REGULATION TO AMEND REGULATION 51-102 RESPECTING CONTINUOUS DISCLOSURE OBLIGATIONS

Securities Act
(R.S.Q., c. V-1.1, s. 331.1, par. (1), (2), (3), (8), (9), (11), (19), (20) and (34))

1. Section 1.1 of Regulation 51-102 respecting Continuous Disclosure Obligations is amended:

(1) by replacing the definition of "date of acquisition" with the following:

"date of acquisition" means the date of acquisition for accounting purposes;";

(2) by adding the following after the definition of "date of acquisition":

" "equity investee" means a business that the issuer has invested in and accounted for using the equity method;";

(3) by adding the following after the definition of "date of acquisition":

" "electronic format" has the same meaning as in Regulation 13-101 respecting System for Electronic Document Analysis and Retrieval (SEDAR) adopted by the *Commission des valeurs mobilières du Québec* pursuant to decision No. 2001-C-0272 dated June 12, 2001;";

(4) by replacing the definition of "executive officer" with the following:

" "executive officer" means, for a reporting issuer, an individual who is

(a) a chair, vice-chair or president;

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production;

(c) an officer of the issuer or any of its subsidiaries who performs a policy-making function in respect of the issuer; or

(d) performing a policy-making function in respect of the issuer;";

(5) in the definition of "interim period":

(a) by adding "a non-standard year or" after "in the case of a year other than" in subparagraph (a);

(b) by deleting "or" at the end of subparagraph (a);

(c) by adding the following after subparagraph (a):

"(a.1) in the case of a non-standard year, a period commencing on the first day of the financial year and ending within 22 days of the date that is nine, six or three months before the end of the financial year; or";

(6) by adding the following after the definition of "investment fund":

" "issuer's GAAP" has the same meaning as in Regulation 52-107 respecting Acceptable Accounting Principles, Auditing Standards and Reporting Currency approved by Ministerial Order No. 2005-08 dated May 19, 2005;";

(7) by adding the following after the definition of "new financial year":

" "non-standard year" means a financial year, other than a transition year, that does not have 365 days, or 366 days if it includes February 29;";

(8) by deleting the definition of "published market";

(9) by adding the following after the definition of "restricted voting security":

" "restructuring transaction" means

(a) a reverse takeover;

(b) an amalgamation, merger, arrangement or reorganization;

(c) a transaction or series of transactions involving a reporting issuer acquiring assets and issuing securities that results in

(i) new securityholders owning or controlling a sufficient number of the reporting issuer's securities to elect a majority of the directors of the reporting issuer; and

(ii) a new person or company, a new combination of persons or companies acting together, the vendors of the assets, or new management

(A) being able to materially affect the control of the reporting issuer; or

(B) holding more than 20% of the outstanding voting securities of the reporting issuer, unless there is evidence showing that the holding of those securities does not materially affect the control of the reporting issuer; and

(d) any other transaction similar to the transactions listed in paragraphs (a) to (c);

but does not include a subdivision, consolidation, or other transaction that does not alter a securityholder's proportionate interest in the issuer;";

(10) in the definition of "SEC issuer", by replacing "a reporting" with "an";

(11) in the definition of "venture issuer":

(a) by adding "," after "a U.S. marketplace", in the English text;

(b) by adding "other than the Alternative Investment Market of the London Stock Exchange" after "the United States of America".

2. The Regulation is amended by adding the following after section 3.1:

"**3.2 Filings Translated into French or English**

If a person or company files a document under this Regulation that is a translation of a document prepared in a language other than French or English, the person or company must

(a) attach a certificate as to the accuracy of the translation to the filed document; and

(b) make a copy of the document in the original language available to a registered holder or beneficial owner of its securities, on request.".

3. Section 4.1 of the Regulation is amended:

(1) by replacing the title "Comparative Annual Financial Statements and Auditor's Report" with "Comparative Annual Financial Statements and Audit";

(2) by replacing the words "accompanied by an auditor's report" in paragraph (2) with "audited".

4. The introductory paragraph of section 4.2 of the Regulation is amended:

(1) by adding "audited" before "annual financial statements";

(2) by deleting the words "and auditor's report".

5. Section 4.3 of the Regulation is amended:

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

"(1) A reporting issuer must file interim financial statements for the interim periods of its current financial year.";

(2) in paragraph (4):

(a) by adding "that is a reporting issuer" after "If an SEC issuer";

(b) by deleting "approved by Ministerial Order 2005-08 dated 19 May, 2005" in subparagraph (c).

6. Section 4.6 of the Regulation is replaced with the following:

"**4.6 Delivery of Financial Statements**

(1) If a registered holder or beneficial owner of securities of a reporting issuer requests the issuer's annual or interim financial statements, the reporting issuer must send a copy of the requested financial statements to the person or company that made the request, without charge, by the later of,

(a) in the case of a reporting issuer other than a venture issuer, 10 calendar days after the filing deadline in subparagraph 4.2(a)(i) or 4.4(a)(i), section 4.7, or subsection 4.10(2), as applicable, for the financial statements requested;

(b) in the case of a venture issuer, 10 calendar days after the filing deadline in paragraph 4.2(b)(i) or 4.4(b)(i), section 4.7, or subsection 4.10(2), as applicable, for the financial statements requested; and

(c) 10 calendar days after the issuer receives the request.

(2) A reporting issuer is not required to send copies of annual or interim financial statements under subsection (1) that were filed more than two years before the issuer receives the request.

(3) The requirement to send annual financial statements under subsection (1) does not apply to a reporting issuer that sends its annual financial statements to its securityholders, other than holders of debt instruments, within the time set out in paragraph (1)(a) or (1)(b), as applicable, and in accordance with Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer

adopted by the *Commission des valeurs mobilières du Québec* pursuant to decision No. 2003-C-0082 dated March 3, 2003.

(4) If a reporting issuer sends financial statements under this section, the reporting issuer must also send, at the same time, the annual or interim MD&A relating to the financial statements.".

7. Paragraph (1) of section 4.7 of the Regulation is amended by adding "of the issuer" before "were included in a document filed".

8. Section 4.8 of the Regulation is amended:

(1) by replacing "This section does not apply to an SEC issuer" with "An SEC issuer satisfies this section" in paragraph (1), and

(2) by replacing "paragraph 4.3(1)(b)" in paragraph (5) with "subsection 4.3(1)" and, in the English text, replacing "within" with "not more than".

9. Section 4.9 of the Regulation is replaced with the following:

"4.9 Change in Corporate Structure

If an issuer is party to a restructuring transaction or other transaction that resulted in,

(a) the issuer becoming a reporting issuer; or

(b) if the issuer was already a reporting issuer, in

(i) the issuer ceasing to be a reporting issuer,

(ii) a change in the reporting issuer's financial year end, or

(iii) a change in the name of the reporting issuer;

the issuer must, as soon as practicable, and in any event not later than the deadline for the first filing required under this Regulation following the transaction, file a notice stating

(c) the names of the parties to the transaction;

(d) a description of the transaction;

(e) the effective date of the transaction;

(f) the names of each party, if any, that ceased to be a reporting issuer subsequent to the transaction and of each continuing entity;

(g) the date of the reporting issuer's first financial year-end subsequent to the transaction; and

(h) the periods, including the comparative periods, if any, of the interim and annual financial statements required to be filed for the reporting issuer's first financial year subsequent to the transaction.".

10. Section 4.10 of the Regulation is amended:

(1) by replacing the word "filed" with the words "or similar document prepared" in subparagraph (2)(a)(i);

(2) by adding the following paragraph:

"(3) A reporting issuer is not required to provide comparative interim financial information for the reverse takeover acquirer for periods that ended before the date of a reverse takeover if

(a) to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2);

(b) the prior-period information that is available is presented; and

(c) the notes to the interim financial statements disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.".

11. Section 4.11 of the Regulation is amended:

(1) by replacing the definition of "relevant period" in paragraph (1) with the following:

" "relevant period" means the period

(a) commencing at the beginning of the reporting issuer's two most recently completed financial years and ending on the date of termination or resignation; or

(b) during which the former auditor was the reporting issuer's auditor, if the former auditor was not the reporting issuer's auditor throughout the period described in paragraph (a);";

(2) by replacing "This section does not apply to an SEC issuer" in paragraph (4) with "An SEC issuer satisfies this section";

(3) by deleting the comma after "disagrees" in the English text of subparagraph (5)(a)(ii)(B);

(4) by deleting the comma after "disagrees" in the English text of subparagraph (6)(a)(ii)(B).

12. Section 5.1 of the Regulation is amended:

(1) by adding the following paragraph:

"(1.1) Despite subsection (1), a reporting issuer does not have to file MD&A relating to the annual and interim financial statements required under sections 4.7 and 4.10 for financial years and interim periods that ended before the issuer became a reporting issuer.";

(2) in paragraph (2):

(a) by replacing ", 4.4 and 4.7" in subparagraph (a) with "and 4.4";

(b) by replacing ", 4.3(1) or 4.7(1)" in subparagraph (b) with "or 4.3(1)".

13. Section 5.2 of the Regulation is amended by replacing paragraph (1) with the following:

"(1) Despite subsection 5.1(2), if an SEC issuer that is a reporting issuer is filing its annual or interim MD&A prepared in accordance with Item 303 of

Regulation S-K or Item 303 of Regulation S-B under the 1934 Act, then the SEC issuer must file that document on or before the earlier of

(a) the date the SEC issuer would be required to file that document under section 5.1; and

(b) the date the SEC issuer files that document with the SEC.

(1.2) Despite subsection 5.1(2), an SEC issuer that is a reporting issuer must file a supplement prepared in accordance with subsection (2) at the same time it files its annual or interim MD&A, if the SEC issuer

(a) has based the discussion in the MD&A on financial statements prepared in accordance with U.S. GAAP; and

(b) is required by subsection 4.1(1) of Regulation 52-107 respecting Acceptable Accounting Principles, Auditing Standards and Reporting Currency to provide a reconciliation to Canadian GAAP.".

14. Subparagraph (b) of paragraph (2) of section 5.3 of the Regulation is amended by adding "year-to-date" after "and the comparative".

15. Section 5.6 of the Regulation is amended:

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

"(1) If a registered holder or beneficial owner of securities of a reporting issuer requests the reporting issuer's annual or interim MD&A, the reporting issuer must send a copy of the requested MD&A and any MD&A supplement required under section 5.2 to the person or company that made the request, without charge, by the delivery deadline set out in subsection 4.6(1) for the annual or interim financial statements to which the MD&A relates.";

(2) in paragraph (3):

(i) by deleting "all";

(ii) by adding ", within the time set out in paragraph 4.6(1)(a) or 4.6(1)(b), as applicable, and in accordance with Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer" after "holders of debt instruments";".

16. The Regulation is amended by adding the following after section 5.6:

"**5.7 Additional Disclosure for Reporting Issuers with Significant Equity Investees**

(1) A reporting issuer that has a significant equity investee must disclose in its MD&A, or in its MD&A supplement if one is required under section 5.2, for each period referred to in subsection (2),

(a) summarized information as to the assets, liabilities and results of operations of the equity investee; and

(b) the reporting issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the reporting issuer's share of earnings.

(2) The disclosure in subsection (1) must be provided for the following periods:

(a) in the case of annual MD&A, for the two most recently completed financial years; and

(b) in the case of interim MD&A, for the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial statements.

(3) Subsection (1) does not apply if

(a) the information required under that subsection has been disclosed in the financial statements to which the MD&A or MD&A supplement relates; or

(b) the issuer files separate financial statements of the equity investee for the periods referred to in subsection (2).".

17. Section 6.3 of the Regulation is repealed.

18. Paragraph (7) of section 7.1 of the Regulation is amended by replacing "paragraph (1)(a)" with "subsection (1)".

19. Section 8.1 of the Regulation is amended:

(1) by adding "to which reserves, as defined in Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities approved by Ministerial Order No. 2005-15 dated August 2, 2005, have been specifically attributed" after "oil and gas property" in the definition of "business" in paragraph (1);

(2) by repealing paragraph (2).

20. Section 8.2 of the Regulation is amended:

(1) by renumbering the section as paragraph (1) of section 8.2;

(2) by adding the following paragraph:

"(2) Despite subsection (1), if the financial year of the acquired business referred to in clause 8.4(1)(a)(i)(A) ended 45 days or less before the acquisition, then a reporting issuer must file a business acquisition report

(a) within 90 days after the date of acquisition, in the case of an issuer other than a venture issuer, or

(b) within 120 days after the date of acquisition, in the case of a venture issuer.".

21. Section 8.3 of the Regulation is amended:

(1) by adding "and subject to subsections 8.10(1) and 8.10(2)" after "Despite subsection (1)" in paragraph (3);

(2) in paragraph (4):

(a) by adding "or annual" after "recently completed interim" in subparagraph (a) wherever it occurs;

(b) by adding “or annual” after “recently completed interim” and deleting “ended before the date of the acquisition” in subparagraph (b);

(3) by replacing the word “it“ with the words “an acquisition” in paragraph (5) of the English text;

(4) by replacing paragraphs (8) and (9) with the following:

“(8) For the purposes of paragraph (2)(c) and clause (4)(c)(ii)(A), if the reporting issuer’s consolidated income from continuing operations for the most recently completed financial year was lower by 20 percent or more than its average consolidated income from continuing operations for the three most recently completed financial years, then the issuer may, subject to subsection (10), substitute the average consolidated income from continuing operations for the three most recently completed financial years in determining whether the significance test set out in paragraph (2)(c) or (4)(c) is satisfied.

(9) For the purpose of clause (4)(c)(ii)(B) if the reporting issuer’s consolidated income from continuing operations for the most recently completed 12-month period was lower by 20 percent or more than its average consolidated income from continuing operations for the three most recently completed 12-month periods, then the issuer may, subject to subsection (10), substitute the average consolidated income for the three most recently completed 12-month periods in determining whether the significance test set out in paragraph (4)(c) is satisfied.”;

(5) by adding the following after paragraph (11):

“(11.1) For the purposes of calculating the optional income test under clause (4)(c)(ii)(A), a reporting issuer may use pro forma consolidated income from continuing operations for its most recently completed financial year that was included in a previously filed document if

(a) the reporting issuer has made a significant acquisition of a business subsequent to its most recently completed financial year; and

(b) the previously filed document included

(i) audited financial statements of that acquired business for the periods required by this Part; and

(ii) the pro forma financial information required by subsection 8.4(5).”.

22. Section 8.4 of the Regulation is replaced by the following:

“**8.4 Financial Statement Disclosure for Significant Acquisitions**

(1) If a reporting issuer must file a business acquisition report under section 8.2, the business acquisition report must include the following for each business or related businesses:

(a) an income statement, a statement of retained earnings and a cash flow statement for the following periods:

(i) if the business has completed one financial year,

(A) the most recently completed financial year ended on or before the date of acquisition; and

(B) the financial year immediately preceding the most recently completed financial year, if any; or

(ii) if the business has not completed one financial year, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition;

(b) a balance sheet as at the end of each of the periods specified in paragraph (a); and

(c) notes to the financial statements.

(2) The most recently completed financial period referred to in subsection (1) must be audited.

(3) If a reporting issuer must include financial statements in a business acquisition report under subsection (1), the business acquisition report must include financial statements for

(a) either

(i) the most recently completed interim period of the business that started the day after the date of the balance sheet specified in paragraph (1)(b) and ended before the date of acquisition; or

(ii) the period that started the day after the date of the balance sheet specified in paragraph (1)(b) and ended after the interim period referred to in subparagraph (i) and before the date of acquisition; and

(b) the comparable period in the preceding financial year of the business.

(4) Subsection (3) does not apply to a reporting issuer if

(a) the issuer filed a document before the date of acquisition that provided prospectus-level disclosure for the acquired business;

(b) the issuer incorporates by reference into the business acquisition report any interim financial statements for the acquired business's current financial year that were included in the document referred to in paragraph (a);

(c) the financial statements included in the document referred to in paragraph (a) are for the interim period or financial year, or a period ending after that interim period or financial year, immediately preceding the interim period referred to in subsection (3);

(d) a reasonable investor would not regard the issuer's primary business to be the business acquired by the issuer; and

(e) the issuer will not account for the acquisition as continuity of interests.

(5) If a reporting issuer is required to include financial statements in a business acquisition report under subsection (1) or (3), the business acquisition report must include

(a) a pro forma balance sheet of the reporting issuer, as at the date of

(i) the reporting issuer's most recent balance sheet filed, that gives effect, as if they had taken place as at the date of the pro forma balance sheet, to significant acquisitions that have been completed, but are not reflected in the reporting issuer's most recent balance sheet for an annual or interim period, or

(ii) the acquired business's most recent balance sheet, if the reporting issuer has not filed a balance sheet for an annual or interim period, that gives effect, as if they had taken place as at the date of the pro forma balance sheet, to significant acquisitions that have been completed;

(b) a pro forma income statement of the reporting issuer for each of the following financial periods:

(i) the reporting issuer's

(A) most recently completed financial year for which it has been required to file financial statements, and

(B) most recently completed interim period for which it has been required to file financial statements that started after the period in clause (A) and ended before the acquisition date or, at the issuer's option, ended after the acquisition date,

that gives effect to significant acquisitions completed after the ending date of the reporting issuer's most recently completed financial year for which financial statements are required to have been filed, as if they had taken place at the beginning of that financial year; or

(ii) if the reporting issuer has not been required to file financial statements, for the acquired business's

(A) most recently completed financial year that ended before the date of acquisition, and

(B) period for which financial statements are included in the business acquisition report under paragraph 8.4(3)(a),

that gives effect to significant acquisitions completed as if they had taken place at the beginning of the period referred to in clause (A); and

(c) pro forma earnings per share based on the pro forma financial statements referred to in paragraph (b).

(6) Paragraph 8.4(5)(a) and clauses 8.4(5)(b)(i)(B) and 8.4(5)(b)(ii)(B) do not apply to a reporting issuer if

(a) the issuer filed a document before the date of acquisition that provided prospectus-level disclosure for the acquired business;

(b) the issuer incorporates by reference into the business acquisition report the pro forma financial statements relating to the acquisition that were included in the document referred to in paragraph (a);

(c) the pro forma financial statements referred to in paragraph (b) are,

(i) in the case of the income statement, for the interim period or financial year, or a period ending after the interim period or financial

year, immediately preceding the period referred to in clause 8.4(5)(b)(i)(B) or 8.4(5)(b)(ii)(B), as applicable, and

(ii) in the case of the pro forma balance sheet, as at the last date of the period covered by the income statement referred to in subparagraph (i);

(d) a reasonable investor would not regard the issuer's primary business to be the business acquired by the issuer; and

(e) the issuer will not account for the acquisition as continuity of interests.

(7) If a reporting issuer is required to include pro forma financial statements in a business acquisition report under subsection (5),

(a) the reporting issuer must identify in the pro forma financial statements each significant acquisition, if the pro forma financial statements give effect to more than one significant acquisition;

(b) the reporting issuer must include in the pro forma financial statements a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment;

(c) if the financial year-end of the business differs from the reporting issuer's year-end by more than 93 days, for the purpose of preparing the pro forma income statement for the reporting issuer's most recently completed financial year, the reporting issuer must construct an income statement of the business for a period of 12 consecutive months ending no more than 93 days before or after the reporting issuer's year-end, by adding the results for a subsequent interim period to a completed financial year of the business and deducting the comparable interim results for the immediately preceding year;

(d) if a constructed income statement is required under paragraph (c), the pro forma financial statements must disclose the period covered by the constructed income statement on the face of the pro forma financial statements and must include a note stating that the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for the business included elsewhere in the business acquisition report;

(e) if a reporting issuer is required to prepare a pro forma income statement for an interim period required by paragraph (5)(b), and the pro forma income statement for the most recently completed financial year includes results of the business which are also included in the pro forma income statement for the interim period, the reporting issuer must disclose in a note to the pro forma financial statements the revenue, expenses, gross profit and income from continuing operations included in each pro forma income statement for the overlapping period; and

(f) a constructed period referred to in paragraph (c) does not have to be audited.

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

23. Section 8.5 of the Regulation is repealed.

24. Section 8.6 of the Regulation is amended:

(1) by replacing "an investment accounted for using the equity method" with "of an equity investee" in subparagraph (a);

(2) by replacing "business" with "equity investee" in subparagraphs (b)(i) and (b)(ii); and

(3) by replacing "business" with "equity investee" in subparagraph (c)(i).

25. Section 8.7 of the Regulation is repealed.

26. Section 8.8 of the Regulation is amended:

(1) by replacing "8.5" with "8.4";

(2) by deleting "two completed financial years for".

27. Section 8.9 of the Regulation is amended by replacing "(2)" with "(3)".

28. Section 8.10 of the Regulation is replaced by the following:

"**8.10 Acquisition of an Interest in an Oil and Gas Property**

(1) Despite subsections 8.3(2) and 8.3(4), the asset tests in paragraphs 8.3(2)(a) and 8.3(4)(a) do not apply to an acquisition of

(a) a business that is an interest in an oil and gas property, or

(b) related businesses that are interests in oil and gas properties,

unless the acquisition is of securities of another issuer.

(2) Despite subsections 8.3(2), 8.3(4), 8.3(8), 8.3(9), 8.3(10) and 8.3(12), a reporting issuer must substitute "operating income" for "consolidated income from continuing operations" for the purposes of the income test in paragraphs 8.3(2)(c) and 8.3(4)(c) if the acquisition is one described in subsection (1).

(3) A reporting issuer is exempt from the requirements in section 8.4 if

(a) the significant acquisition is an acquisition described in subsection (1);

(b) the reporting issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required under this Part because those financial statements do not exist or because the reporting issuer does not have access to those financial statements;

(c) the acquisition does not constitute a reverse takeover;

(d) the business or related businesses did not, immediately before the time of completion of the acquisition, constitute a "reportable segment" of the vendor, as defined in the Handbook;

(e) in respect of the business or related businesses, for each of the financial periods for which financial statements would, but for this section, be required under section 8.4, the business acquisition report includes

(i) an operating statement, accompanied by a report of an auditor, presenting for the business or related businesses at least the following:

(A) gross revenue;

(B) royalty expenses;

(C) production costs; and

(D) operating income;

(ii) a pro forma operating statement of the reporting issuer that gives effect to significant acquisitions completed after the ending date of the reporting issuer's most recently completed financial year for which financial statements are required to have been filed, as if they had taken place at the beginning of that financial year, for each of the financial periods referred to in paragraph 8.4(5)(b);

(iii) a description of the property or properties and the interest acquired by the reporting issuer; and

(iv) disclosure of the annual oil and gas production volumes from the business or related businesses; and

(f) the business acquisition report discloses

(i) the estimated reserves and related future net revenue attributable to the business or related businesses, the material assumptions used in preparing the estimates and the identity and relationship to the reporting issuer or to the vendor of the person who prepared the estimates; and

(ii) the estimated oil and gas production volumes from the business or related businesses for the first year reflected in the estimates disclosed under subparagraph (f)(i).".

29. Section 8.11 of the Regulation is amended by replacing "(3)" with "(5)".

30. Section 9.5 of the Regulation is replaced by the following:

"**9.5 Exemption**

Sections 9.1 to 9.4 do not apply to a reporting issuer that complies with the requirements of the laws under which it is incorporated, organized or continued, if

(a) the requirements are substantially similar to the requirements of this Part; and

(b) the person or company promptly files a copy of any information circular, form of proxy and all other material sent by the person or company in connection with the meeting.".

31. Section 11.1 of the Regulation is amended:

(1) by replacing "Filing" with "Disclosure" in the title;

(2) in paragraph (1):

(a) by adding “under the 1934 Act” after “furnishes to the SEC” in subparagraph (b);

(b) by adding the following subparagraph at the end, and making the necessary changes:

“(c) that it files with another provincial or territorial securities regulatory authority or regulator other than in connection with a distribution.”;

(3) by adding the following subparagraph at the end of paragraph (2), and making the necessary changes:

“(c) the date on which the reporting issuer files that material with the other provincial or territorial securities regulatory authority or regulator.”.

32. The Regulation is amended by adding the following after section 11.4:

“**11.5 Re-filing Documents**

If a reporting issuer decides it will re-file a document, or re-state information in a document, filed under this Regulation, and the information in the re-filed document, or re-stated information, will differ materially from the information in the original document, the issuer must immediately issue and file a news release authorized by a senior officer disclosing the nature and substance of the change or proposed changes.”.

33. Subparagraph (b) of paragraph (2) of section 12.1 of the Regulation is amended by deleting “under National Instrument 13-101 System for Electronic Data Analysis and Retrieval (SEDAR) adopted by the *Commission des valeurs mobilières du Québec* pursuant to decision No. 2001-C-0272 dated June 12, 2001”.

34. Section 13.1 of the Regulation is amended by replacing paragraph (3) with the following:

“(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 Definitions, adopted by the *Commission des valeurs mobilières du Québec* pursuant to decision No. 2001-C-0274 dated June 12, 2001, opposite the name of the local jurisdiction.”.

35. Section 13.3 of the Regulation is amended:

(1) in paragraph (2)

(a) by replacing “This Regulation does not apply to an exchangeable security issuer” with “An exchangeable security issuer satisfies the requirements in this Regulation”;

(b) by deleting “direct or indirect” in subparagraph (a);

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

“(b) the parent issuer is either

(i) an SEC issuer with a class of securities listed or quoted on a U.S. marketplace; or

(ii) a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec or Saskatchewan that has filed all documents it is required to file under this Regulation;”;

(d) by adding “the parent issuer or an affiliate of” in subparagraph (c)(ii) after “securities issued to”;

(e) by replacing subparagraphs (d), (e) and (f) with the following:

“(d) the exchangeable security issuer files in electronic format,

(i) if the parent issuer is not a reporting issuer in a jurisdiction listed in subparagraph (b)(ii), copies of all documents the parent issuer is required to file with the SEC under the 1934 Act, at the same time as, or as soon as practicable after, the filing by the parent issuer of those documents with the SEC; or

(ii) if the parent issuer is a reporting issuer in a jurisdiction listed in subparagraph (b)(ii),

(A) a notice indicating that the exchangeable security issuer is relying on the continuous disclosure documents filed by its parent issuer and setting out where those documents can be found in electronic format, if the parent issuer is a reporting issuer in the local jurisdiction; or

(B) copies of all documents the parent issuer is required to file under securities legislation, other than in connection with a distribution, at the same time as the filing by the parent issuer of those documents with a securities regulatory authority or regulator;

(e) the exchangeable security issuer concurrently sends to all holders of designated exchangeable securities all disclosure materials that are sent to holders of the underlying securities in the manner and at the time required by

(i) U.S. laws and any U.S. marketplace on which securities of the parent issuer are listed or quoted, if the parent issuer is an SEC issuer; or

(ii) securities legislation, if the parent issuer is not an SEC issuer;

(f) the parent issuer

(i) complies with U.S. laws and the requirements of any U.S. marketplace on which the securities of the parent issuer are listed or quoted if the parent issuer is an SEC issuer, or securities legislation if the parent issuer is not an SEC issuer, in respect of making public disclosure of material information on a timely basis; and

(ii) immediately issues in Canada and files any news release that discloses a material change in its affairs;”;

(2) in paragraph (3):

(a) by replacing subparagraphs (a), (b) and (c) with the following:

“(a) if the insider is not the parent issuer,

(i) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning the parent issuer before the material facts or material changes are generally disclosed, and

(ii) the insider is not an insider of the parent issuer in any capacity other than by virtue of being an insider of the exchangeable security issuer;

(b) the parent issuer is the beneficial owner of all of the issued and outstanding voting securities of the exchangeable security issuer;

(c) if the insider is the parent issuer, the insider does not beneficially own any designated exchangeable securities;";

(b) by adding "or a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec or Saskatchewan" after "SEC issuer" in subparagraph (d);

(c) by adding "the parent issuer or an affiliate of" after "securities issued to" in subparagraph (e)(ii);

(d) by deleting "to the parent issuer or" in subparagraph (e)(iii).

36. Section 13.4 of the Regulation is amended:

(1) in paragraph (1):

(a) by replacing, in the French text, the semi-colon at the end of the definition of "titre garanti désigné" with a period;

(b) by deleting the definition of "SEC MJDS issuer" and making the necessary changes;

(2) in paragraph (2):

(a) by replacing "This Regulation does not apply to a credit support issuer" with "A credit support issuer satisfies the requirements in this Regulation";

(b) by replacing subparagraphs (a) and (b) with the following:

"(a) the credit support issuer is a direct or indirect wholly-owned subsidiary of the credit supporter;

(b) the credit supporter is either

(i) an SEC issuer; or

(ii) a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec or Saskatchewan that has filed all documents it is required to file under this Regulation;";

(c) by replacing subparagraphs (d) and (e) with the following:

"(d) the credit support issuer files in electronic format,

(i) if the credit supporter is an SEC issuer, copies of all documents the credit supporter is required to file with the SEC under the 1934 Act, at the same time or as soon as practicable after the filing by the credit supporter of those documents with the SEC; or

(ii) if the credit supporter is not an SEC issuer,

(A) a notice indicating that the credit support issuer is relying on the continuous disclosure documents filed by the credit supporter and setting out where those documents can be found for viewing in electronic format, if the credit support issuer is a reporting issuer in the local jurisdiction; or

(B) copies of all documents the credit supporter is required to file under securities legislation, other than in connection with a distribution, at

the same time as the filing by the credit supporter of those documents with a securities regulatory authority or regulator;

(e) the credit supporter

(i) complies with U.S. laws and the requirements of any U.S. marketplace on which securities of the credit supporter are listed or quoted if the credit supporter is an SEC issuer, or securities legislation if the credit supporter is not an SEC issuer, in respect of making public disclosure of material information on a timely basis; and

(ii) immediately issues in Canada and files any news release that discloses a material change in its affairs;";

(d) by replacing subparagraphs (g), (h) and (i) with the following:

"(g) in the case of a credit support issuer that has operations, other than minimal operations, that are independent of the credit supporter, the credit support issuer files the following financial information by the filing deadlines set out in sections 4.2 and 4.4, as applicable, in electronic format:

(i) annual comparative financial information, derived from the credit support issuer's audited consolidated financial statements for its most recently completed financial year, that is accompanied by a specified procedures report of the auditors to the credit support issuer and that includes the following line items for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year:

(A) sales or revenues;

(B) income from continuing operations;

(C) net earnings; and

(D) unless the issuer's GAAP permits the preparation of the credit support issuer's balance sheet without classifying assets and liabilities between current and non-current and the credit support issuer provides alternative meaningful financial information which is more appropriate to the industry,

(I) current assets;

(II) non-current assets;

(III) current liabilities; and

(IV) non-current liabilities; and

(ii) interim comparative financial information, derived from the credit support issuer's unaudited consolidated financial statements for its most recently completed interim period, that includes the following line items for the most recently completed interim period and, for items (A), (B) and (C), the corresponding interim period in the immediately preceding completed financial year, and for item (D), if applicable, as at the end of the immediately preceding financial year:

(A) sales or revenues;

(B) income from continuing operations;

(C) net earnings or loss; and

(D) unless the issuer's GAAP permits the preparation of the credit support issuer's balance sheet without classifying assets and liabilities between current and non-current and the credit support issuer provides alternative meaningful financial information which is more appropriate to the industry,

(I) current assets;

(II) non-current assets;

(III) current liabilities; and

(IV) non-current liabilities;

(h) in the case of designated credit support securities that include debt, the credit support issuer concurrently sends to all holders of such securities all disclosure materials that are sent to holders of non-convertible debt of the credit supporter that has an approved rating in the manner and at the time required by

(i) U.S. laws and any U.S. marketplace on which securities of the credit supporter are listed or quoted, if the credit supporter is an SEC issuer; or

(ii) securities legislation, if the credit supporter is not an SEC issuer; and

(i) in the case of designated credit support securities that include preferred shares, the credit support issuer concurrently sends to all holders of such securities all disclosure materials that are sent to holders of non-convertible preferred shares of the credit supporter that have an approved rating in the manner and at the time required by

(i) U.S. laws and any U.S. marketplace on which securities of the credit supporter are listed or quoted, if the credit supporter is an SEC issuer; or

(ii) securities legislation, if the credit supporter is not an SEC issuer.";

(3) in paragraph (3):

(a) by replacing subparagraphs (a), (b) and (c) with the following:

"(a) if the insider is not the credit supporter,

(i) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning the credit supporter before the material facts or material changes are generally disclosed, and

(ii) the insider is not an insider of the credit supporter in any capacity other than by virtue of being an insider of the credit support issuer;

(b) the credit supporter is the beneficial owner of all the issued and outstanding voting securities of the credit support issuer;

(c) if the insider is the credit supporter, the insider does not beneficially own any designated credit support securities;";

(b) by deleting "MJDS" and adding "or a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec or Saskatchewan" after "SEC issuer" in subparagraph (d).

37. Section 14.2 of the Regulation is replaced by the following:

"**14.2 Transition**

Despite section 14.1, section 5.7 applies for financial years of the reporting issuer beginning on or after January 1, 2007.".

38. Form 51-102F1 Management's Discussion and Analysis is amended:

(1) in part 1:

(a) in paragraph (g):

(i) by deleting "You are encouraged to provide forward-looking information if you have a reasonable basis for making the statements.";

(ii) by deleting "or projection";

(iii) by replacing "a detailed forecast" with "detailed estimates";

(iv) by adding "You must have a reasonable basis for any forward-looking information." before "All forward-looking information must contain a statement";

(v) by adding the following paragraph after the second paragraph:

"In addition, some securities legislation provides a statutory right of action for damages for misrepresentation in continuous disclosure documents. You may have protection against liability for forward-looking information. You are responsible for determining what additional disclosure, if any, you must provide to have that protection."

(vi) by deleting "Forward-looking statements may be considered misleading when they are unreasonably optimistic or aggressive, or lack objectivity, or are not adequately explained.";

(b) by adding the following after paragraph (g):

"(**g.1) FOFI**

You must disclose and discuss material differences between actual results for the annual or interim period to which your MD&A relates and future oriented financial information for that period that you previously released to the public (either in a previous MD&A or in some other manner). Future oriented financial information ("FOFI") is one type of forward-looking information. FOFI is information about prospective results of operations, financial position and/or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement or cash flow statement. You should disclose and discuss material differences for material individual items included in the FOFI, including assumptions. For example, if the actual dollar amount of revenue approximates the forecasted amount but the sales mix or sales volume differs materially from what you expected, you should explain this. If you do not identify any material differences, you must disclose that you compared the actual results to previously released FOFI for the relevant period, and that you did not identify any material differences.

You must also discuss events and circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from FOFI previously released for a period that is not yet

complete. As well, you must discuss the expected differences. For example, if you published FOFI for the current year assuming no change in the prime interest rate, but by the end of the second quarter the prime interest rate went up by 2%, in your second quarter MD&A you should discuss the interest rate increase and its expected effect on results compared to those indicated in the FOFI.

If during the period to which the MD&A relates you decided to withdraw previously released FOFI, you must disclose that decision and the reasons for it. However, you do not have to disclose and discuss differences between actual results and FOFI as discussed above, if you disclosed withdrawal of the FOFI in an MD&A filed before the end of the period covered by the FOFI.

Paragraph (g.1) of these instructions does not apply to future net revenue (discounted cash flow information) provided in accordance with Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities or to cash flow forecasts provided in accordance with Regulation 43-101 respecting Standards of Disclosure for Mineral Projects approved by Ministerial Order (*indicate the number and date of the Ministerial Order approving the Regulation*). Issuers should refer to those instruments for their obligations relating to such information.";

(c) by replacing "National Instrument 43-101 *Standards of Disclosure for Mineral Projects* adopted by the *Commission des valeurs mobilières du Québec* pursuant to decision No. 2001-C-0199 dated May 22, 2001" with "Regulation 43-101 respecting Standards of Disclosure for Mineral Projects", deleting "approved by Ministerial Order No. 2005-15 dated August 2, 2005" and replacing, in the English text, "Regulation 51-101 *Standards of Disclosure for Oil and Gas Activities*" with "Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities" in paragraph (k);

(d) by replacing, in the English text, "Regulation 51-101 *Standards of Disclosure for Oil and Gas Activities*" with "Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities" in paragraph (l);

(e) by deleting "adopted by the *Commission des valeurs mobilières du Québec* under Decision No. 2001-C-0274 dated June 12, 2001" in paragraph (n);

(2) in part 2:

(a) by adding the following at the end of instruction (iii) to item 1.5 and making the necessary changes:

"*(K) if you have an equity investee that is significant to your company, the nature of the investment and significance to your company.*";

(b) in item 1.12:

(i) by deleting paragraph (c), and making the necessary changes;

(ii) by replacing the title "INSTRUCTION" with "INSTRUCTIONS" in the English text;

(iii) by adding "(i)" before the paragraph under the title "INSTRUCTIONS";

(iv) by adding the following after the paragraph under the title "INSTRUCTIONS":

"(ii) As part of your discussion of why an accounting estimate is reasonably likely to change, in addition to qualitative disclosure, you should provide quantitative disclosure when quantitative information is reasonably available and will provide material information for investors. For example, quantitative information may

include the changes in overall financial performance and financial statement line items if you assume that the accounting estimate was to change by using either

(A) reasonably likely changes in the material assumptions; or

(B) the upper and lower ends of the range of estimates from which the recorded estimate was selected.";

(c) in paragraph (b) of item 1.15:

(i) by adding ", if applicable" after "Regulation 51-102";

(ii) by adding the following at the end, and making the necessary changes:

"(iii) section 5.7 involving additional disclosure for reporting issuers with significant equity investees.";

(d) in item 2.2:

(i) by replacing the heading "INSTRUCTION" with "INSTRUCTIONS" in the English text;

(ii) by replacing "not an annual" with "an interim" in subparagraph (i);

(iii) by adding "Base the disclosure, except the disclosure for section 1.3, on your interim financial statements. Since you do not have to update the disclosure required in section 1.3 in your interim MD&A, your first MD&A will provide disclosure under section 1.3 based on your annual financial statements." after "in your first MD&A." in subparagraph (i);

(iv) by adding the following at the end:

"(vi) In your interim MD&A, update the summary of quarterly results in section 1.5 by providing summary information for the eight most recently completed quarters.

(vii) Your annual MD&A may not include all the information in Item 1 if you were a venture issuer as at the end of your last financial year. If you ceased to be a venture issuer during your interim period, you do not have to restate the MD&A you previously filed. Instead, provide the disclosure for the additional sections in Item 1 that you were exempt from as a venture issuer in the next interim MD&A you file. Base your disclosure for those sections on your interim financial statements.".

39. Form 51-102F2 Annual Information Form is amended:

(1) by adding ", including any documents incorporated by reference into the document or excerpt," before "under your SEDAR profile" in paragraph (f) of part 1;

(2) in part 2:

(a) in item 5.5:

(i) by replacing, in the English text and wherever they appear, the words "Regulation 51-101 *Standards of Disclosure for Oil and Gas Activities*" with "Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities";

(ii) by deleting subparagraph (1)(c);

(iii) by replacing "paragraphs (1)(a) and (1)(b) above" in paragraph (2) with "subsection (1)";

(iv) by adding the following after paragraph (3)

"(4) **Material Changes** – 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 your company's most recently completed financial year-end.";

(b) by adding "approved" after "has been received from one or more" in item 7.3 of the English text;

(c) in item 10.2:

(i) by replacing the title "INSTRUCTION" with "INSTRUCTIONS" in the English text;

(ii) by adding "(i)" before the paragraph under the title "INSTRUCTIONS";

(iii) by adding the following after the paragraph under the title "INSTRUCTIONS":

"(ii) A management cease trade order is "a cease trade or similar order" for the purposes of subparagraph 10.2(1)(a)(i) and so must be disclosed, whether or not the director, executive officer or shareholder was named in the order.

(iii) A late filing fee, such as a filing fee that applies to the late filing of an insider report, is not a "penalty or sanction" for the purposes of section 10.2.";

(d) in item 12:

(i) by replacing the title with "Legal Proceedings and Regulatory Actions";

(ii) by replacing "Describe any legal proceedings to which your company is a party or of which any of its property is the subject and any such proceedings known to your company to be contemplated, including" with "Describe any legal proceedings your company is or was a party to, or that any of its property is or was the subject of, during your financial year. Describe any such legal proceedings your company knows are contemplated. Include" in item 12.1;

(iii) by adding the following at the end:

"**12.2 Regulatory Actions**

Describe any

(a) penalties or sanctions imposed against your company by a court relating to securities legislation or by a regulatory authority during your financial year, and

(b) settlement agreements your company entered into with a regulatory authority or a court relating to securities legislation during your financial year.";

(e) by replacing, in the English text of instruction (i) of item 16.2, "*Regulation 51-101 Standards of Disclosure for Oil and Gas Activities*" with "*Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*";

(f) by adding "Disclose how securityholders may contact the company to request copies of the company's financial statements and MD&A." after "www.sedar.com." in paragraph (1) of item 17.1.

40. Form 51-102F3 Material Change Report is amended, in item 5:

(1) by adding the following after the title;

"**5.1 Full Description of Material Change**";

(2) by adding the following after the third paragraph:

"**5.2 Disclosure for Restructuring Transactions**

This item applies to a material change report filed in respect of the closing of a restructuring transaction under which securities are to be changed, exchanged, issued or distributed. This item does not apply if, in respect of the transaction, your company sent an information circular to its securityholders or filed a prospectus or a securities exchange takeover bid circular.

Include the disclosure required for the resulting entity in a restructuring transaction by section 14.2 of Form 51-102F5. You may satisfy the requirement to include this disclosure by incorporating the information by reference to another document.";

(3) by replacing the title "INSTRUCTION" with "INSTRUCTIONS" in the English text;

(4) by adding "(i)" before the paragraph under the title "INSTRUCTIONS";

(5) by replacing, in the English text of the paragraph under the title "INSTRUCTION", "*Regulation 51-101 Standards of Disclosure for Oil and Gas Activities*" with "*Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*";

(6) by adding the following after the paragraph under the title "INSTRUCTIONS":

"(ii) If you incorporate information by reference to another document, clearly identify the referenced document or any excerpt from it. Unless you have already filed the referenced document or excerpt, you must file it with the material change report. You must also disclose that the document is on SEDAR at www.sedar.com.".

41. Form 51-102F4 Business Acquisition Report is amended, in subparagraph (1)(d):

(1) by deleting ", other than the financial statements or other information required by Item 3,";

(2) by replacing "Unless the referenced document or excerpt has already been filed" with "Unless you have already filed the referenced document or excerpt, including any documents incorporated by reference into the document or excerpt";

(3) by adding "You must also disclose that the document is on SEDAR at www.sedar.com." after "file it with this Report.".

42. Form 51-102F5 Information Circular is amended:

(1) by adding "including any documents incorporated by reference into the document or excerpt," after "document or excerpt," in subparagraph (1)(c);

(2) in part 2:

(a) by adding "(a "proposed director")" after "nominated for election as a director" in item 7.1 of the English text;

(b) by adding the following after item 7.2:

"**7.3** Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a proposed director has been subject to

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

7.4 Despite section 7.3, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable securityholder in deciding whether to vote for a proposed director.

INSTRUCTIONS

(i) The disclosure required by sections 7.2 and 7.3 also apply to any personal holding companies of the proposed director.

(ii) A management cease trade order is "a cease trade or similar order" for the purposes of paragraph 7.2(a)(i) and so must be disclosed, whether or not the proposed director was named in the order.

(iii) A late filing fee, such as a filing fee that applies to the late filing of an insider report, is not a "penalty or sanction" for the purposes of section 7.3.";

(c) by replacing "Include" with "If you are sending this information circular in connection with an annual general meeting or a meeting at which directors are to be elected, include" in Item 8;

(d) by replacing item 14.2 with the following:

"**14.2** If the action to be taken is in respect of a significant acquisition as determined under Part 8 of Regulation 51-102 under which securities of the acquired business are being exchanged for the company's securities, or in respect of a restructuring transaction under which securities are to be changed, exchanged, issued or distributed, include disclosure for

(a) the company, if the company has not filed all documents required under Regulation 51-102,

(b) the business being acquired, if the matter is a significant acquisition,

(c) each entity, other than the company, whose securities are being changed, exchanged, issued or distributed, if

(i) the matter is a restructuring transaction, and

(ii) the company's current securityholders will have an interest in that entity after the restructuring transaction is completed, and

(d) each entity that would result from the significant acquisition or restructuring transaction, if the company's securityholders will have an interest in that entity after the significant acquisition or restructuring transaction is completed.

The disclosure must be the disclosure (including financial statements) prescribed by the form of prospectus that the entity would be eligible to use for a distribution of securities in the jurisdiction.";

(e) by replacing section 14.5 with the following:

"**14.5** A company satisfies section 14.2 if it prepares an information circular in connection with a Qualifying Transaction, for a company that is a CPC, or in connection with a Reverse Take-Over (as Qualifying Transaction, CPC and Reverse Take-Over are defined in the TSX Venture Exchange policies) provided that the company complies with the policies and requirements of the TSX Venture Exchange in respect of that Qualifying Transaction or Reverse Take-Over.";

(f) by adding the following at the end of item 14.5:

"INSTRUCTION

For the purposes of section 14.2, a securityholder will not be considered to have an interest in an entity after an acquisition or restructuring transaction is completed if the securityholder will only hold a redeemable security that is immediately redeemed for cash.".

43. Form 51-102F6 Statement of Executive Compensation is amended by deleting "primary" in paragraphs (e) and (f) of item 1.4 of the English text, wherever it appears.

44. This Regulation comes into force •, 2006.