

M.O., 2010-15**Order number V-1.1-2010-15 of the Minister of Finance, dated December 3, 2010**

Securities Act
(R.S.Q., c. V-1.1)

CONCERNING Regulation to amend the Regulation 51-101 respecting standards of disclosure for oil and gas and the Regulation to amend the Regulation 41-101 respecting general prospectus requirements

WHEREAS subparagraphs 1, 2, 3, 8, 11, 19.3, 20 and 34 of section 331.1 of the Securities Act (R.S.Q., c. V-1.1) provide that the Autorité des marchés financiers may make regulations concerning the matters referred to in those paragraphs;

WHEREAS the third and fourth paragraphs of section 331.2 of the said Act provide that a draft regulation shall be published in the Bulletin de l'Autorité des marchés financiers, accompanied with the notice required under section 10 of the Regulations Act (R.S.Q., c. R-18.1) and may not be submitted for approval or be made before 30 days have elapsed since its publication;

* Regulation 81-106 respecting Investment Fund Continuous Disclosure, approved by Ministerial Order No. 2005-05 dated May 19, 2005 (2005, *G.O.* 2, 1601), was last amended by the regulation to amend the regulation approved by Ministerial Order No. 2008-12 dated August 22, 2008 (2008, *G.O.* 2, 4551). For previous amendments, refer to the *Tableau des modifications et Index sommaire*, Éditeur officiel du Québec, 2010, updated to October 1, 2010.

WHEREAS the first and fifth paragraphs of the said section provide that every regulation made under section 331.1 must be approved, with or without amendment, by the Minister of Finance and comes into force on the date of its publication in the *Gazette officielle du Québec* or on any later date specified in the regulation;

WHEREAS Regulation 51-101 respecting standards of disclosure for oil and gas has been approved by ministerial order no. 2005-15 dated August 2, 2005 (2005, *G.O.* 2, 3558);

WHEREAS Regulation 41-101 respecting general prospectus requirements has been approved by ministerial order no. 2008-05 dated March 4, 2008 (2008, *G.O.* 2, 810);

WHEREAS there is cause to amend those regulations;

WHEREAS the draft Regulation to amend Regulation 51-101 respecting standards of disclosure for oil and gas and the draft Regulation to amend Regulation 41-101 respecting general prospectus requirements were published in the Bulletin de l'Autorité des marchés financiers, volume 6, no. 50 of December 18, 2009;

WHEREAS the Autorité des marchés financiers made, on November 22, 2010, by the decision no. 2010-PDG-0208, Regulation to amend Regulation 51-101 respecting standards of disclosure for oil and gas;

WHEREAS the Autorité des marchés financiers made, on November 22, 2010, by the decision no. 2010-PDG-0209, Regulation to amend Regulation 41-101 respecting general prospectus requirements;

WHEREAS there is cause to approve those regulations without amendment;

CONSEQUENTLY, the Minister of Finance approves without amendment Regulation to amend Regulation 51-101 respecting standards of disclosure for oil and gas and Regulation to amend Regulation 41-101 respecting general prospectus requirements appended hereto.

December 3, 2010

RAYMOND BACHAND,
Minister of Finance

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))

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 definitions of “CICA Accounting Guideline 16” and “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 (c) 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

* Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities, approved by Ministerial Order No. 2005-15 dated August 2, 2005 (2005, *G.O.* 2, 3558), was last amended by the regulation approved by Ministerial Order No. 2007-07 dated December 14, 2007 (2007, *G.O.* 2, 4084). For previous amendments, refer to the *Tableau des modifications et Index sommaire*, Éditeur officiel du Québec, 2010, updated to October 1, 2010.

(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 sub-category 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 sub-category 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. Section 8.2 of the Regulation is amended, in paragraph (2), 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 paragraphs:

“(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) by replacing, in the French text of item 2.1 and wherever they occur, the words “réserves prouvées mises en valeur et exploitées”, “réserves prouvées non mises en valeur”, “réserves prouvées mises en valeur et inexploitées”,

“produits d’exploitation”, “charges futures d’impôt”, “frais d’exploitation” and “mise en valeur” with, respectively, the words “réserves prouvées développées exploitées”, “réserves prouvées non développées”, “réserves prouvées développées inexploitées”, “produits des activités ordinaires”, “charges d’impôts futurs”, “coûts opérationnels” and “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:

(a) by replacing, wherever they occur in subparagraph (ii) of subparagraph (a), the words “minority interest” with the words “non-controlling interest”;

(b) by replacing, in the French text of subparagraph (c), the words “Comptabilisation à la valeur de consolidation” and “méthode de la comptabilisation à la valeur de consolidation” with, respectively, the words “Méthode de la mise en équivalence” and “méthode de la mise en équivalence”;

(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 paragraph (1), the words “minority interest” with “non-controlling interest”;

(c) by replacing, in the French text of paragraph (2), the words “Comptabilisation à la valeur de consolidation”, “méthode de la comptabilisation à la valeur de consolidation” and “produits d’exploitation” with, respectively, the words “Méthode de la mise en équivalence”, “méthode de la mise en équivalence” and “produits des activités ordinaires”;

(d) in the instructions:

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

(ii) by deleting paragraph (3);

(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) by deleting, in paragraph (2) of the instructions of item 3.2, 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 assujéti 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 assujéti classe des 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 and after the word “**Uncertainties**”, the words “**Affecting Reserves Data**”;

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

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

(12) by replacing, in the French text of item 5.3 and wherever they occur, the words “produits d’exploitation”, “de mise en valeur”, “la mise en valeur” and “financement par emprunts” with, respectively, the words “produits des activités ordinaires”, “de développement”, “le développement” and “financement par emprunt”;

(13) by replacing, in the French text of paragraph (2) of item 6.1, 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:

“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.”;

(15) by inserting, after Item 6.2, the following:

“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.

EXEMPLES

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.”;

(16) 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.”;

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

(18) 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” and “mise en valeur” with, respectively, the words “mise en équivalence” and “développement”;

(19) in item 6.7, by replacing the words “gas wells and service wells” with the words “gas wells, service wells and stratigraphic test wells”;

(20) by replacing, in subparagraph (a) of paragraph (1) of item 6.9, the words “average daily production volume, before deduction of royalties” with the words “average gross daily production volume”.

13. Form 51-101F2 of the Regulation is amended, in the part entitled “**Report on Reserves Data**”:

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

(2) by replacing, in the French text of paragraph (4), the words “charges futures d’impôt” and “produits d’exploitation” with, respectively, the words “charges d’impôts futurs” and “produits des activités ordinaires”;

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

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

14. Form 51-101F3 of the Regulation is amended, in the part entitled “**Report of Management and Directors on Oil and Gas Disclosure**”:

(1) by replacing the title with the following:

“Report of Management and Directors on Reserves Data and Other Information”;

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

(3) by deleting, in the fifth paragraph, the second sentence;

(4) 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)].”.

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.

**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))

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

* Regulation 41-101 respecting General Prospectus Requirements, approved by Ministerial Order No. 2008-05 dated March 4, 2008 (2008, G.O. 2, 810), was last amended by the regulation to amend the regulation approved by Ministerial Order No. 2010-09 dated June 1, 2010 (2010, G.O. 2, 1493). For previous amendments, refer to the *Tableau des modifications et Index sommaire*, Éditeur officiel du Québec, 2010, updated to October 1, 2010.

(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.

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