TOURMALINE OIL CORP.

3700, 250 - 6th Avenue SW
Calgary, AB T2P 3H7

PH: (403) 266-5992
FAX: (403) 266-5952

July 27, 2017

VIA EMAIL IN PDF AND WORD

comments@osc.gov.on.ca;
consultation-en-cours@lautorite.qc.ca

To the following Canadian Securities Administrators:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Authorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
E-Mail: comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Authorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montreal (Québec) H4Z 1G3
E-Mail: consultation-en-cours@lautorite.qc.ca

Re: Tourmaline Oil Corp. ("we", "us" or "our") – Written Submissions on Certain Consultation Questions Identified in the CSA Consultation Paper 51-404 - *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* (the "Consultation Paper")

Please accept this letter as our written submissions on certain of the consultation questions identified in the Consultation Paper. We have only provided submissions in respect of the questions we believe are most applicable to us and our business. These questions are reproduced below in bold and italics and our submissions are in blue font.

We are a Canadian senior crude oil and natural gas exploration and production company focused on long-term growth through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin. We currently have a market capitalization of approximately $7 billion.

2.1 Extending the application of streamlined rules to smaller reporting issuers

- ***Would a size-based distinction between categories of reporting issuers be preferable to the current distinction based on exchange listing? Why or why not?***
  - We believe that the current distinction between "venture issuers" and "non-venture issuers" is effective and an objective way to segregate reporting issuers.
- ***If the current distinction for venture issuers is maintained, should we extend less onerous venture issuer regulatory requirements to non-venture issuers? Which ones and why?***
  - Yes. The elimination of the requirement for pro-forma financial statements should be extended to non-venture issuers. It is our belief that pro-forma financial statements can be confusing and even misleading as they are often not properly understood by investors thereby not achieving their intended objective.

2.2 Reducing the regulatory burden associated with the prospectus rules and offering process

b) Streamlining other prospectus requirements

- ***Should auditor review of interim financial statements continue to be required in a prospectus? Why or why not?***
  - Yes, this helps ensure consistent treatment of accounting policies as well as ensure the proper accounting for any recent transactions which may have occurred during the quarter.
  - We also believe that the mandatory review by an auditor also ensures that auditors are kept apprised of the information going into a prospectus and allows for the auditor to ensure proper accounting treatment before the financial statements are included in a public document which will be relied upon by investors. This is especially important as transactions become more complex and the accounting rules are often more guideline-based versus rule-based.
- ***Should other prospectus disclosure requirements be removed or modified, and why?***
  - We believe that the requirement for pro-formas should be revisited and consideration should be given to whether they add value. Pro-formas can be time consuming and costly to prepare and, as indicated above, are not easily understood by investors.
  - We believe that disclosure requirements should ensure that the information required provides the most relevant information to investors in a concise manner so that investors don't get "lost" in perhaps less relevant details.

c) Streamlining public offerings for reporting issuers

- ***Is the current short form prospectus system achieving the appropriate balance (i.e., between facilitating efficient capital raising for reporting issuers and investor protection)? If not, please identify potential short form disclosure requirements which could be eliminated or modified in order to reduce regulatory burden on reporting issuers, without impacting investor protection, including providing specific reasons why such requirements are not necessary.***
  - We believe that a short form prospectus need only include material information pertaining to the offering (i.e. use of proceeds, plan of distribution, description of securities being issued and specific risk factors relating to the offering) or other material information not presently contained in an issuer's public record or in the required documents incorporated by reference (i.e. material recent developments). In addition, when there is no material change to an issuer's consolidated capitalization, having to prepare and include a consolidated capitalization table is not meaningful disclosure in our view. Rather, a simple statement to such effect should suffice. In particular, "Item 2 - Summary Description of Business" and "Item 7A – Prior Sales" in the short form prospectus form can be eliminated as this information is easily accessible in other public documents.

- ***Are conditions right to propose a type of alternative prospectus model for reporting issuers? If an alternative prospectus model is utilized for reporting issuers: (a) what should the key features and requirements of any proposed alternative prospectus model be? (b) What types of investor protections should be included under such a model (for example, rights of rescission) (c) Should an alternative offering model be made available to all reporting issuers? If not, what should the eligibility criteria be?***
    - We believe the current model works, however, the disclosure presently required in a short form prospectus can be streamlined.
- ***As noted in Appendix B, in 2013 a number of amendments were made to liberalize the pre-marketing/marketing regime in Canada. Are there rule amendments and/or processes we could adopt to further liberalize the prospectus pre-marketing and marketing regime in Canada, without compromising investor protection, for: (i) existing reporting issuers and (ii) issuers planning an IPO, and is so in what way?***
    - We believe that the requirement to file marketing materials separately on SEDAR is onerous and should be reconsidered in light of the fact that such information is contained in the short form prospectus itself which ultimately gets filed on SEDAR.

2.3 Reducing ongoing disclosure requirements

a) Removing or modifying the criteria to file a BAR

- ***Does the BAR disclosure, in particular the financial statements of the business acquired and the pro forma financial statements, provide relevant and timely information for an investor to make an investment decision? In what situations does the BAR not provide relevant and timely information?***
    - See previous comments on pro-forma financial statements. In instances of acquisitions, it can, at times, be challenging for the acquirer to receive all of the necessary information from the acquiree to prepare the financial statements in a timely manner and ensure they are free of any material misstatements.
- ***If the BAR provides relevant and timely information to investors: (a) Are each of the current significance tests required to ensure that significant acquisitions are captured by the BAR requirements? (b) To what level could the significance thresholds be increased for non-venture issuers while still providing an investor with sufficient information with which to make an investment decision? (c) What alternative tests would be most relevant for a particular industry and why? (d) Do you think that the disclosure requirements for a significant acquisition under Item 14.2 of 51-102F5 (information circular) should be modified to align with those required in a BAR, instead of prospectus level disclosure? Why or why not?***
    - We believe that the significance test related to profit and loss can, at times, result in acquisitions that are relatively insignificant being included because of one-time events or the use of absolute values. We would recommend that consideration be given to an additional test, perhaps based on revenue, in a situation where an asset is only significant based on the profit and loss test.
    - We would also recommend that the significance test related to the investment test be based on the proceeds agreed to by both parties at a certain point in time, preferably the date of announcement. We have seen situations when a company is issuing shares for an asset through a share offering (short form prospectus), and the movement in the acquirer's share price from the deal announcement date to the deal close date was significant enough for the acquirer to have to reassess the significance test. In such a situation, an acquirer could potentially deem an acquisition to not be significant at the time when issuing a prospectus and trying to assess whether a BAR needs to be performed but the acquisition could subsequently be deemed significant at the close of the transaction based on the closing share price. In such a situation, the acquirer may find that not all necessary documents were prepared but this was unknown to the acquirer until after the close of the transaction.

b) Reducing disclosure requirements in annual and interim filings

- ***Are there disclosure requirements for annual and interim filing documents that are overly burdensome for reporting issuers to prepare? Would the removal of these requirements deprive investors of any relevant information required to make an investment decision? Why or why not?***
    - We believe that in certain situations, i.e. growth companies or specific industries, the requirement in the MD&A to compare to the same period of the prior year is not necessarily relevant and does not provide additional relevant information to investors. In an industry, such as oil and gas, the movement in commodity prices is far more relevant in describing the company's activities versus comparing to the same quarter of the prior year. In some instances, it could also be more relevant to compare to the prior quarter which provides for more timely information than the prior year.
    - We believe that the requirement to include the quarterly results of the most recently completed eight quarters provides relevant information which helps an investor to analyze trends and is not onerous. We do not believe that the discussion requirements to discuss the trend over the eight quarters is necessarily useful and as such the requirement should only focus on material items of note rather than in many cases a general discussion. All relevant information has already been previously published.
    - We believe that repeating prior year disclosure in some instances is not necessary. For example, in the PP&E section of the financial statement notes, the need to include all of the purchase price allocations for any significant acquisitions is not necessary as this information was already provided in full in prior year disclosure. A statement that the prior year included an acquisition of a specified amount should suffice and the preparer could refer to the prior year financial statements for full disclosure.

c) Permitting semi-annual reporting

- ***What are the benefits of quarterly reporting for reporting issuers? What are the potential problems, concerns or burdens associated with quarterly reporting?***
    - We believe the benefits of quarterly reporting are that it provides timely and relevant information to investors. It also instills a certain discipline around the financial reporting process. Certain accounting assessments are required to be made each reporting period (e.g. impairment triggers, going concern) and there would be a concern that with less frequent reporting such analysis will not be completed as regularly which may delay the timely reporting of such important matters. The preparation of quarterly financial statements can however be time consuming which is why the reporting requirements should be focused on providing disclosure that is relevant and necessary to investors rather than considering the complete elimination of the requirement for quarterly reporting.
- ***Should semi-annual reporting be an option provided to reporting issuers and if so under what circumstances? Should this option be limited to smaller reporting issuers?***
    - Perhaps semi-annual reporting could be an option for smaller reporting issuers i.e those with no revenue. We do believe however that in order to be comparable, all issuers of a certain size should be required to issue financial statements using the same reporting interval.
- ***Would semi-annual reporting provide sufficiently frequent disclosure to investors and analysts who may prefer to receive more timely information?***
    - We do not believe that semi- annual reporting would provide enough timely and relevant information to investors. There would also be a concern that with the absence of quarterly reporting, although the information would likely still be disclosed (continuous disclosure requirement), it could potentially be done so with less due diligence around the disclosures.
- ***Similar to venture issuers, should non-venture issuers have the option to replace interim MD&A with quarterly highlights?***

- Perhaps this could help some of the burden of preparing a full MD&A on a quarterly basis, but if this was an option, there should still be requirements on the minimum disclosure that should be included in the quarterly highlights.

2.4 Eliminating overlap in regulatory requirements

- ***Would modifying any of the above areas in MD&A form requirements result in a loss of significant information to an investor? Who or why not?***
    - We do support the concept of removing duplicative information and we do believe combining reporting into one Annual Report could facilitate this approach. This would be a good way of ensuring that all of the relevant information is in one single all-encompassing document. We do not however know how this would impact the auditor's review of the document and whether this would create additional time pressures if the auditors would then be required to tie-in the entire document to source documents? (i.e. AIF disclosure)
- ***Should we consolidate the MD&A, AIF(if applicable) and financial statements into one document? Why or why not?***
    - Yes. As previously discussed, one document reduces the need for duplication and creates clarity for investors regarding where to obtain information.

2.5 Enhancing electronic delivery of documents

c) Permitting semi-annual reporting

- ***The following consultation questions pertain to the "notice-and-access" model under securities legislation and consideration of potential changes to this module: (a) Since the adoption of this "notice-and-access" amendments, what aspects of delivering paper copies represent a significant burden for issuers, if any? Are there a significant number of investors that continue to prefer paper delivery of proxy materials, financial statements and MD&A? (b) Do you think it is appropriate for a reporting issuer to satisfy the delivery requirements under securities legislation by making proxy materials, financial statements and MD&A publicly available electronically without prior notice or consent and only deliver paper copies of these documents if an investor specially requests paper delivery? If so, for which of the documents required to be delivered to beneficial owners should this option be made available? (c) Would changes to the "notice-and-access" model as described in question (b) above pose a significant risk of undermining the protection of investors under securities legislation, even though an investor may request to receive paper copies? (d) Are there other rule amendments that could be made in NI 54-101 or NI 51-102 to improve the current "notice-and-access" options available for reporting issuers?***
    - We believe that all documents should be provided in electronic format unless specifically requested for paper delivery.
    - We do not believe that electronic delivery of materials pose any significant risks to investors.

Thank you for the opportunity to comment and we look forward to any upcoming changes that arise out of the responses to the Consultation Paper.

Sincerely,

Signed "Sarah Tait"

Sarah Tait
Controller
Tourmaline Oil Corp.