

## **Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities**

The *Autorité des marchés financiers* (the “Authority”) is publishing amended text, in English and French, of the following Regulation:

- *Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.*

The Authority is also publishing in this Bulletin amended text, in English and French, of the amendments to *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.*

In Québec, the Regulation will be made under section 331.1 of the *Securities Act* and will be submitted to the Minister of Finance for approval, with or without amendment. The Regulation will come into force on the date of its publication in the *Gazette officielle du Québec* or on a later date indicated in the Regulation. The Policy Statement will be adopted as a policy and will take effect concomitantly with the Regulation.

### **Additional Information**

Further information is available from:

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**October 15, 2010**

## **Concordant Regulation to Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities**

The *Autorité des marchés financiers* (the “Authority”) is publishing amended texts, in English and French, of the following Regulation:

- *Regulation to amend Regulation 41-101 respecting General Prospectus Requirements.*

In Québec, the Regulation will be made under section 331.1 of the *Securities Act* and will be submitted to the Minister of Finance for approval, with or without amendment. The Regulation will come into force on the date of its publication in the *Gazette officielle du Québec* or on a later date indicated in the Regulation.

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**October 15, 2010**

## Notice of Publication

### *Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*

### *Amendments to Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*

### **and related and consequential amendments**

**October 15, 2010**

#### **Introduction**

We, the Canadian Securities Administrators (CSA), are implementing *Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (Regulation 51-101) and amendments to *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (the Policy Statement) (collectively, the Regulation).<sup>1</sup>

Regulation 51-101 sets out the annual filing requirements for reporting issuers who are involved in oil and gas activities, notably in respect of their estimates of reserves and resources. In addition, Regulation 51-101 sets out the general disclosure standards for reporting issuers who are reporting on their oil and gas activities. The disclosure standards apply to any disclosure made by a reporting issuer throughout the year.

The text of the amendments of the Regulation is published with this Notice.

The amendments to the Regulation have been made, or are expected to be made, by each member of the CSA. Provided that all necessary ministerial approvals are obtained, the amendments to the Regulation will come into force on **December 30, 2010**.

#### **Substance and purpose of the amendments**

The amendments to the Regulation fall into the following broad categories: amendments for clarification, amendments to codify existing staff guidance and practice, and added requirements to enhance reliability of certain disclosure of reserves and resources other than reserves.

#### **Background**

We published proposed amendments for comment on December 18, 2009. The comment period ended in March 2010. During the comment period, we received submissions from 8 commenters. We have considered the comments received and thank all of the commenters. Appendix A identifies the commenters and Appendix B summarizes their comments and our responses. The comment letters can be viewed on the Alberta Securities Commission website at [www.albertasecurities.com](http://www.albertasecurities.com).

After considering the comments, we made changes to the amendments that we had published for comment. However, as these changes are not material, we are not republishing the amendments, as changed, for further comment.

See Appendix C for a summary of the changes made to the amendments as originally published.

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<sup>1</sup> In those jurisdictions in which the amendments are to be adopted as rules or regulations, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the amendments.

## **Consequential and related amendments**

Item 5.5 of Form 41-101F1 *Information Required in a Prospectus* will be amended. CSA Staff Notice 51-324 and CSA Staff Notice 51-327 will be amended as of December 30, 2010 to reflect changes to the Regulation.

The text of the amendments follows or can be found elsewhere on a CSA member website.

## **Questions**

Please refer your questions to any of the following:

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## Appendix A

### List of Commenters

#### ***Draft Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities***

*Request for Comment December 18, 2009*

	<b>Commenter</b>	<b>Name</b>	<b>Date</b>
1.	Husky Energy Inc.	Janice Knoechel, P. Eng Fred Au-Yeung, P. Eng	March 17, 2010
2.	Northwest & Ethical Investments L.P.	John Kearns Bob Walker	March 19, 2010
3.	Nexen Inc.	Rick Beingessner	March 19, 2010
4.	Suncor Energy Inc.	Shawn P. Poirier	March 19, 2010
5.	Imperial Oil Limited	Paul A. Smith	March 19, 2010
6.	Macleod Dixon LLP	Kevin E. Johnson	March 19, 2010
7.	ARC Resources Ltd.	David Carey	March 19, 2010
8.	Cenovus Energy Inc.	Eric Geppert	March 26, 2010

## Appendix B

### Draft Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil & Gas Activities

#### Summary of Comments and CSA Responses

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
<b>REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES</b>			
1.	Section 1.1 Definitions product type	One commenter expressed its view that a separate product type designation for oil sands mining should be required to allow investors to understand that the unique risks associated with oil sands mining apply to that particular volume or value of reserves.	Product types indicate the type of material being extracted, not the method of extraction. Disclosure of risk factors associated with the method of extraction are addressed by other disclosure requirements. We therefore have not made the suggested change.
2.	Subparagraph 2.1(3)(e)(ii) Report of Management and Directors	One commenter suggested that the words “on behalf of the board of directors” be removed because the report is not a report of the board per se and board members bear no direct statutory civil liability as in the context of a prospectus.	We have not made the suggested change. Form 51-101F3 prescribes a report of an issuer's management and board of directors, for which each of the issuer's directors (among others) bears statutory civil liability.
3.	Section 5.3 Classification of Reserves and of Resources other than Reserves	One commenter was uncertain, from the wording of section 5.3, whether an issuer could supplement disclosure made in accordance with COGE Handbook ( <b>COGEH</b> ) with other disclosure prepared in accordance with different regimes. The commenter called for clarification either by amendment to the Regulation or by policy statement guidance to the effect that COGEH and US rules are the same.	We have not made a change to the extent suggested by the commenter.  A key investor-protection objective underlying the Regulation was to enhance the reliability and comparability of oil and gas disclosure in Canada. The Regulation’s disclosure requirements are minimum requirements; expanded commentary in the policy statement clarifies the CSA view that additional disclosure can be provided, although it must not contravene the Regulation.  We have updated Item 2.2 of Form 51-101F1, which permits

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			supplementary disclosure of reserves estimates computed using constant prices and costs, to reflect changes to the similar approach recently adopted in the US. This may go far to address the commenter's concern, as it addresses a type of supplementary disclosure with which investors may already be conversant.
4.	Section 5.3 Classification of Reserves and of Resources other than Reserves	One commenter suggested that this provision requires modification to permit disclosure of discovered petroleum initially-in-place ( <b>PIIP</b> ) without breaking it down into contingent resources, unrecoverable resources and reserves when such more specific estimates have not yet been made.	Section 5.3 requires issuers to use the terminology and classifications specified in COGEH. These include "discovered PIIP". Indeed, new subsection 5.16(3) allows issuers to disclose total, discovered or undiscovered PIIP without further sub-categorization so long as the disclosure (i) explains why total, discovered or undiscovered PIIP is the most specific applicable category and (ii) includes the prescribed cautionary statement.
5.	Paragraph 5.9(2)(a) Disclosure of Resources Other than Reserves	One commenter opined that the requirement for estimates to be prepared or audited by a qualified reserves evaluator or auditor is too onerous. It appears to preclude issuers from disclosing numbers prepared by outside parties, such as the ERCB. The commenter suggested that companies should be able to quote numbers published by such parties, so long as the party quoted is fully disclosed and the source is reputable.	We have not made the suggested change.  The requirement for involvement of a qualified reserves evaluator or auditor in the preparation of reserves and resources estimates disclosed by an issuer under the Regulation is fundamental to the objectives underlying the Regulation: enhanced reliability and comparability of oil and gas disclosure. We do not consider that simply reproducing "numbers" prepared by third parties – whose purposes, responsibilities and applicable standards might be quite different from those of capital market regulators – would serve these objectives.  The Regulation already recognizes that third-party-sourced data may be useful, and permits its use for specified purposes; see, for example, section 5.10 <i>Analogous Information</i> .

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
6.	Paragraph 5.9(2)(b) Disclosure of Resources Other than Reserves	One commenter contended that issuers should be allowed to disclose discovered PIIP without breaking it down further.	See our response to comment 4 above.
7.	Section 5.16 Prohibition Against Addition Across Resource Categories	One commenter expressed its support for prohibiting addition across resource categories.	We acknowledge the comment.
8.	Section 5.16 Prohibition Against Addition Across Resource Categories	Two commenters recommended against the proposal to require disclosure of PIIP sub-classification and a cautionary statement, expressing concern that the unrecoverable portion of PIIP for an early-stage property would not yet have been evaluated, so nothing could be disclosed. Another commenter suggested that disclosure of discovered PIIP should be allowed without specifying what portion is currently considered contingent or unrecoverable.	Where sufficient information is available we consider it beneficial to investors for the unrecoverable volumes to be disclosed. However, where the total PIIP, discovered PIIP or undiscovered PIIP estimate is the most specific category available, sub-classification is not required. See our response to comment 4 above.
9.	Section 5.16 Prohibition Against Addition Across Resource Categories	One commenter found the cautionary statements in paragraph 5.9(v) and section 5.16 duplicative.	We agree, and have revised subsection 5.16(3) to refer to section 5.9.
10.	Section 5.16 Prohibition Against Addition Across Resource Categories	One commenter suggested that disclosure of discovered PIIP should be allowed without specifying what portion is currently considered contingent or unrecoverable.	New subsection 5.16(3) allows issuers to disclose total, discovered or undiscovered PIIP so long as they explain why that category is the most specific category that applies and includes the prescribed cautionary statement.



	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
11.	Section 5.16 Prohibition Against Addition Across Resource Categories	Several commenters expressed the view that an aggregation of categories such as “remaining recoverable resources” is appropriate and recognized by COGEH and PRMS, and therefore that such disclosure should be allowed if the quantities for each category/class are identified.	We consider restrictions on summation across resource categories important. Although, as some commenters noted, COGEH does state that addition across resource categories is acceptable in “ ... some instances (e.g., basin potential studies) ...”, this is not a blanket endorsement of such an approach. We remain concerned that summation across categories has the potential to be misleading and is, in most cases, inappropriate in the context of public company disclosure.  See new subsections 5.16(2) and (3) for instances where disclosure of summations is permitted, with appropriate safeguards.
12.	Section 5.16 Prohibition Against Addition Across Resource Categories	One commenter suggested that it might be better to substitute references to specific product types (e.g. bitumen and natural gas) when using the term “petroleum initially-in-place”.	We agree, and now address this point in new subsection 5.3(2).
13.	Section 5.16 Prohibition Against Addition Across Resource Categories	One commenter suggested that section 5.3 and the proposed section 5.16 would not interact correctly.	We have made changes and clarifications to address the issue raised.  Section 5.3 speaks to classifying reserves or resources other than reserves using terminology and categories from COGEH and requires that the reserves or resources other than reserves be classified in the most specific category possible. Where appropriate, the most specific category may be total, discovered or undiscovered PIIP.  Section 5.16, as modified, addresses three points: first, the general principle that issuers must not sum estimates of different resource categories; second that, despite the general prohibition, certain summations of estimates (total, discovered or undiscovered PIIP) are permissible if estimates for each of the applicable subcategories are also

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			disclosed; and third, where total, discovered or undiscovered PIIP is the most specific applicable category, the issuer may disclose that category, but must explain why it is the most specific category that applies and must also include the specified cautionary statement.
14.	Section 5.17 Disclosure of High- and Low-Case Estimates of Reserves and of Resources other than Reserves	One commenter supported the addition of proposed section 5.17.	We acknowledge the comment.
15.	Section 5.17 Disclosure of High- and Low-Case Estimates of Reserves and of Resources other than Reserves	One commenter suggests that the provision was overly restrictive in mandating proved plus probable reserves combined.	We agree, and have revised subsection 5.17(1) to allow issuers the option, when the provision is triggered, to disclose either proved plus probable reserves together or proved reserves and probable reserves separately.
16.	Part 9 <i>Instrument in Force</i>	One commenter suggests that this Part be removed in its entirety.	Because such provisions can be helpful to some users we are retaining Part 9, as is typically the case with CSA regulations.
<b>FORMS 51-101F1 STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION</b>			
17.	Item 2.1 Reserves Data (Forecast Prices and Costs)	One commenter urged additional disclosure concerning reclamation and abandonment costs for oil sands mines, particularly in light of tailing pond obligations.	We did not make the suggested change.  Disclosure of reclamation and abandonment costs is addressed in Item 2.1(3) <i>Reserves Data</i> as well as Item 6.4 <i>Additional Information Concerning Abandonment and Reclamation Costs</i> .  Issuers are expected to address risk factors in a number of disclosure

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			rules and requirements. In our experience, this type of information is typically included in corporate level disclosure for existing operations and should be included in the evaluation for new properties.
<b>18.</b>	Item 2.1 Reserves Data (Forecast Prices and Costs)	One commenter expressed its view that additional disclosure of the forecast costs of compliance with greenhouse gas emissions pricing regulations should be required.	We do not propose to make the suggested change as it is outside the scope of the current amendments. The purpose of the current amendments is to clarify certain provisions, to codify existing staff guidance and practice and to add requirements to enhance reliability of certain disclosure of reserves and resources other than reserves.
<b>19.</b>	Item 2.2 Supplemental Disclosure of Reserves Data	One commenter did not object to supplemental pricing disclosure in accordance with US practice; however, the commenter did object to providing relief from Item 2.1 of 51-101F1 requirements where that disclosure is substituted with disclosure consistent with SEC requirements.	We have revised Item 2.2 to permit supplementary disclosure of estimates based on constant prices and costs, determined in accordance with current SEC standards.
<b>20.</b>	Item 2.2 Supplemental Disclosure of Reserves Data	Two commenters expressed the view that this change is not sufficient, in and of itself, to make the estimate comparable with estimates prepared in accordance with SEC requirements (resulting values and manner of presentation) and any representation that the estimates are comparable would be misleading.	See our response to comment 19 above.  It was not our intent to design supplementary disclosure requirements that would cause supplementary disclosure to be comparable to disclosure prepared in accordance with SEC regulation.
<b>21.</b>	Item 2.2 Supplemental Disclosure of Reserves Data	One commenter expressed concern that the inclusion of Item 2.2 suggests that there is only one way to provide supplementary disclosure – in accordance with the US regime. He noted that the US regime also allows for supplemental pricing scenarios and not just a constant price case. The intent of the provision is unclear.	We eliminated the proposed broad references to US disclosure standards and instead revised Item 2.2, addressing the specific issue of most general interest (estimates based on constant prices and costs), updated to reflect recent changes to SEC standards.

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
22.	Item 3.1 Supplemental Estimates	One commenter stated that the proposed change does not make the reserves disclosure fully compliant with SEC regulations because it addresses only the price used in reserves disclosure.	The intent was not to conform Canadian disclosure requirements to those of the SEC, but to allow issuers an option to provide supplementary disclosure within Canada. We have revised Item 3.1 to relate specifically to constant prices and costs and, as noted above, we have removed general references to US pricing within the Regulation and 51-101F1.
23.	Item 3.2 Forecast Prices Used in Estimates	One commenter expressed its view that disclosure of carbon pricing forecasts should be required.	The suggested change is outside the scope of the current amendments. Therefore, we do not propose to make this change.
24.	Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data	One commenter objected to the removal of the phrase “the need to build a major pipeline or other major facility before production of reserves can begin” from the instruction because that type of information provides relevant information to investors. The commenter conceded that it may be appropriate to remove if reserves would not be assigned in these circumstances in any event, but felt a clarification was warranted.	This phrase was removed from this Item of the form because it applies to contingent resources, rather than to reserves. We agree that this information is relevant and important to investors. See the instruction for Item 6.2.1, which includes this text.
25.	Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves	One commenter objected to this proposed Item, contending that the relevant projects are not mature enough to know the plans or to discuss in a meaningful way. Also, for companies with several differing properties, the discussion could be very difficult to prepare in a way that is meaningful for the properties in the aggregate.	We retained this provision because we are of the view that this information can be important for investor consideration.  The CSA are of the view that it is the reporting issuer’s responsibility to consider what factors and uncertainties are relevant to its operations, determine whether this information is material, and then disclose the relevant significant factors or uncertainties.

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same regulation)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
26.	Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs	One commenter suggested that if reclamation and abandonment costs for tailings ponds are not being included under Item 2.1, then Item 6.4 should provide for more informative disclosure of the liability. Specifically, an estimate of the future volume and extent of tailings ponds that will be created or sustained by exploitation of the reserves, as well as high and low estimates of the potential costs of reclamation.	We did not make the suggested change.  As mentioned in our response to comment 17 above, disclosure of reclamation and abandonment costs is addressed in Item 2.1(3) <i>Reserves Data</i> as well as Item 6.4 <i>Additional Information Concerning Abandonment and Reclamation Costs</i> .
<b>GENERAL</b>			
27.	General	One commenter stated that the proposed amendments to the Regulation did not go far enough in resolving the differences between the US regime and the Regulation and suggested that the CSA either align its requirements with the SEC's or exempt from compliance those required to prepare disclosure to SEC standards.	We did not make either suggested change. It was not our objective to align Canadian disclosure requirements with US disclosure requirements.

## Appendix C

### Summary of Changes from Proposed Amendments Published for Comment on December 18, 2009

The discussion below summarizes changes between the versions of the documents published for comment on December 18, 2009 and the versions of those documents ultimately approved.

#### *Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*

- We removed the definition of “executive officer” and adjusted the wording in section 2.1(3)(e) to require an “officer” rather than an “executive officer” to execute the Form 51-101F3.
- We moved the content of section 2.2 to new subsection 2.3(2) as this is a more appropriate location for the requirement.
- We moved the contents of proposed section 2.5 of the Regulation to section 2.10 of the Policy Statement.
- We added section 5.3(2) to allow issuers to report using a specific product type when disclosing petroleum initially-in-place (PIIP) rather than the more general “petroleum”.
- We revised section 5.16 to clarify disclosure requirements for total, discovered and undiscovered PIIP: an issuer can disclose total, discovered or undiscovered PIIP if it discloses estimates of the applicable subcategories that comprise the summed estimate; or, it can disclose total, discovered or undiscovered PIIP without disclosing estimates of the applicable subcategories that comprise the summed estimate, where that information is not yet available, if the issuer explains why total, discovered or undiscovered PIIP is the most specific classification that can be assigned and the issuer includes specified cautionary language. The proposed cautionary language has been removed and reference is made to existing cautionary language in sections 5.9(2)(c)(v)(A) and (B).
- We modified the high- and low-case estimate for reserves disclosure in section 5.17 to allow issuers to report either proved and proved + probable reserves (together) or proved and probable reserves (separately) when disclosing proved + probable + possible reserves.

#### *Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information*

- We removed all references to “US oil and gas disclosure requirements” and have reverted to allowing supplementary disclosure based on constant prices and costs (see items 2.2 and 3.1).
- Constant prices and costs requirements have been updated for accuracy.
- We added Instruction (5) to Part 4 to clarify that a reconciliation is not required when “opening” estimates as at the beginning of the financial year are not available.

#### *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*

- We revised section 2.7(4) to provide specific guidance for disclosure using constant prices and costs.

- We added section 2.9 to explain how we interpret the term “chief executive officer”.
- We added section 2.10 to provide guidance to non-corporate reporting issuers regarding the execution of the Form 51-101F3.
- We added guidance in section 5.3 to clarify the disclosure requirements of section 5.16(2) of the Regulation.
- We added section 5.9.1 to clarify the purpose and intent of section 5.16 of the Regulation.

***Regulation 41-101 respecting General Prospectus Requirements (section 5.5)***

- We have reintroduced the instruction that had been inadvertently removed.

## **REGULATION TO AMEND REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (2), (3), (8), (11), (19.3), (20) and (34), and s. 331.2)

**1.** Section 1.1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities is amended:

(1) in paragraph (a) of the definition of “oil and gas activities”:

(a) by replacing, in subparagraph (ii), the words “further exploring for or removing oil or gas from reservoirs on those properties” with the words “exploring for or removing oil or gas from their natural locations”;

(b) by replacing, in subparagraph (iii), the word “reservoirs” with the word “locations”;

(2) by replacing, in the French text of the definition of “reserves data”, the words “produits d’exploitation” with the words “produits des activités ordinaires”;

(3) by deleting the definition of “CICA”;

(4) by deleting, wherever they occur in the French text of the definition of “independent”, the words “ou société”;

(5) by deleting the definition of “CICA Accounting Guideline 16”;

(6) by deleting the definition of “FAS 19”.

**2.** Section 2.1 of the Regulation is amended:

(1) by replacing, wherever they occur in the French text of subparagraph (b) of paragraph (2), the words “produits d’exploitation” with the words “produits des activités ordinaires”;

(2) by replacing subparagraph (e) of paragraph (3) with the following:

“(e) is executed

(i) by two officers of the reporting issuer, one of whom is the chief executive officer, and

(ii) on behalf of the board of directors, by

(A) any two directors of the reporting issuer, other than the persons referred to in subparagraph (i) above, or

(B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the reporting issuer.”.

**3.** Section 2.2 of the Regulation is repealed.



4. Section 2.3 of the Regulation is replaced with the following:

**“2.3. Inclusion in Annual Information Form**

(1) The requirements of section 2.1 may be satisfied by including the information specified in section 2.1 in an annual information form filed within the time specified in section 2.1.

(2) A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its annual information form, file with the securities regulatory authority a notice of filing in accordance with Form 51-101F4.”.

5. Section 4.1 of the Regulation is repealed.

6. Section 5.3 of the Regulation is replaced with the following:

**“5.3. Classification of Reserves and of Resources Other than Reserves**

(1) Reserves or resources other than reserves must be disclosed using the applicable terminology and categories set out in the COGE Handbook and must be classified in the most specific category of reserves or resources other than reserves in which the reserves or resources other than reserves can be classified.

(2) Despite subsection (1), where the applicable terminology set out in the COGE Handbook for the disclosure of resources is total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place, the reporting issuer may depart from the applicable terminology by substituting, for the word “petroleum”, reference to the specific product type of the resource.”.

7. Section 5.9 of the Regulation is replaced with the following:

**“5.9 Disclosure of Resources Other than Reserves**

(1) If a reporting issuer discloses anticipated results from resources which are not currently classified as reserves, the reporting issuer must also disclose in writing, in the same document or in a supporting filing:

- (a) the reporting issuer’s interest in the resources;
- (b) the location of the resources;
- (c) the product types reasonably expected;
- (d) the risks and the level of uncertainty associated with recovery of the resources; and
- (e) in the case of unproved property, if its value is disclosed,
  - (i) the basis of the calculation of its value; and
  - (ii) whether the value was prepared by an independent party.

(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of resources other than reserves in which the reporting issuer has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must:

- (a) have been prepared or audited by a qualified reserves evaluator or auditor;

(b) have been prepared or audited in accordance with the COGE Handbook;

(c) be classified in the most specific category of resources other than reserves, as required by section 5.3; and

(d) be accompanied by the following information:

(i) a definition of the resources category used for the estimate;

(ii) the effective date of the estimate;

(iii) the significant positive and negative factors relevant to the estimate;

(iv) in respect of contingent resources, the specific contingencies which prevent the classification of the resources as reserves; and

(v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of discovered resources or a subcategory of discovered resources other than reserves:

“There is no certainty that it will be commercially viable to produce any portion of the resources.”; or

(B) in the case of undiscovered resources or a subcategory of undiscovered resources:

“There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.”

(3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:

(a) the reporting issuer includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

(b) the resources in the written disclosure, taking into account the specific properties and interests reflected in the resources estimate or other anticipated result, are materially the same resources addressed in the previously filed document.”

8. Section 5.10 of the Regulation is amended by replacing, wherever it occurs, “5.2, 5.3 and 5.9” with “5.2, 5.3, 5.9 and 5.16”.

9. The Regulation is amended by adding, after section 5.15, the following:

**“5.16. Restricted Disclosure: Summation of Resource Categories**

(1) A reporting issuer must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:

(a) reserves;

(b) contingent resources;

(c) prospective resources;

- (d) the unrecoverable portion of discovered petroleum initially-in-place;
- (e) the unrecoverable portion of undiscovered petroleum initially-in-place;
- (f) discovered petroleum initially-in-place; and
- (g) undiscovered petroleum initially-in-place.

(2) Despite subsection (1), a reporting issuer may disclose an estimate of total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place if the reporting issuer includes, proximate to that disclosure, an estimate of each of the following, as applicable:

- (a) reserves;
- (b) contingent resources;
- (c) prospective resources;
- (d) the commercial portion of discovered petroleum initially-in-place;
- (e) the sub-commercial portion of discovered petroleum initially-in-place;
- (f) the unrecoverable portion of discovered petroleum initially-in-place;
- (g) the unrecoverable portion of undiscovered petroleum initially-in-place;
- (h) discovered petroleum initially-in-place; and
- (i) undiscovered petroleum initially-in-place.

(3) A reporting issuer may disclose an estimate of total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place as the most specific category that it can assign to its resources if, proximate to its disclosure, the reporting issuer

- (a) explains why total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place, as the case may be, is the most specific assignable category; and

- (b) includes

- (i) in the case of disclosure of discovered petroleum initially-in-place, the cautionary statement required by clause 5.9(2)(c)(v)(A), or

- (ii) in the case of disclosure of total petroleum initially-in-place or undiscovered petroleum initially-in-place, the cautionary statement required by clause 5.9(2)(c)(v)(B).

**“5.17. Disclosure of High-Case Estimates of Reserves and of Resources other than Reserves**

(1) If a reporting issuer discloses an estimate of proved plus probable plus possible reserves, the reporting issuer must also disclose the corresponding estimates of proved and proved plus probable reserves or of proved and probable reserves.

(2) If a reporting issuer discloses a high-case estimate of resources other than reserves, the reporting issuer must also disclose the corresponding low and best-case estimates.”.

10. Paragraph (2) of section 8.2 of the Regulation is amended by replacing the words “in accordance with” with the word “under”.

11. Section 9.2 of the Regulation is repealed.

12. Form 51-101F1 of the Regulation is amended:

(1) by inserting, after paragraph (6) of the General Instructions, the following:

*“(7) A reporting issuer disclosing financial information in a currency other than the Canadian dollar must, clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.*

*“(8) The COGE Handbook provides guidance about reporting using units of measurement. Reporting issuers should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.”;*

(2) in the instructions of item 1.1:

(a) by replacing paragraph (1) with the following:

*“(1) For the purpose of Part 2 of the Regulation, and consistent with General Instruction 2 of this Form, the effective date to be disclosed under section 2 of Item 1.1 is the last day of the reporting issuer’s most recent financial year.”;*

(b) by replacing, in the French text of paragraph (2), the words “*produits d’exploitation*” with the words “*produits des activités ordinaires*”;

(3) in the French text of item 2.1:

(a) by replacing, wherever they occur, the words “*produits d’exploitation*” with the words “*produits des activités ordinaires*” and the words “*charges futures d’impôt*” with the words “*charges d’impôts futurs*”;

(b) by replacing, in paragraph (1), the words “*réserves prouvées mises en valeur et exploitées*” with the words “*réserves prouvées développées exploitées*”, the words “*réserves prouvées non mises en valeur*” with the words “*réserves prouvées non développées*” and the words “*réserves prouvées mises en valeur et inexploitées*” with the words “*réserves prouvées développées inexploitées*”;

(c) by replacing, in paragraph (3), the words “*frais d’exploitation*” with the words “*coûts opérationnels*” and the words “*mise en valeur*” with the word “*développement*”;

(4) by replacing item 2.2 with the following:

**“Item 2.2 Supplementary Disclosure (Constant Prices and Costs)**

The reporting issuer may supplement its disclosure of reserves data under Item 2.1 by also disclosing estimates of reserves, resources other than reserves, or both, together with estimates of associated future net revenue, determined using constant prices and costs rather than forecast prices and costs for each applicable product type.

## INSTRUCTION

For this purpose,

- a) a constant price is,
  - i) if the reporting issuer is legally bound to supply the product at a particular price, that price; or
  - ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and
- b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.”;

(5) in item 2.3, by replacing, wherever they occur, the words “minority interest” with the words “non-controlling interest” and, in the French text, the words “comptabilisation à la valeur de consolidation” with the words “mise en equivalence”;

(6) in item 2.4:

(a) by replacing, in the French text of the title, the words “**produits d’exploitation**” with the words “**produits des activités ordinaires**”;

(b) by replacing, wherever they occur in paragraphs (1) and (2), the words “minority interest” with “non-controlling interest” and, in the French text, the words “comptabilisation à la valeur de consolidation” with the words “mise en equivalence” and the words “produits d’exploitation” with the words “produits des activités ordinaires”;

(c) by replacing, in the French text of paragraph (2) of the instructions, the words “*produits d’exploitation*” with the words “*produits des activités ordinaires*”;

(d) by deleting paragraph (3) of the instructions;

(7) by replacing item 3.1 with the following:

### **“Item 3.1 Constant Prices Used in Supplementary Estimates**

If supplementary disclosure under Item 2.2 is made, the reporting issuer must disclose, for each product type, the constant price used.”;

(8) in paragraph (2) of the instructions of item 3.2, by deleting the words “*term “constant prices and costs” and the*” and by replacing the word “*include*” with the word “*includes*”;

(9) by adding, after paragraph (4) of the instructions of item 4.1, the following:

“(5) *If the reporting issuer first became engaged in oil and gas activities only after the last day of its preceding financial year and no evaluation report in respect of its reserves as at that date is available to the reporting issuer, so that there is no opening data to be reconciled, the reporting issuer need not provide the reconciliation otherwise required under this Part but must disclose the reason for its absence.*”;

(10) by replacing the French text of item 5.1 with the following:

**“Rubrique 5.1 Réserves non développées**

1. Relativement aux réserves prouvées non développées :

*a)* indiquer pour chaque type de produit les volumes des réserves prouvées non développées qui ont été attribués au départ dans chacun des trois derniers exercices et, globalement, avant cette période;

*b)* exposer de façon générale le fondement sur lequel l'émetteur assujetti classe des réserves dans les réserves prouvées non développées, ses plans, y compris le calendrier, de développement des réserves prouvées non développées et, le cas échéant, ses raisons pour ne pas planifier le développement de réserves prouvées non développées particulières au cours des deux années suivantes.

2. Relativement aux réserves probables non développées :

*a)* indiquer pour chaque type de produit les volumes des réserves probables non développées qui ont été attribués au départ dans chacun des trois derniers exercices et, globalement, avant cette période;

*b)* exposer de façon générale le fondement sur lequel l'émetteur assujetti classe des réserves dans les réserves probables non développées, ses plans, y compris le calendrier, de développement des réserves probables non développées et, le cas échéant, ses raisons pour ne pas planifier le développement de réserves probables non développées particulières au cours des deux années suivantes.”;

(11) in item 5.2:

(a) by adding, in the title, the words “**Affecting Reserves Data**” after the word “**Uncertainties**”;

(b) by replacing, in paragraph (1), the word “important” with the word “significant”;

(c) in the instruction:

(i) by replacing, in the French text, the words “*des frais de mise en valeur ou des frais d'exploitation*” with the words “*des frais de développement ou des coûts opérationnels*”;

(ii) by deleting the words “*the need to build a major pipeline or other major facility before production of reserves can begin,*”;

(12) in the French text of item 5.3:

(a) by replacing, wherever they occur, the words “produits d'exploitation” with the words “produits des activités ordinaires” and the words “mise en valeur” with the word “développement”, and making the necessary changes;

(b) in subparagraph (a) of paragraph (2), by replacing the words “financement par emprunts” with the words “financement par emprunt”;

(13) in the French text of paragraph (2) of item 6.1, by replacing the words “puits exploités et inexploités” with the words “puits producteurs et non producteurs”;

(14) in item 6.2:

(a) by replacing, in the French text of paragraph (2), the words “mise en valeur” with the word “développement”;

(b) by inserting, after paragraph (2), the following:

**“INSTRUCTION**

*If the reporting issuer holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the gross and net area. A general description of the method of calculating the disclosed area will suffice.”;*

**“Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves**

1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on properties with no attributed reserves.

2. Section 1 does not apply if the information is disclosed in the reporting issuer’s financial statements for the financial year ended on the effective date.

**EXAMPLES**

*Examples of information that could warrant disclosure under this Item include unusually high expected development costs or operating costs, or the need to build a major pipeline or other major facility before production can begin.”;*

(15) by replacing paragraph (2) of item 6.3 with the following:

“2. A reporting issuer may satisfy the requirement in section 1 by including the information required by that section in its financial statements for the financial year ended on the effective date.”;

(16) by replacing, in the French text of item 6.5, the words “les bénéfiques” with the words “le résultat”;

(17) in the French text of item 6.6:

(a) by replacing subparagraphs (b) and (c) of paragraph (1) with the following:

“b) les coûts opérationnels;

c) les frais de développement.”;

(b) by replacing, in paragraph (2), the words “comptabilisation à la valeur de consolidation” with the words “mise en équivalence” and the words “mise en valeur” with the word “développement”;

(18) in item 6.7:

(a) by replacing, wherever they occur in the French text, the words “mise en valeur” with the word “développement”;

(b) by replacing, in subparagraph (b) of paragraph (1), the words “gas wells and service wells” with the words “gas wells, service wells and stratigraphic test wells”;

(19) by adding, in subparagraph (a) of paragraph (1) of item 6.9, the word “gross” after the word “average” and by deleting the words “, before deduction of royalties”.

**13.** The second paragraph of Form 51-101F2 of the Regulation is amended:

(1) in the French text of paragraph (4):

(a) by replacing, in footnote 1 to the table, the words “charges futures d’impôt” with the words “charge d’impôts futurs”;

(b) by replacing, wherever they occur, the words “produits d’exploitation” with the words “produits des activités ordinaires”;

(2) by adding, in paragraph (5) and after the words “in accordance with the COGE Handbook”, the words “, consistently applied”;

(3) by deleting, in paragraph (7), the second sentence.

**14.** Form 51-101F3 of the Regulation is amended:

(1) by deleting, in subparagraph (c) of the fourth paragraph, the second sentence;

(2) by replacing, under the second signature line, the words “a senior officer” with the words “an officer”.

**15.** The Regulation is amended by adding the following after Form 51-101F3:

**“FORM 51-101F4  
NOTICE OF FILING OF 51-101F1 INFORMATION**

**This is the form referred to in section 2.3 of the Regulation.**

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of the Regulation, which can be found [describe where a copy of the filed information can be found for viewing by electronic means (for example, in the company’s annual information form under the company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com))].”.

**16.** The Regulation is amended by replacing, wherever they occur in the French text, the words “produits d’exploitation” with the words “produits des activités ordinaires”, the words “frais d’exploitation” with the words “coûts opérationnels” and the words “mise en valeur” with the word “développement”, and making the necessary changes.

**17.** This Regulation comes into force December 30, 2010.



**AMENDMENTS TO POLICY STATEMENT TO REGULATION 51-101  
RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

1. Section 1.1 of *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* is amended:

(1) by inserting, in paragraph (3) and after the words “person would consider”, the word “that”;

(2) by inserting, wherever they occur in paragraph (4) and after the word “resources”, the words “other than reserves”;

(3) by replacing, wherever they occur in subparagraphs (a) and (b) of paragraph (5), “August 1, 2007” with “October 12, 2010”.

2. Section 1.2 of the Policy Statement is amended:

(1) by replacing the last sentence of the second paragraph with the following:

“Reserves and resources definitions and categories are incorporated in the COGE Handbook and are also set out, in part, in the Regulation 51-101 Glossary.”;

(2) by replacing, in the last paragraph, the words “reserves and resources must be consistent with the COGE Handbook” with the words “reserves and of resources other than reserves must be prepared in accordance with the COGE Handbook” and, in the French text, the words “produits d’exploitation” with the words “produits des activités ordinaires”.

3. Section 1.4 of the Policy Statement is amended by deleting the fourth paragraph.

4. Section 2.3 of the Policy Statement is amended by replacing the last paragraph with the following:

“A reporting issuer may supplement the annual disclosure required under Regulation 51-101 with additional information corresponding to that prescribed in Form 51-101F1, Form 51-101F2 and Form 51-101F3, but as at dates, or for periods, subsequent to those for which annual disclosure is required. However, to avoid confusion, such supplementary disclosure should be clearly identified as being interim disclosure and distinguished from the annual disclosure (for example, if appropriate, by reference to a particular interim period). Supplementary interim disclosure does not satisfy the annual disclosure requirements of section 2.1 of Regulation 51-101.”.

5. The second and third sentences of paragraph (2) of section 2.4 of the Policy Statement are replaced with the following:

“However, a reporting issuer that elects to follow this approach must file, at the same time and on SEDAR, in the appropriate SEDAR category, a notice in accordance with Form 51-101F4 (see subsection 2.3(2) of Regulation 51-101).”.

6. Section 2.5 of the Policy Statement is amended:

(1) by replacing, wherever they occur in the French text, the words “produits d’exploitation” with the words “produits des activités ordinaires”;

(2) by replacing, in the title, the words “**That Has**” with the word “**With**”;

(3) by replacing, in the French text of paragraph (1), the words “mise en valeur” with the word “développement”.

7. Section 2.7 of the Policy Statement is amended:

(1) by replacing, wherever they occur in the French text of subparagraph (a) of paragraph (3), the words “produits d’exploitation” with the words “produits des activités ordinaires” and the words “charges futures d’impôt” with the words “charges d’impôts futurs”;

(2) by replacing paragraph (4) with the following:

“(4) **Supplementary Disclosure of Future Net Revenue Using Constant Prices and Costs** – Form 51-101F1 gives reporting issuers the option of disclosing future net revenue, together with associated estimates of reserves or resources other than reserves, determined using constant prices and costs. Constant prices and costs are assumed not to change throughout the life of a property, except to the extent of certain fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product (including those for an extension period of a contract that is likely to be extended).”;

(3) by repealing paragraph (5);

(4) in paragraph (7):

(a) by deleting the second sentence of the first paragraph;

(b) by replacing, in the French text of the second paragraph, the words “produits d’exploitation” with the words “produits des activités ordinaires”;

(5) by replacing the second paragraph of paragraph (8) with the following:

“The disclosure prescribed in Form 51-101F1 is the minimum disclosure required, subject to the materiality standard. Reporting issuers may provide additional disclosure that is not inconsistent with Regulation 51-101 and not misleading.”.

8. Paragraph (2) of section 2.8 of the Policy Statement is amended:

(1) by replacing the first sentence of the first paragraph with the following:

“The report prescribed by Form 51-101F2 contains statements to the effect that variations between reserves data and actual results may be material but reserves have been determined in accordance with the COGE Handbook, consistently applied.”;

(2) by replacing, in the second paragraph, the words “should be consistent” with the words “must be consistent”;

(3) by replacing, in the French text of the fourth paragraph, the words “mise en valeur” with the word “développées”.

9. The Policy Statement is amended par adding, after section 2.8, the following:

**“2.9. Chief Executive Officer**

Paragraph 2.1(3)(e) of Regulation 51-101 requires a reporting issuer to file a report in accordance with Form 51-101F3 that is executed by the chief executive officer. The term “chief executive officer” should be read to include the individual who has the responsibilities normally associated with this position or the person who acts in a similar capacity. This determination should be made irrespective of an individual’s corporate title and whether that individual is employed directly or acts pursuant to an agreement or understanding.

## **“2.10. Reporting Issuer Not a Corporation**

If a reporting issuer is not a corporation, a report in accordance with Form 51-101F3 must be executed by the persons who, in relation to the reporting issuer, are in a similar position or perform similar functions to the persons required to execute under paragraph 2.1(3)(e) of Regulation 51-101.”.

**10.** Section 5.2 of the Policy Statement is amended:

(1) by replacing paragraph (5) with the following:

“(5) **Availability of Funding** - In assigning reserves to an undeveloped property, the reporting issuer is not required to have the funding available to develop the reserves, since they may be developed by means other than the expenditure of the reporting issuer’s funds (for example by a farm-out or sale). Reserves must be estimated assuming that development of the properties will occur without regard to the likely availability of funding required for that property. The reporting issuer’s evaluator is not required to consider whether the reporting issuer will have the capital necessary to develop the reserves. (See section 7 of COGE Handbook and subparagraph 5.2(a)(iv) of Regulation 51-101.)

However, item 5.3 of Form 51-101F1 requires a reporting issuer to discuss its expectations as to the sources and costs of funding for estimated future development costs. If the issuer expects that the costs of funding would make development of a property unlikely, then even if reserves were assigned, it must also discuss that expectation and its plans for the property.

Disclosure of an estimate of reserves, contingent resources or prospective resources in respect of which timely availability of funding for development is not assured may be misleading if that disclosure is not accompanied, proximate to it, by a discussion (or a cross-reference to such a discussion in other disclosure filed by the reporting issuer on SEDAR) of funding uncertainties and their anticipated effect on the timing or completion of such development (or on any particular stage of multi-stage development such as often observed in oilsands developments).”;

(2) by replacing the French text of paragraph (6) with the following:

“(6) **Réserves prouvées ou probables non développées** – Il faut déclarer les réserves prouvées ou probables non développées pendant l’exercice au cours duquel elles sont comptabilisées. L’émetteur assujetti qui ne déclare pas certaines réserves prouvées ou probables non développées pour la seule raison qu’il n’a pas encore dépensé les fonds destinés au développement pourrait omettre de l’information importante et ainsi rendre trompeuse l’information sur les réserves. Si l’existence des réserves prouvées ou probables non développées n’est pas communiquée au public, les personnes qui ont une relation privilégiée avec l’émetteur et savent qu’elles existent n’auront pas le droit d’acheter ou vendre des titres de l’émetteur tant que cette information n’aura pas été diffusée. Le prospectus de l’émetteur pourrait ne pas révéler tous les faits importants de façon complète, véridique et claire en l’absence d’information sur ces réserves.”.

**11.** Section 5.3 of the Policy Statement is replaced with the following:

### **“5.3. Classification of Reserves and of Resources Other than Reserves**

Section 5.3 of Regulation 51-101 requires that any disclosure of reserves or of resources other than reserves must apply the applicable categories and terminology set out in the COGE Handbook. The definitions of various resource categories, derived from the COGE Handbook, are provided in the Regulation 51-101 Glossary. In addition, section 5.3 of Regulation 51-101 requires that disclosure of reserves or of resources other than reserves must relate to the most specific category of reserves or of resources other than reserves in which the reserves or resources other than reserves can be classified. For

instance, there are several subcategories of discovered resources including reserves, contingent resources and discovered unrecoverable resources.

Reserves can be characterized as proved, probable or possible reserves, according to the probability that such quantities will actually be produced. As described in the COGE Handbook, proved, probable and possible reserves represent conservative, realistic and optimistic estimates of reserves, respectively. Therefore, any disclosure of reserves must indicate whether they are proved, probable or possible reserves.

Reporting issuers that disclose resources other than reserves must identify those resources as discovered or undiscovered resources except in exceptional circumstances where the most specific category is total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place, in which case the reporting issuer must comply with subsection 5.16(3) of Regulation 51-101.

For further guidance on disclosure of reserves and of resources other than reserves, see sections 5.2 and 5.5 of this Policy Statement.”.

**12.** Section 5.4 of the Policy Statement is amended by replacing the words “; making direct or indirect reference to the conclusions of that report in the filed Form 51-101F1 and Form 51-101F3; and identifying the report in the news release referred to in section 2.2” with the words “or making direct or indirect reference to the conclusions of that report in the filed Form 51-101F1 and Form 51-101F3”.

**13.** Section 5.5 of the Policy Statement is amended:

(1) by adding, in the title, the words “**Other than Reserves**” after the word “**Resources**”;

(2) by replacing paragraph (1) with the following:

“(1) **Disclosure of Resources Generally** - The disclosure of resources, excluding proved and probable reserves, is not mandatory under Regulation 51-101, except that a reporting issuer must make disclosure concerning its unproved properties and resource activities in its annual filings as described in Part 6 of Form 51-101F1. Additional disclosure beyond this is voluntary and must comply with section 5.9 of Regulation 51-101 if anticipated results from the resources other than reserves are voluntarily disclosed.

For prospectuses, the general securities disclosure obligation of “full, true and plain” disclosure of all material facts would require the disclosure of reserves or of resources other than reserves that are material to the issuer, even if the disclosure is not mandated by Regulation 51-101. Any such disclosure should be based on supportable analysis.

Disclosure of resources other than reserves may involve the use of statistical measures that may be unfamiliar to a user. It is the responsibility of the evaluator and the reporting issuer to be familiar with these measures and for the reporting issuer to be able to explain them to investors. Information on statistical measures may be found in the COGE Handbook (section 9 of volume 1 and section 4 of volume 2) and in the extensive technical literature<sup>1</sup> on the subject.

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<sup>1</sup> For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora, Colorado (ISBN 0-9664401-1-0). Rose, P. R., Risk Analysis and Management of Petroleum Exploration Ventures, AAPG Methods in Exploration Series No. 12, AAPG (ISBN 0-89181-062-1).”;

(3) by replacing the second to last and last sentences of the second paragraph of paragraph (2) with the following paragraph:

“However, the convenience of aggregating properties will not justify disclosure of resources in a category or subcategory less specific than would otherwise be possible, and required to be disclosed by subsection 5.3(1) of Regulation 51-101.”;

(4) in paragraph (3):

(a) by replacing, in the third paragraph of subparagraph (a), the words “In addition, pursuant to section 5.3 and paragraph 5.9(2)(b)” with the words “Pursuant to section 5.3” and the words “paragraph 5.9(2)(b)” with the words “subsection 5.3(1)”;

(b) by replacing subparagraph (b) with the following:

**“(b) Definitions of Resource Categories**

For the purpose of complying with the requirement of defining the resource category, the reporting issuer must ensure that disclosure of the definition is consistent with the resource categories and terminology set out in the COGE Handbook, pursuant to section 5.3 of Regulation 51-101. Section 5 of volume 1 of the COGE Handbook and the Regulation 51-101 Glossary identify and define the various resource categories.

A reporting issuer may wish to report reserves or resources other than reserves as “in-place volumes”. By definition, reserves of any type, contingent resources and prospective resources are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being “in-place”. Terms such as “potential reserves”, “undiscovered reserves”, “reserves in place”, “in-place reserves” or similar terms must not be used because they are incorrect and misleading. The disclosure of reserves or of resources other than reserves must be consistent with the terminology and categories set out in the COGE Handbook, pursuant to section 5.3 of Regulation 51-101.

In addition to disclosing the most specific category of resource, the reporting issuer may disclose total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place estimates provided that the additional disclosure required by subsection 5.16(3) of Regulation 51-101 is included.”;

(c) by replacing, in subparagraph (c), “5.9(2)(c)(v)” with “5.9(2)(d)(v)” wherever it occurs, “5.9(2)(c)(iii)” with “5.9(2)(d)(iii)” and “5.9(2)(c)” with “5.9(2)(d)”.

**14.** The Policy Statement is amended par inserting, after section 5.9, the following:

**“5.9.1. Summation of Resource Categories**

An estimate of quantity or an estimate of value constitutes a summation, disclosure of which is prohibited by subsection 5.16(1) of Regulation 51-101, if that estimate reflects a combination of estimates, known or available to the reporting issuer, for two or more of the subcategories enumerated in that provision. There may be circumstances in which a disclosed estimate was arrived at in accordance with the COGE Handbook without combining, and without the reporting issuer knowing or having access to, estimates in two or more of those enumerated categories. Disclosure of such an estimate would not generally be considered to constitute a summation for purposes of that provision.”.

**15.** Section 5.10 of the Policy Statement is amended:

(1) by replacing, in paragraph (2), “5.9 and 5.10” with “5.9, 5.10 and 5.16”;

(2) by replacing, in the French text of paragraph (3), the words “à la mise en valeur” with the words “au développement” and, wherever they occur, the words “mises en valeur” with the word “développées”.

**16.** Appendix 1 of the Policy Statement is amended by replacing, wherever it occurs, the word “supplemental” with the word “supplementary” and by replacing wherever they occur in the French text, the words “produits d’exploitation” with the words “produits des activités ordinaires”, the words “mises en valeur” with the word “développées”, the words “mise en valeur” with the word “développement” and the words “frais d’exploitation” with the words “coûts opérationnels”.

**17.** The Policy Statement is amended by replacing, wherever they occur in the French text, the words “mise en valeur” with the word “développement”, and making the necessary changes.

## **REGULATION TO AMEND REGULATION 41-101 RESPECTING GENERAL PROSPECTUS REQUIREMENTS**

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (3), (8) and (11), and s. 331.2)

1. Section 5.5 of Form 41-101F1 of Regulation 41-101 respecting General Prospectus Requirements is replaced with the following:

### ***“5.5. Issuers with oil and gas operations***

(1) If the issuer is engaged in oil and gas activities as defined in Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities and any of the oil and gas information is material as contemplated under Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities in respect of the issuer, disclose that information in accordance with Form 51-101F1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities

(a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,

(b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or

(c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities and prior to the date of the preliminary prospectus.

(2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities, on the reserves data included in the disclosure required under subsection (1).

(3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities that refers to the information disclosed under subsection (1).

(4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

### ***INSTRUCTION***

*Disclosure in a prospectus must be consistent with Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities if the issuer is engaged in oil and gas activities as defined in Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.”.*

2. This Regulation comes into force on December 30, 2010.