

**AMENDMENTS TO POLICY STATEMENT TO REGULATION 51-102
RESPECTING CONTINUOUS DISCLOSURE OBLIGATIONS**

1. Section 1.3 of *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations* is amended by replacing the word “statements” with the word “reports”.

2. Section 1.4 of the Policy Statement is amended:

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

“(5) **Reverse Takeover** – The definition of reverse takeover includes reverse acquisitions as defined or interpreted in Canadian GAAP and any other transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity (such as a Qualifying Transaction, as that term is defined in the TSX Venture Exchange policies). In a reverse acquisition, although legally the entity (the legal parent) that issued the securities is regarded as the parent, the entity (the legal subsidiary) whose former securityholders now control the combined entity is treated as the acquirer for accounting purposes. As a result, for accounting purposes, the issuing entity (the legal parent) is deemed to be a continuation of the acquirer and the acquirer is deemed to have acquired control of the assets and business of the issuing entity in consideration for the issue of capital.”;

(2) by adding the following after paragraph (6):

“(7) **Accounting terms** – The Regulation uses accounting terms that are defined, or referred to, in Canadian GAAP. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that *Regulation 14-101 respecting Definitions* provides that a term used in the Regulation and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires.

For example, the term “associate” is defined in local securities statutes and Canadian GAAP. Securities regulatory authorities are of the view that the references to the term “associate” in the Regulation and its forms (e.g., item 7.1(g) of Form 51-102F5 Information Circular) should be given the meaning of the term under local securities statutes since the context does not indicate that the accounting meaning of the term should be used.

(8) **Acceptable accounting principles other than Canadian GAAP** – If an issuer is permitted under *Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards* (“Regulation 52-107”) to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP, then the issuer may interpret any reference in the Regulation to a term or provision defined, or referred to, in Canadian GAAP as a reference to the corresponding term or provision in the other acceptable accounting principles.”.

3. Section 1.5 of the French text of the Policy Statement is amended by replacing the words “s’adresser” with the words “vous adresser”.

4. Section 1.8 of the Policy Statement is replaced with the following:

“1.8. Acceptable Accounting Principles and Auditing Standards

An issuer filing any of the following items under the Regulation must comply with Regulation 52-107:

- (a) financial statements;
- (b) an operating statement for an oil and gas property as referred to in section 8.10 of the Regulation;
- (c) summarized financial information, including the aggregated amounts of assets, liabilities, revenue and profit or loss of a business as referred to in section 8.6 of the Regulation; or
- (d) financial information derived from a credit support issuer's financial statements as referred to in section 13.4 of the Regulation.

Regulation 52-107 sets out, among other things, the use of accounting principles other than Canadian GAAP or auditing standards other than Canadian Generally Accepted Auditing Standards (Canadian GAAS) in preparing or auditing financial statements.”.

5. Section 3.2 of the Policy Statement is replaced with the following:

“3.2. Audit of Comparative Annual Financial Statements

Section 4.1 of the Regulation requires a reporting issuer to file annual financial statements that include comparative information for the immediately preceding financial year and that are audited. The auditor's report must cover both the most recently completed financial year and the comparative period, except if the issuer changed its auditor during the periods presented in the annual financial statements and the new auditor has not audited the comparative period. In this situation, the auditor's report would normally refer to the predecessor's auditor's report or the issuer would include the predecessor auditor's reissued report on the prior period's annual financial statements. This is consistent with Canadian Auditing Standard 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements.*”.

6. Section 3.3 of the Policy Statement is amended:

- (1) by inserting the word “annual” after the words “filing of the”;
- (2) by replacing, wherever they occur in the French text, the words “de vérification” with the words “d’audit”.

7. Section 3.4 of the Policy Statement is replaced with the following:

“3.4. Auditor Involvement with an Interim Financial Report

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

(2) Subsection 4.3(3) of the Regulation requires a reporting issuer to disclose if an auditor has not performed a review of the interim financial report, to disclose if an auditor was unable to complete a review and why, and to file a written report from the auditor if the auditor has performed a review and expressed a reservation in the auditor's interim review report. No positive statement is required when an auditor has performed a review and provided an unqualified communication. If an auditor was engaged to perform a review on an interim financial report applying review standards set out in the Handbook, and the auditor was unable to complete the review, the issuer's disclosure of the reasons why the auditor was unable to complete the review would normally include a discussion of

- (a) inadequate internal control;
- (b) a limitation on the scope of the auditor's work; or

(c) the failure of management to provide the auditor with the written representations the auditor believes are necessary.

(3) If a reporting issuer's annual financial statements are audited in accordance with Canadian GAAS, the terms "review" and "interim review report" used in subsection 4.3(3) of the Regulation refer to the auditor's review of, and report on, an interim financial report applying standards for a review of an interim financial report by the auditor as set out in the Handbook. However, if the reporting issuer's financial statements are audited in accordance with auditing standards other than Canadian GAAS, the corresponding review standards should be applied."

8. Section 3.5 of the Policy Statement is amended by replacing the words "interim financial statements" with the words "an interim financial report".

9. Section 3.6 of the Policy Statement is amended by adding, at the end, the following :

"The test of whether "to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2)" is objective, rather than subjective. Securities regulatory authorities are of the view that a reporting issuer can rely on the exemption only if it has made every reasonable effort to present prior-period information on a basis consistent with subsection 4.3(2) of the Regulation. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not related solely to the cost or the time involved in preparing the financial statements."

10. Section 3.9 of the Policy Statement is amended:

(1) in paragraph (2), by deleting the words "for accounting purposes";

(2) in paragraph (3), by replacing the words "interim and annual financial statements" with the words "interim financial reports and the annual financial statements".

11. Section 3.10 of the Policy Statement is amended by replacing, wherever it occurs in the French text, the word "vérificateur" with the word "auditeur", and making the necessary changes.

12. The title of Part 4 of the Policy Statement is amended by adding the words "**AND PRESENTATION**" after the word "**DISCLOSURE**".

13. Section 4.1 of the Policy Statement is amended:

(1) in the title, by replacing the word "**Results**" with the word "**Information**";

(2) in paragraph (1), by replacing the words "interim financial statements" with the words "each interim financial report".

14. Section 4.2 of the Policy Statement is amended by adding the word "Canadian" after the words "prescribed by".

15. The Policy Statement is amended by adding the following after section 4.2:

"4.3. Presentation of Financial Information

Canadian GAAP provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Regulation. (See subsections 4.1(3) and 4.3(2.1) of the Regulation)."

16. Section 4A.3 of the Policy Statement is amended:

(1) by deleting the sentence “This concept of materiality is consistent with the one contained in the Handbook.”;

(2) by replacing the third and fourth sentences of the second paragraph with the following:

“Examples of financial outlooks include expected revenue, profit or loss, earnings per share and R&D spending. A financial outlook relating to profit or loss is commonly referred to as “earnings guidance.”.

17. Section 4A.9 of the Policy Statement is repealed.

18. Section 5.2 of the Policy Statement is amended by replacing the first sentence with the following:

“Section 5.3 of the Regulation requires certain venture issuers to provide in their annual or interim MD&A (unless the information is included in their interim financial report or annual financial statements), a breakdown of material costs whether expensed or recognized as assets.”.

19. Section 5.4 of the Policy Statement is replaced with the following:

“5.4 Additional Disclosure for Equity Investees

Section 5.7 of the Regulation requires issuers with significant equity investees to provide in their annual or interim MD&A (unless the information is included in their interim financial report or annual financial statements), summarized information about the equity investee. Generally we will consider that an equity investee is significant if the equity investee would meet the thresholds for the significance tests in Part 8 using the financial statements of the equity investee and the issuer as at the issuer’s financial year end.”.

20. Section 5.5 of the Policy Statement is amended:

(1) by deleting, wherever they occur, the words “or MD&A supplement”;

(2) in the French text of paragraph (2), by replacing the first sentence with the following:

“En vertu du paragraphe 4 de l’article 5.8 du règlement, l’émetteur assujetti doit indiquer et analyser tout écart important entre les résultats réels de l’exercice ou de la période intermédiaire sur lequel ou laquelle porte son rapport de gestion et l’information financière prospective ou les perspectives financières qu’il a communiquées au public antérieurement pour cette période.”.

21. Paragraph (1) of section 6.2 of the Policy Statement is amended by replacing the word “income” with the word “profit”.

22. Paragraph (3) of section 8.1 of the Policy Statement is amended:

(1) in the French text, by replacing the words “de vérification” and “la vérification” with, respectively, the words “d’audit” and “l’audit”;

(2) by replacing the words “reporting currency” with the words “presentation currency”.

23. Section 8.2 of the Policy Statement is amended:

(1) in paragraph (1):

(a) by replacing, wherever they occur, the words “income from continuing operations” with the words “acquisition test profit or loss”;

(b) by replacing, wherever they occur, the words “time of the acquisition” with the words “acquisition date”;

(c) by replacing the words “annual audited” with the words “audited annual”;

(d) by replacing the words “business acquisition or report” with the words “business acquisition report”;

(2) in paragraph (2):

(a) in the French text, by replacing the word “vérifiés” with the word “audités”;

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

“Subsection 8.12(2) provides an exemption from this reconciliation requirement if the business or related businesses prepared financial statements in accordance with Canadian GAAP applicable to private enterprises provided certain conditions are met. This exemption is not available in Ontario. The requirement in subsection 8.3(13) to translate the financial statements of the business or related businesses into the same presentation currency as the reporting issuer still applies.”;

(3) in paragraph (3)

(a) by adding the word “annual” before the first three occurrences of the words “financial statements”;

(b) by replacing, wherever it occurs in the French text, the word “vérifiés” with the word “audités”;

(4) by adding the following after paragraph (3):

“(3.1) **Application of Significance Tests for Business Combinations Achieved in Stages** – IFRS 3 (revised 2008) Business Combinations, requires that when a business combination is achieved in stages the acquirer’s previously held equity interest in the acquiree is remeasured at its acquisition date fair value with any resulting gain or loss recognized in profit or loss. The remeasurement of the previously held equity interest should not be included in the asset or the investment test and the resulting gain or loss from remeasurement should not be included in the profit or loss test. (See subsection 8.3(4.1) of the Regulation).”;

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

“(4) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsections 8.3(2) and (4) of the Regulation is whether the reporting issuer’s consolidated investments in and advances to the business or related businesses exceed a specified percentage of the consolidated assets of the reporting issuer. In applying this test, the “investments in” the business should be determined using the consideration transferred, measured in accordance with the issuer’s GAAP, including any contingent consideration. In addition, any payments made in connection with the acquisition which would not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease

agreements and agreements to provide a pre-determined amount of future services. For purposes of the investment test, “consideration transferred” should be adjusted to exclude the carrying value of assets transferred by the reporting issuer to the business or related businesses that will remain with the business or related businesses after the acquisition.”;

(6) in paragraph (5):

(a) by adding the word “annual” before the words “financial statements” wherever they occur;

(b) in the French text, by replacing the words “états des résultats” with the words “comptes de résultat”.

24. Section 8.3 of the Policy Statement is amended:

(1) in paragraph (3), by replacing the words “date of the acquisition” with the words “acquisition date”;

(2) in paragraph (4):

(a) by replacing, wherever they occur, the words “optional income test” with the words “optional profit or loss test”, and making the necessary changes;

(b) by replacing, wherever they occur, the words “income from continuing operations” with the words “acquisition test profit or loss”.

25. Section 8.5 of the Policy Statement is amended:

(1) in the title, by replacing the words “**Step-By-Step Acquisitions**” with the words “**Multiple Investments in the Same Business**”;

(2) by replacing the first sentence with the following:

“Subsection 8.3(11) of the Regulation explains how the significance test should be applied when the reporting issuer has made multiple investments in the same business.”;

(3) by adding the word “annual” before the words “financial statements” wherever they occur.

26. Section 8.6 of the Policy Statement is amended:

(1) in paragraph (4):

(a) in the French text of subparagraph (a), by replacing the word “vérifier” with the word “auditer”;

(b) in subparagraph (b):

(i) in subparagraph (i), by replacing the words “balance sheet” with the words “statement of financial position”;

(ii) in subparagraph (ii), by replacing the words “**Revenues**”, “revenues” and “**Income statements**” with, respectively, the words “**Revenue**”, “revenue” and “**Statements of comprehensive income**”;

(c) in the French text of subparagraph (iii), by replacing, wherever they occur, the words “les bénéfices” with the words “le résultat”;

(2) in the French text of paragraph (5), by replacing the word “vérifié” with the

word “audité”.

27. Section 8.7 of the Policy Statement is amended:

(1) in paragraph (1):

(a) by replacing the words “pro forma statements” with the words “pro forma financial statements”;

(b) by replacing the words “results of operations” with the words “financial performance”;

(c) by deleting the words “extraordinary items or”;

(2) in paragraph (2):

(a) in the title, by replacing the words “**Balance Sheet and Income Statements**” with the words “**Statement of Financial Position**”;

(b) by replacing, wherever they occur, the words “balance sheet” with the words “statement of financial position”;

(3) in paragraph (3), by replacing the words “an income statement” with the words “a statement of comprehensive income”;

(4) by replacing paragraphs (4) and (5) with the following:

“(4) **Effective Date of Adjustments** – For the pro forma income statements included in a business acquisition report, the acquisition and the adjustments should be computed as if the acquisition had occurred at the beginning of the reporting issuer’s most recently completed financial year and carried through the most recent interim period presented, if any. However, one exception to the preceding is that adjustments related to the allocation of the purchase price, including the amortization of fair value increments and intangibles, should be based on the acquisition date amounts of assets acquired and liabilities assumed arising from giving effect to the acquisition as if it occurred on the date of the reporting issuer’s most recent statement of financial position filed.

(5) **Acceptable Adjustments** – Pro forma adjustments are generally limited to those directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable. See subsection (9) for other pro forma adjustments if the acquisition statements have been prepared using Canadian GAAP applicable to private enterprises.”;

(5) in the French text of paragraph (6), by replacing the words “notes afférentes aux états financiers” with the words “notes des états financiers”;

(6) in paragraph (7):

(a) in the title, by replacing the words “**Earlier Interim Financial Statements**” with the words “**an Earlier Interim Financial Report**”;

(b) by replacing the words “pro forma statements” with the words “pro forma financial statements”;

(7) in paragraph (8), by replacing the words “these statements” with the words “these financial statements”;

(8) by adding the following after subsection (8):

(9) **Pro Forma Financial Statements where Acquisition Statements are Prepared in Accordance with Canadian GAAP applicable to Private Enterprises** – Except in Ontario, section 3.11 of Regulation 52-107 permits acquisition statements included in a business acquisition report to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. If an issuer includes acquisition statements prepared in accordance with Canadian GAAP applicable to private enterprises in a business acquisition report, then those acquisition statements do not have to be reconciled to the issuer's GAAP under subsection 3.11(6) of Regulation 52-107. However, section 3.14 of Regulation 52-107 requires that pro forma financial statements must be presented using principles that are consistent with the issuer's GAAP. To comply with this requirement, when preparing the pro forma financial statements, the issuer should consider disclosing the adjustments necessary to achieve consistency with the issuer's GAAP.

The pro forma statement of financial position should present the following information:

- (i) the statement of financial position of the reporting issuer prepared in accordance with the issuer's GAAP;
- (ii) the balance sheet of the acquired business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises;
- (iii) pro forma adjustments attributable to the specific acquisition transaction that reflect the reporting issuer's accounting for the acquisition that includes new values for the business' assets and liabilities; and
- (iv) a pro forma statement of financial position combining items (i) through (iii).

The pro forma income statement should present the following information:

- (i) the income statement of the reporting issuer prepared in accordance with the issuer's GAAP;
- (ii) the income statement of the acquired business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises;
- (iii) pro forma adjustments attributable to the specific acquisition transaction and other adjustments relating to the acquired business to adjust amounts from Canadian GAAP applicable to private enterprises to the issuer's GAAP; and
- (iv) a pro forma income statement combining items (i) through (iii).

The phrase "pro forma adjustments attributable to the specific acquisition transaction" in this subsection are the types of adjustments described in subsection (5)."

28. Section 8.7.1 of the French text of the Policy Statement is amended by replacing the word "vérifié" with the word "audité".

29. Section 8.8 of the Policy Statement is amended by replacing, in the introductory paragraph, the words "date of the acquisition" with the words "acquisition date".

30. Section 8.9 of the Policy Statement is amended:

- (1) by replacing, wherever they occur in the French text, the words "vérifier" and "la vérification" with, respectively, the words "auditer" and "l'audit";
- (2) in paragraph (2):

- (a) by adding the word “annual” before the words “financial statements”;
 - (b) by replacing the words “income statements” with the words “statements of comprehensive income”;
 - (c) by replacing the words “cash flow” with the words “cash flows”;
 - (d) in the French text, by replacing the word “vérifié” with the word “audité”;
- (3) by replacing, in the French text of paragraph (3), the words “entité privée” with the words “entité à capital fermé”.

31. Section 8.10 of the Policy Statement is replaced with the following:

“8.10. Audits and Auditor Review of Financial Statements of an Acquired Business

(1) **Unaudited Comparatives in Annual Financial Statements of an Acquired Business** –Subsection 8.4(1) requires a reporting issuer to include comparative financial information of the business in the business acquisition report. This comparative financial information may be unaudited.

(2) **Auditor Review of an Interim Financial Report of an Acquired Business** – An issuer does not have to engage an auditor to review the interim financial report of an acquired business included in a business acquisition report. However, if the issuer later incorporates the business acquisition report into a prospectus, the interim financial report will have to be reviewed in accordance with the requirements relating to financial statements included in a prospectus.”.

32. Section 11.2 of the French text of the Policy Statement is amended by replacing the words “convention comptable” with the words “méthode comptable”.

33. Section 13.1 of the Policy Statement is amended by replacing the contact addresses of the securities regulators of Nunavut, the Northwest Territories and Yukon with the following:

“Department of Justice, Northwest Territories
 Securities Office
 P.O. Box 1320
 1st Floor, 5009-49th Street
 Yellowknife, NWT X1A 2L9
 Attention: Superintendent of Securities”;

“Department of Justice, Nunavut
 Legal Registries Division
 P.O. Box 1000 – Station 570
 1st Floor, Brown Building
 Iqaluit, NT X0A 0H0
 Attention: Superintendent of Securities”;

“Superintendent of Securities, Government of Yukon
 Corporate Affairs J-9
 P.O. Box 2703
 Whitehorse, Yukon
 Y1A 5H3
 Attention: Superintendent of Securities”.

34. The Policy Statement is amended by adding the following after Part 13:

“PART 14 TRANSITION

14.1. Transition – Application of Amendments

The amendments to this Policy Statement which came into effect on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.”.

35. Appendix A of the Policy Statement is amended by replacing, in the footnote, the words “Balance sheet” with the words “Statement of financial position”.

36. These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.