance with section 2.4.

Item 5 — Option and SAR Repricings

5.1 If at any time during the most recently completed financial year, the issuer has repriced downward any options or freestanding SARs held by any Named Executive Officer, state the information specified in section 5.2 concerning all downward repricings of options or SARs held by executive officers of the issuer during the shorter of:

- (a) the 10 year period ending on the date of this Form; and
- (b) the period during which the issuer has been a reporting issuer, in the tabular form under the caption set out below.

TABLE OF OPTION AND SAR REPRICINGS

Name (a)	Date of Repricing (b)	Securities Under Options/SARs Repriced or Amended (#) (c)	Market Price of Securities at Time of Repricing or Amendment (\$/Security) (d)	Exercise Price at Time of Repricing or Amendment (\$/Security) (e)	New Exercise Price (\$/Security) (f)	Length of Original Option Term Remaining at Date of Repricing or Amendment (g)

5.2 The table required by section 5.1 must include, for each downward repricing:

- (a) The name and position of the executive officer (column (a)).
- (b) The date of repricing (column (b)).
- (c) The number of securities underlying replacement or amended options or SARs (column (c)).
- (d) The per-security market price of the underlying security at the time of repricing (column (d)).
- (e) The original per-security exercise price or base price of the cancelled or amended option or SAR (column (e)).
- (f) The per-security exercise price or base price of the replacement option or SAR (column (f)).
- (g) The amount of time remaining before the replaced or amended option or SAR would have expired (column (g)).

5.3 For the table required by section 5.1:

- (a) Information about a replacement grant made during the financial year must be disclosed even if the corresponding original grant was cancelled in a prior year.

- (b) If the replacement grant is not made at the current market value, describe this fact and the terms of the grant in a footnote or accompanying textual narrative.
- (c) The information must be presented in groups according to issuer and class or series of security underlying options or SARs and within these groups in reverse chronological order.

5.4 In a narrative immediately before or after the table required by this Item, explain in reasonable detail the basis for all downward repricings during the most recently completed financial year of options and SARs held by any of the Named Executive Officers.

Item 6 — Defined Benefit or Actuarial Plan Disclosure

6.1 For defined benefit or actuarial plans under which benefits are determined primarily by final compensation (or average final compensation) and years of service, state the estimated annual benefits payable upon retirement (including amounts attributable to any defined benefit supplementary or excess pension awards plan) in specified compensation and years of service classifications separately for each plan in the tabular form under the caption set out below.

PENSION PLAN TABLE

Remuneration (\$)	Years of Service				
	15	20	25	30	35
125,000					
150,000					
175,000					
200,000					
225,000					
250,000					
300,000					
400,000					
[insert additional rows as appropriate for additional increments]					

6.2 Immediately following the table disclose:

- (a) The compensation covered by the plan(s), including the relationship of the covered compensation to the compensation reported in the Summary Compensation Table required by Item 2 and state the current compensation covered by the plan for any Named Executive Officer whose total compensation differs substantially (by more than 10 percent) from that set out in the Summary Compensation Table.
- (b) The estimated credited years of service for each of the Named Executive Officers.

- (c) A statement as to the basis upon which benefits are computed (for example; straight-life annuity amounts), and whether or not the benefits listed in the table are subject to any deduction for social security or other offset amount.
- 6.3 For purposes of section 6.1, compensation set forth in the table must allow for reasonable increases in existing compensation levels or, alternately, the issuer may present, as the highest compensation level in the table, an amount equal to 120 percent of the amount of covered compensation of the most highly compensated of the Named Executive Officers.
- 6.4 For defined benefit or actuarial plans under which benefits are not determined primarily by final compensation (or average final compensation) and years of service, state in narrative form:
- (a) The formula by which benefits are determined.
 - (b) The estimated annual benefits payable upon retirement at normal retirement age for each of the Named Executive Officers.

Item 7 — Termination of Employment, Change in Responsibilities and Employment Contracts

Describe the terms and conditions of each of the following contracts or arrangements:

- (a) Any employment contract between the issuer or its subsidiary and a Named Executive Officer.
- (b) Any compensatory plan or arrangement, including payments to be received from the issuer or its subsidiary, with respect to a Named Executive Officer, if such plan or arrangement results or will result from the resignation, retirement or any other termination of employment of the officer's employment with the issuer and its subsidiaries or from a change of control of the issuer or any subsidiary of the issuer or a change in the Named Executive Officer's responsibilities following a change-in-control and the amount involved, including all periodic payments or instalments, exceeds \$100,000.

Item 8 — Compensation Committee

- 8.1 If any compensation is reported in response to Items 2, 3, 4, 5 or 6 for the most recently completed financial year, under the caption "Composition of the Compensation Committee", identify each individual who served as a member of the issuer's compensation committee (or other board committee performing equivalent functions or in the absence of any such committee, the entire board of directors) during the most recently completed year, indicating each committee member who:
- (a) was, during the financial year, an officer or employee of the issuer or any of its subsidiaries;
 - (b) was formerly an officer of the issuer or any of its subsidiaries;
 - (c) had or has any relationship that requires disclosure by the issuer under the items captioned "Promoters", "Indebtedness of Directors, Executive Officers, and Senior Officers", "Interest of Management and Others in Material Transactions" and "Interest of Insiders in Material Transactions" in the form into which the disclosure required by this Form is being included;

- (d) was an executive officer of the issuer and also served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another issuer, one of whose executive officers served on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of the issuer;
- (e) was an executive officer of the issuer and also served as a director of another issuer, one of whose executive officers served on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of the issuer; and
- (f) was an executive officer of the issuer and also served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another issuer, one of whose executive officers served as a director of the issuer.

8.2 Disclosure of relationships under section 8.1 need only be included for relationships that existed on or after January 1, 1994.

Item 9 — Report on Executive Compensation

9.1 If any compensation is reported in response to Items 2, 3, 4, 5 or 6 for the most recently completed financial year, describe under the caption “Report on Executive Compensation” the policies of the compensation committee or other board committee performing equivalent functions, or in the absence of any such committee then of the entire board of directors of the issuer, during the most recently completed financial year, for determining compensation of executive officers (including the Named Executive Officers).

9.2 In the report required by this Item, include a discussion of:

- (a) The relative emphasis of the issuer on cash compensation, options, SARs, securities purchase programs, restricted shares, restricted share units and other incentive plans, annual versus long-term compensation, and whether the amount and terms of outstanding options, SARs, restricted shares and restricted share units were taken into account when determining whether and how many new option grants would be made.
- (b) The specific relationship of corporate performance to executive compensation, and, in particular, if an award was made to a Named Executive Officer under a performance-based plan despite failure to meet the relevant performance criteria, disclose the waiver or adjustment of the relevant performance criteria and the bases for the decision.

9.3 In the report required by this Item, state the following information about each CEO’s compensation:

- (a) The bases for the CEO’s compensation for the most recently completed financial year, including the factors and criteria upon which the CEO’s compensation was based and the relative weight assigned to each factor.

- (b) The competitive rates, if compensation of the CEO was based on assessments of competitive rates, with whom the comparison was made, the nature of, and the basis for, selecting the group with which the comparison was made and at what level in the group the compensation was placed. Disclose if different competitive standards were used for different components of the CEO's compensation.
 - (c) The relationship of the issuer's performance to the CEO's compensation for the most recently completed financial year, describing each measure of issuer's performance, whether quantitative or qualitative, on which the CEO's compensation was based and the weight assigned to each measure.
- 9.4 The report required under this Item must be made over the name of each member of the issuer's compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors). If the board of directors modified or rejected in any material way any action or recommendation by the committee with respect to decisions in the most recently completed financial year, the report should indicate this fact, explain the reasons for the board's action and be made over the name of all members of the board.
- 9.5 For purposes of this Item:
- (a) Disclosure of target levels with respect to specific quantitative or qualitative performance-related factors considered by the committee (or board), or any factors or criteria involving confidential commercial or business information, the disclosure of which could have an adverse effect on the issuer, is not required.
 - (b) If compensation of executive officers is determined by different board committees, a joint report may be presented indicating the separate committee's responsibilities and members of each committee or alternatively separate reports may be prepared for each committee.
 - (c) In the event of a dissenting committee member, a report need not be made over the name of the dissenting member; however, the report must identify the dissenting member and the reasons provided to the committee for the dissent.
- 9.6 Boiler plate language should be avoided in describing factors and criteria underlying awards or payments of executive compensation.

Item 10 — Performance Graph

- 10.1 If any compensation is reported in response to Items 2, 3, 4, 5 or 6 for the most recently completed financial year, immediately after the information required by Item 9 provide a line graph comparing:
- (a) the yearly percentage change in the issuer's cumulative total shareholder return on each class or series of equity securities that are publicly traded, as measured in accordance with section 10.1, with
 - (b) the cumulative total return of a broad equity market index assuming reinvestment of dividends, that includes issuers whose securities are traded on the same exchange or are of comparable market capitalization; provided, however, that if the issuer is within the S & P/TSX Composite Index, the issuer must use that index.

- 10.2 The yearly percentage change in an issuer's cumulative total shareholder return on a class or series of securities must be measured by dividing:
- (a) the sum of:
 - (i) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment; and
 - (ii) the difference between the price for the securities of the class or series at the end and the beginning of the measurement period, by
 - (b) the price for the securities of the class or series at the beginning of the measurement period.
- 10.3 The issuer also may elect to include in the graph required by this Item a line charting the cumulative total return, assuming reinvestment of dividends, of:
- (a) a published industry or line-of-business index;
 - (b) peer issuer(s) selected in good faith. (If the issuer does not select its peer issuers) on an industry or line-of-business basis, the issuer must disclose the basis for its selection.); or
 - (c) issuer(s) with similar market capitalization(s), but only if the issuer does not use a published industry or line-of-business index and does not believe it can reasonably identify a peer group. (If the issuer uses this alternative, the graph must be accompanied by a statement of the reasons for this selection.).
- 10.4 For purposes of this Item:
- (a) "measurement period" means the period beginning at the "measurement point" established by the market close on the last trading day before the beginning of the issuer's fifth preceding financial year, through and including the end of the issuer's most recently completed financial year. If the class or series of securities has been publicly traded for a shorter period of time, the period covered by the comparison may correspond to that time period.
 - (b) "published industry or line-of-business index" means any index that is prepared by a party other than the issuer or its affiliate and is accessible to the issuer's securityholders; provided, however, that an issuer may use an index prepared by it or its affiliate if such index is widely recognized and used.
- 10.5 Any election by an issuer to use an additional index under section 10.3 is considered to apply in respect of all subsequent financial years unless abandoned by the issuer in accordance with this section. In order to abandon the index the issuer must have, in the information circular or annual filing for the financial year immediately preceding the most recently completed financial year:
- (a) stated its intention to abandon the index;
 - (b) explained the reason(s) for this change; and
 - (c) compared the issuer's total return with that of the elected additional index.

- 10.6 In preparing the required graphic comparisons:
- (a) Use, to the extent feasible, comparable methods of presentation and assumptions for the total return calculations required by section 10.2; provided, however, that if the issuer constructs its own peer group index under section 10.3(b), the same methodology must be used in calculating both the issuer's total return and that of the peer group index.
 - (b) Assume the reinvestment of dividends into additional securities of the same class or series at the frequency with which dividends are paid on the securities during the applicable financial year.
- 10.7 In constructing the graph:
- (a) The closing price at the measurement point must be converted into a fixed investment, stated in dollars (e.g. \$100), in the issuer's securities (or in the securities represented by a given index), with cumulative returns for each subsequent financial year measured as a change from that investment.
 - (b) Each financial year should be plotted with points showing the cumulative total return as of that point. The value of the investment as of each point plotted on a given return line is the number of securities held at that point multiplied by the then-prevailing security price.
- 10.8 The issuer must present information for the issuer's last five financial years, and may choose to graph a longer period but the measurement point must remain the same. A period shorter than five years may be used if the class or series of securities forming the basis for the comparison has been publicly traded for a shorter time period.
- 10.9 Issuers may include comparisons using performance measures in addition to total return, such as return on average common shareholders' equity, so long as the issuer's compensation committee (or other board committee performing equivalent functions or in the absence of any such committee the entire board of directors) describes the link between that measure and the level of executive compensation in the report required by Item 9 of this Form.
- 10.10 If the issuer uses peer issuer comparisons or comparisons with issuers with similar market capitalizations, the identity of those issuers must be disclosed and the returns of each component issuer of the group must be weighted according to the respective issuer's market capitalization at the beginning of each period for which a return is indicated.

Item 11 — Compensation of Directors

- 11.1 Under a separate subheading describe:
- (a) any standard arrangements, stating amounts, under which directors of the issuer were compensated by the issuer and its subsidiaries during the most recently completed financial year for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
 - (b) any other arrangements, stating the amounts paid and the name of the director, in addition to, or in lieu of, any standard arrangement, under which directors were

compensated in their capacity as directors by the issuer and its subsidiaries during the most recently completed financial year;

- (c) any arrangement, stating the amounts paid and the name of the director, under which directors of the issuer were compensated by the issuer and its subsidiaries during the most recently completed financial year for services as consultants or experts.

11.2 If information required by section 11.1 is provided in response to another item of this Form, a cross-reference to where the information is provided satisfies section 11.1.

Item 12 — Unincorporated Issuers

12.1 Unincorporated issuers must report:

- (a) the identity of and amount of fees or other compensation paid by the issuer to individuals acting as directors or trustees of the issuer for the most recently completed financial year; and
- (b) the identity of and amount of expenses reimbursed by the issuer to such individuals in respect of the fulfilment of their duties as directors or trustees during the most recently completed financial year.

12.2 The information required by this Item may be disclosed in the issuer's annual financial statements instead.

Item 13 — Exempt Issuers

13.1 Exempt issuers may omit the disclosure required by Items 5, 6, 8, 9 and 10. Exempt issuers must, in a narrative that accompanies the table required by section 4.1, disclose which grants of options or SARs result from repricing and explain in reasonable detail the basis for the repricing.

Item 14 — Issuers Reporting in the United States

14.1 Except as provided in section 14.2, SEC issuers may satisfy the requirements of this Form by providing the information required by Item 402 of Regulation S-K under the 1934 Act instead of the information required by this Form.

14.2 Section 14.1 is not available to an issuer that, as a foreign private issuer, satisfies Item 402 of Regulation S-K by providing the information required by Items 6.B. and 6.E.2. of Form 20-F under the 1934 Act.