

REGULATION 51-103 RESPECTING ONGOING GOVERNANCE AND DISCLOSURE REQUIREMENTS FOR VENTURE ISSUERS

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (2), (3), (8), (9), (11), (14), (19), (19.2), (19.5), (20), (32.2) and (34))

Guidance:

The grey shaded text marked “Guidance” found within this Regulation is not legally binding and does not form part of the official version of this Regulation. The guidance provides cross-references to certain other provisions and, in some cases, clarification as to the intention or expectation of the securities regulatory authority or regulator with respect to a particular legal requirement.

PART 1 DEFINITIONS, INTERPRETATION AND APPLICATION

Definitions

1. In this Regulation,

“acquisition” includes an acquisition of an interest in a business that is consolidated for accounting purposes or accounted for by another method, such as the equity method;

“acquisition date” has the same meaning as in the issuer’s GAAP;

“annual financial statements” means the financial statements required under section 8;

“annual report” means a completed Form 51-103F1, prepared as an annual report or, in the case of an SEC issuer that is a venture issuer, the alternative disclosure permitted under section 45;

“asset-backed security” means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, fixed or revolving, that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or the timely distribution of proceeds to securityholders;

“board of directors” includes, for a person or company that does not have a board of directors, an individual or group that acts in a capacity similar to a board of directors;

“capital pool company” has the same meaning as “CPC” in the corporate finance manual of the TSX Venture Exchange, as amended;

“chief executive officer” includes an individual performing functions similar to a chief executive officer;

“chief financial officer” includes an individual performing functions similar to a chief financial officer;

“convertible security” means a security that is exercisable into, convertible or exchangeable for another security;

“credit support issuer” has the same meaning as in subsection 13.4(1) of Regulation 51-102 respecting Continuous Disclosure Obligations;

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

“exchangeable security issuer” has the same meaning as in subsection 13.3(1) of Regulation 51-102 respecting Continuous Disclosure Obligations;

“executive officer” means, for a venture issuer, an individual to which any of the following apply:

- (a) the individual is the chair, vice-chair or president;
- (b) the individual is a chief executive officer or chief financial officer;
- (c) the individual is a vice-president in charge of a principal business unit, division or function, including sales, finance or production;
- (d) the individual performs a policy-making function in respect of the issuer;

“founder” means, for a venture issuer, a person who,

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
- (b) has been actively involved in the issuer’s business at any time within
 - (i) the 2 most recently completed financial years, or
 - (ii) the current financial year;

“information circular” means a completed Form 51-103F4;

“inter-dealer bond broker” means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“interim period” means,

- (a) in the case of a year other than a non-standard year or a transition year, a period commencing on the first day of the financial year and ending 9, 6 or 3 months before the end of the financial year;
- (b) 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 9, 6 or 3 months before the end of the financial year; or
- (c) in the case of a transition year, a period commencing on the first day of the transition year and ending
 - (i) 3, 6, 9 or 12 months, if applicable, after the end of the old financial year,or
 - (ii) 12, 9, 6 or 3 months, if applicable, before the end of the transition year;

“interim report” means a Form 51-103F1, completed for an interim period in accordance with Part 8 of that form or, in the case of an SEC issuer that is a venture issuer, the alternative disclosure permitted by section 45;

“issuer’s GAAP” has the same meaning as in Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards;

“major acquisition” has the same meaning as in section 22;

“marketplace” means any of the following but does not include an inter-dealer bond broker:

- (a) an exchange;
- (b) a quotation and trade reporting system;
- (c) a person or company not included in paragraph (a) or (b) that does all of the following:
 - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities;
 - (ii) brings together the orders for securities of multiple buyers and sellers;
 - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade;
- (d) a dealer that executes a trade of an exchange-traded security outside of a marketplace;

“material contract” means a contract that a venture issuer or any of its subsidiaries is a party to and that is material to the venture issuer;

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

“predecessor auditor” means the auditor of a venture issuer that is the subject of the most recent termination or resignation;

“principal securityholder” means a person or company that beneficially owns or controls or directs, directly or indirectly, securities of a venture issuer carrying more than 10% of the voting rights attached to any class of the venture issuer’s outstanding voting securities;

“proxy form” means a form of proxy prepared in accordance with Form 51-103F3 or as otherwise permitted by this Regulation;

“publicly accountable enterprise” has the same meaning as in Part 3 of Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards;

“published venture market” means, for a venture issuer, a market that publishes closing prices for securities traded on that market;

“related business” means a business to which, in relation to a second business, any of the following apply:

- (a) it was under common control or management with the second business before the acquisitions;
- (b) the acquisition of one was conditional upon the acquisition of the other;
- (c) the acquisitions of both were contingent upon a single common event;

“related entity” means, for a venture issuer, a person or company that, at the relevant time, is any of the following:

- (a) a “related party” as that term is defined in the issuer’s GAAP;
- (b) a founder or insider of the venture issuer or “close members of the family”, as defined under Canadian GAAP applicable to publicly accountable enterprises, of a founder or insider;

(c) a director, executive officer or insider of the venture issuer or “close members of the family”, as defined under Canadian GAAP applicable to publicly accountable enterprises, of a director, executive officer or insider;

(d) an affiliated person or company of any person or company referred to in any of paragraphs (b) or (c);

(e) a person or company of which one or more persons or companies described in paragraphs (a) to (d) beneficially own or control, in the aggregate, more than 50% of any class of equity securities;

“related entity transaction” means one or more of the following, if the transaction is material to a venture issuer:

(a) a related party transaction as defined in the issuer’s GAAP;

(b) an oral or written agreement, or a transaction, to which a venture issuer or an affiliate of the venture issuer is a party and to which a person or company that is a related entity of the venture issuer at the time the agreement is entered into or the transaction is agreed to is also a party;

(c) a material amendment to an agreement referred to in paragraph (b);

“restricted security” means an equity security of a venture issuer if any of the following apply:

(a) there is another class of securities of the venture issuer that, to a reasonable person, appears to carry a greater number of votes per security relative to the equity security;

(b) the conditions attached to the class of equity securities, the conditions attached to another class of securities of the venture issuer, or the venture issuer’s constating documents have provisions that nullify or, to a reasonable person, appear to significantly restrict the voting rights of the equity securities;

(c) the venture issuer has issued another class of equity securities that, to a reasonable person, appears to entitle the owners of securities of that other class to participate in the earnings or assets of the venture issuer to a greater extent, on a per security basis, than the owners of the first class of equity securities;

“reverse-takeover” means either of the following:

(a) a reverse acquisition, which has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

(b) a transaction where an issuer acquires a person or company by which the securityholders of the acquired person or company, at the time of the transaction, obtain control of the issuer, where for purposes of this paragraph, “control” has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

“reverse-takeover acquiree” means the legal parent in a reverse-takeover;

“reverse-takeover acquirer” means the legal subsidiary in a reverse-takeover;

“SEC issuer” means a venture issuer that meets both of the following:

(a) it has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act;

(b) it is not registered or required to be registered as an investment company under the Investment Company Act of 1940 of the United States of America, as amended;

“securitized product” means any of the following:

(a) a security that entitles the security holder to receive payments that primarily depend on the cash flow from self-liquidating financial assets collateralizing the security, such as loans, leases, mortgages, and secured or unsecured receivables, including, without limitation

- (i) an asset-backed security,
- (ii) a collateralized mortgage obligation,
- (iii) a collateralized debt obligation,
- (iv) a collateralized bond obligation,
- (v) a collateralized debt obligation of asset-backed securities, or
- (vi) a collateralized debt obligation of collateralized debt obligations;

(b) a security that entitles the security holder to receive payments that substantially reference or replicate the payments made on one or more securities of the type described in paragraph (a) but that do not primarily depend on the cash flow from self-liquidating financial assets that collateralize the security, including, without limitation

- (i) a synthetic asset-backed security,
- (ii) a synthetic collateralized mortgage obligation,
- (iii) a synthetic collateralized debt obligation,
- (iv) a synthetic collateralized bond obligation,
- (v) a synthetic collateralized debt obligation of asset-backed securities, or
- (vi) a synthetic collateralized debt obligation of collateralized debt obligations;

“SEDAR” has the same meaning as in Regulation 13-101 respecting the System for Electronic Document Analysis and Retrieval (SEDAR);

“senior-unlisted issuer” means an issuer that

(a) does not have any of its securities listed or quoted on any of the marketplaces listed in paragraph 3(2)(b), and

(b) the only outstanding securities that it has distributed by prospectus are any of the following:

- (i) debt securities;
- (ii) preferred shares;
- (iii) securitized products;

“solicit”, in connection with a proxy,

(a) includes

(i) requesting a proxy, whether or not the request is accompanied by or included in a form of proxy,

(ii) requesting a securityholder to execute or not to execute a form of proxy or to revoke a proxy,

(iii) sending a form of proxy or other communication to a securityholder under circumstances that to a reasonable person will likely result in the giving, withholding or revocation of a proxy, or

(iv) sending a form of proxy to a securityholder by management of a venture issuer,

(b) but does not include

(i) sending a form of proxy to a securityholder in response to an unsolicited request made by or on behalf of the securityholder,

(ii) performing ministerial acts or professional services on behalf of a person or company soliciting a proxy,

(iii) sending, by an intermediary as defined in Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer, of the documents referred to in that regulation,

(iv) soliciting by a person or company in respect of securities of which the person or company is the beneficial owner,

(v) publicly announcing, by a securityholder, how the securityholder intends to vote and the reasons for that decision, if that public announcement is made by

(A) a speech in a public forum, or

(B) a press release, an opinion, a statement or an advertisement provided through a broadcast medium or by a telephonic, electronic or other communication facility, or appearing in a newspaper, a magazine or other publication generally available to the public,

(vi) communicating for the purposes of obtaining the number of securities required for a securityholder proposal under the laws under which the venture issuer is incorporated, organized or continued or under the venture issuer's constating or establishing documents, or

(vii) communicating, other than a solicitation by or on behalf of the management of the venture issuer, to securityholders in any of the following circumstances:

(A) by one or more securityholders concerning the business and affairs of the venture issuer, including its management or proposals contained in a management information circular, and no form of proxy is sent to those securityholders by the securityholder or securityholders making the communication or by a person or company acting on their behalf, unless the communication is made by

(I) a securityholder who is an officer or director of the venture issuer if the communication is financed directly or indirectly by the venture issuer,

(II) a securityholder who is a nominee or who proposes a nominee for election as a director, if the communication relates to the election of directors,

(III) a securityholder whose communication is in opposition to an amalgamation, arrangement, consolidation or other transaction recommended or approved by the board of directors of the venture issuer and who is proposing or intends to propose an alternative transaction to which the securityholder or an affiliate or associate of the securityholder is a party,

(IV) a securityholder who, because of a material interest in the subject-matter to be voted on at a securityholders' meeting, is likely to receive a benefit from its approval or non-approval, which benefit would not be shared pro rata by all other holders of the same class of securities, unless the benefit arises from the securityholder's employment with the venture issuer, or

(V) any person or company acting on behalf of a securityholder described in any of clauses (A) to (D);

(B) by one or more securityholders and concerns the organization of a dissident's proxy solicitation, and no form of proxy is sent to those securityholders by the securityholder or securityholders making the communication or by a person or company acting on their behalf;

(C) as clients, by a person or company who gives financial, corporate governance or proxy voting advice in the ordinary course of business and concerns proxy voting advice if

(I) the person or company discloses to the securityholder any significant relationship with the venture issuer and any of its affiliates or with a securityholder who has submitted a matter to the venture issuer that the securityholder intends to raise at the meeting of securityholders and any material interests the person or company has in relation to a matter on which advice is given,

(II) the person or company receives any special commission or remuneration for giving the proxy voting advice only from the securityholder or securityholders receiving the advice, and

(III) the proxy voting advice is not given on behalf of any person or company soliciting proxies or on behalf of a nominee for election as a director;

(D) by a person or company who does not seek directly or indirectly the power to act as a proxyholder for a securityholder;

“SOX 302 rules” means U.S. federal securities laws implementing the annual periodic certification requirements in section 302(a) of the *Sarbanes-Oxley Act of 2002* of the United States of America, as amended;

“successor auditor” means the person or company that becomes the venture issuer's auditor after the termination or resignation of the venture issuer's predecessor auditor when

(a) that person or company is appointed,

(b) the board of directors have proposed to holders of qualified securities that the person or company be appointed, or

(c) the board of directors have decided to propose to holders of qualified securities that the person or company be appointed;

“transition year” means the financial year of a venture issuer or business in which the venture issuer or business changes its financial year-end;

“venture issuer” means an issuer in respect of which this Regulation applies as determined under section 3.

Guidance:

(1) *Securities statutes in local jurisdictions may provide definitions or meanings for “associate”, “control person”, “distribution”, “director”, “exchange contract”, “forward-looking information”, “insider”, “investment fund”, “issuer”, “material change”, “material fact”, “promoter”, “reporting issuer”, “security”, and “special relationship”.*

(2) *Refer to Regulation 14-101 respecting Definitions for the definitions of “1933 Act”, “1934 Act”, “Canadian GAAP”, “Canadian GAAS”, “Handbook”, “IFRS”, “local jurisdiction”, “regulator”, “securities legislation”, and “securities regulatory authority”.*

(3) *Securities legislation defines the term “person” and in Alberta, Saskatchewan, Manitoba and Nova Scotia also defines the term “company”. Where the phrase “person or company” is used in this Regulation, refer to Regulation 14-101 respecting Definitions for the meaning of that*

phrase in British Columbia, New Brunswick, Northwest Territories, Prince Edward Island, Québec and Yukon Territory.

(4) *This Regulation uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, venture issuers should consider that Regulation 14-101 respecting Definitions provides that a term used in this Regulation that is 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 both local securities statutes and Canadian GAAP applicable to publicly accountable enterprises. We are of the view that the references to the term “associate” in this Regulation and its forms (e.g., item 12(2)(e) of Form 51-103F4) 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.

If an issuer is permitted under Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards to file financial statements or interim financial reports prepared in accordance with acceptable accounting principles other than Canadian GAAP then the issuer should interpret any reference in this Regulation to a term or provision defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.

(5) *Refer to Canadian GAAP applicable to publicly accountable enterprises for the definition of “interim financial report”.*

(6) *When this Regulation requires disclosure of a “material” relationship, transaction, agreement, plan or other information, in determining whether or not a particular matter is material, consider whether disclosing, omitting or misstating the relationship, transaction, agreement, plan or other information would likely influence or change a reasonable investor’s decision as to whether or not to buy, sell or hold a security in the capital of the venture issuer.*

Interpretation

2. In this Regulation,

(a) an issuer is an affiliate of another issuer if one of them is the subsidiary of the other or if each of them is controlled by the same person or company;

(b) a person or company (the “first person”) is considered to control another person or company (the “second person”) if any of the following apply:

(i) the first person beneficially owns, or controls or directs, directly or indirectly, securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation;

(ii) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership;

(iii) the second person is a limited partnership and the general partner of the limited partnership is the first person;

(c) paragraph (b) applies only to subsections (a) and (d);

(d) an issuer is a subsidiary of another issuer if it is controlled by that other issuer.

Application

3. (1) In this section, “venture market” means the Alternative Investment Market of the London Stock Exchange, the PLUS-SX market operated by PLUS Markets Group, plc, the NZAX Market of the New Zealand Stock Exchange, the Segmento de Capital de Riesgo de la Bolsa de Valores de Lima, the NASDAQ *OMX* First North or the Bolsa de Valores de Colombia.

(2) This Regulation applies to a reporting issuer unless, as determined at the applicable time set out in subsection (4), any of the following apply:

- (a) it is an investment fund;
- (b) any of its securities are listed or quoted on one or more of the following:
 - (i) the Toronto Stock Exchange;
 - (ii) Alpha Main;
 - (iii) an exchange registered as a “national securities exchange” under section 6 of the 1934 Act;
 - (iv) a marketplace outside of Canada or the United States, other than a venture market;
- (c) Regulation 51-105 respecting Issuers Quoted in the U.S. Over-the-Counter Markets, as amended, applies to the issuer;

Guidance:

Regulation 51-105 respecting Issuers Quoted in the U.S. Over-the-Counter Markets does not apply in Ontario.

- (d) the issuer is a senior-unlisted issuer.
- (3) Despite subsection (2), paragraph 35(1)(c) applies to an issuer that was a venture issuer but has ceased to be a venture issuer.
- (4) For the purposes of subsection (2), the applicable time of the determination is
- (a) the end of the most recently completed financial year for the purpose of
 - (i) determining whether it is required to file an annual report under this Regulation,
 - (ii) the definition of “applicable CD rule” under Regulation 44-101 respecting Short Form Prospectus Distributions,
 - (iii) determining whether it is required to file an information circular in Form 51-103F4, or
 - (iv) determining whether it is required to file a technical report under paragraph 4.2(1)(b.1) of Regulation 43-101 respecting Standards of Disclosure for Mineral Projects,
 - (b) the end of the venture issuer’s applicable interim period for the purpose of determining whether it is required to file an interim report under this Regulation,
 - (c) the acquisition date for the purpose of determining whether it is required to file a report in Form 51-103F2 under this Regulation disclosing a major acquisition, or
 - (d) the date of the material change for the purpose of

(i) determining whether it is required to file a report in Form 51-103F2, or

(ii) the definition of “material change report” under Regulation 44-101 respecting Short Form Prospectus Distributions and Regulation 45-106 respecting Prospectus and Registration Exemptions.

(e) the date the prospectus is filed for the purpose of determining whether it is required to file a prospectus in Form 41-101F4 of Regulation 41-101 respecting General Prospectus Requirements.

Guidance:

(1) *The SEC website provides a list that identifies each exchange registered as a “national securities exchange”. See <http://www.sec.gov/divisions/marketreg/mrechanges.shtml>*

(2) *In determining whether or not a venture issuer’s securities are listed or quoted on a “marketplace” outside of Canada or the United States, consider whether the securities are “listed or quoted”, as opposed to merely admitted for trading. Refer to the definition of “marketplace”.*

**PART 2
GOVERNANCE RESPONSIBILITIES**

Conflicts of Interest and Related Entity Transactions

4. The board of directors of a venture issuer must develop and implement policies and procedures to ensure that each director is made aware of and has an opportunity to consider, discuss and address in a timely fashion, each of the following:

(a) conflicts of interest between the venture issuer and any of its directors or executive officers;

(b) proposed related entity transactions and the consideration to be paid or received by the venture issuer.

Guidance:

(1) *Venture issuers have discretion in designing their policies and procedures to achieve the desired objectives. The policies and procedures could be implemented in a variety of ways. For example, through written corporate policies or by way of conditions in employment or consulting agreements.*

(2) *In designing policies to address conflicts of interest and related entity transactions, boards of directors may consider similar corporate law requirements in this area.*

(3) *Some of the matters that would likely be addressed in policies and procedures include*

(a) *definitions and possibly examples of what might constitute a conflict of interest or related entity transaction,*

(b) *a description of when directors and executive officers are required to report a conflict of interest or related entity transaction,*

(c) *a description of how directors and executive officers are generally expected to report conflicts of interest and related entity transactions, for example, in writing or verbally at a meeting,*

(d) *details on the type of information that would need to be reported to provide the board of directors with sufficient information to consider the nature, effect and significance of the conflict of interest or proposed related entity transaction,*

(e) a description of the process the board of directors might follow in considering the report of a conflict of interest or related entity transaction, for example, calling a special board meeting or setting aside additional time at the next regularly scheduled board meeting and documenting any decision or response flowing from the report, and

(f) examples of circumstances in which it would be inappropriate for a director to vote on a particular issue.

(4) In designing its procedures, boards of directors of venture issuers may want to consider establishing a requirement for periodic confirmations from the directors and executive officers that they are aware of the venture issuer's policies on conflicts of interest and related entity transactions. Similarly, setting aside a few minutes at each board meeting or establishing a schedule to periodically query the existence and nature of any conflicts of interest and related entity transactions could be of assistance in achieving the desired objectives.

Audit Committee

5. (1) The board of directors of a venture issuer must appoint an audit committee composed of at least 3 directors, a majority of whom are not executive officers, employees or control persons of the venture issuer or an affiliate of the venture issuer.

(2) The audit committee of a venture issuer must do all of the following:

(a) make a recommendation to the board of directors for the appointment of an auditor;

(b) oversee the performance of services provided to the venture issuer by the auditor and the auditor's interaction with the venture issuer's management, including by doing all of the following:

(i) be informed of all services provided by the auditor which are beyond the scope of the venture issuer's audit and the amount of fees charged for those services relative to the fees charged for the audit of the venture issuer's annual financial statements;

(ii) meet annually with the auditors, independent of the executive officers of the venture issuer, before the board of directors' review and approval of the annual financial statements, to determine whether there have been any disagreements or contentious issues between the auditor and the venture issuer's executive officers relating to the venture issuer's disclosure and whether those issues have been resolved to the satisfaction of the auditor;

(iii) meet with the auditor at such other times as reasonably necessary;

(iv) review and approve the hiring policies regarding employees and consultants that are currently, or were previously, employed by or partners of the venture issuer's auditor or predecessor auditor;

(c) review the annual financial statements, the auditor's report relating to those annual financial statements and the associated management's discussion and analysis contained in the annual report, before it is filed or disclosed, and make a recommendation to the board of directors regarding whether to approve the financial statements and management's discussion and analysis;

(d) review the interim financial report and associated quarterly highlights contained in the interim report, before the report is filed or disclosed, and approve that disclosure, if authorized to do so, or make a recommendation to the board of directors regarding whether to approve that disclosure;

(e) review each news release, before it is filed or disclosed, if it contains financial information derived from annual financial statements or an interim financial report;

(f) establish procedures reasonably designed to ensure all of the following:

(i) the committee receives, has a reasonable opportunity to consider and address, and keeps a record of, each complaint or concern regarding questionable accounting, internal accounting controls or auditing matters;

(ii) a complaint or concern can be submitted to a member of the audit committee or another individual designated by the audit committee who is not an executive officer, employee or control person of the venture issuer or an affiliate of the venture issuer and is not a member of management or a family member of management;

(iii) employees and consultants of the venture issuer can submit a complaint or concern on a confidential basis or anonymously.

Guidance:

Subsection 7(3) requires that the board of directors approve the annual report. Subsection 9(3) requires that either the board of directors or the audit committee, if authority has been delegated to the audit committee, approve the interim report.

Trading Policies

6. A venture issuer must develop and implement policies and procedures reasonably designed to

(a) monitor information about the venture issuer’s business activities,

(b) control access to information about the venture issuer’s business activities,

(c) identify who is in a special relationship with the venture issuer, and

(d) deter a person or company that is in a special relationship with the venture issuer, when that person or company has knowledge of a material fact or material change with respect to the venture issuer that has not been generally disclosed, from violating securities legislation.

Guidance:

Activities that could lead to a violation of securities legislation include

(a) *buying, selling or otherwise entering into a transaction with respect to a security when that person or company has knowledge of a material fact or material change with respect to the venture issuer that has not been generally disclosed,*

(b) *except as necessary in the course of business, informing (“tipping”) another person or company of the material fact or material change, and*

(c) *recommending or encouraging another person or company to buy, sell or otherwise enter into a transaction with respect to a security.*

(1) *Policies and procedures that could significantly assist the board of directors in complying with the obligation in section 6 include those that*

(a) *implement procedures to enable the board and management to become aware on a timely basis that undisclosed material information exists or is expected to become known within the venture issuer so that steps can be taken promptly to deal with it appropriately,*

(b) *identify persons or companies who typically have access to undisclosed material information and establish procedures for reasonably limiting that group,*

(c) *are designed to ensure directors, executive officers, employees and consultants are aware of the venture issuer’s trading policies and the securities law prohibitions on insider trading, tipping and recommending, when a person or company is in possession of undisclosed material information, and*

(d) *establish certain black-out periods during which trading by persons or companies with access to undisclosed material information is prohibited. For example, during the preparation of and for some specified period (perhaps 2 trading days) after filing of the annual report, interim report or a news release containing material information.*

(2) *Policies and procedures can be implemented in a variety of ways, for example, by formally adopting corporate policies or by including them as terms of employment and consulting agreements.*

(3) *Part VI of Policy Statement 51-201 respecting Disclosure Standards provides guidance on establishing corporate disclosure policies and insider trading policies and other useful disclosure practices.*

(4) *Part III of Policy Statement 51-201 respecting Disclosure Standards provides additional guidance on the meanings of the term “special relationship” and the phrase “necessary course of business”. Part IV of that policy statement provides guidance on assessing materiality.*

PART 3 PERIODIC DISCLOSURE

Guidance:

(1) *Generally, securities legislation in each of the jurisdictions prohibits a venture issuer from making a statement that is a misrepresentation or otherwise, in a material respect and at the time and in light of the circumstances, is false or misleading or fails to state a fact that is either required to be stated or that is necessary to make another statement not misleading. These prohibitions can apply in a number of circumstances and may differ somewhat among jurisdictions. Examples of when those prohibitions may apply include making a misleading statement*

(a) *that could reasonably be expected to have a significant effect on the market price or value of the securities,*

(b) *to securities regulatory authorities or in a document provided to securities regulatory authorities, or*

(c) *in connection with activities or oral or written communications, by or on behalf of an issuer that promote or reasonably could be expected to promote the purchase or sale of securities of the issuer.*

Breaching these provisions can lead to a variety of sanctions including, in some circumstances, fines and imprisonment.

(2) *Directors and officers of a venture issuer can also be held liable for false or misleading statements if they authorize, acquiesce to or permit the statements. Directors and officers will therefore want to exercise diligence with respect to the accuracy and completeness of the disclosure made or authorized by the venture issuer.*

Approval and Filing of Annual Report

7. (1) A venture issuer must file an annual report for each financial year ended after becoming a venture issuer.

(2) A report referred to in subsection (1) must be filed on or before the 120th day after the end of the venture issuer’s most recently completed financial year.

(3) The board of directors of the venture issuer must approve the annual report before it is filed.

Guidance:

Under subsection 5(2)(c), the audit committee is required to first make a recommendation to the board of directors regarding whether to approve the annual financial statements and associated management's discussion and analysis forming part of the annual report.

Annual Report and Annual Financial Statements

8. (1) A venture issuer must prepare an annual report in accordance with Form 51-103F1.

(2) A venture issuer's annual report must contain financial statements that

(a) include a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for

(i) the most recently completed financial year, and

(ii) the financial year immediately preceding the most recently completed financial year, if any,

(b) if the venture issuer presents the components of profit or loss in a separate income statement, display the separate income statement immediately before the statement of comprehensive income filed under paragraph (a),

(c) include a statement of financial position as at the end of each of the periods referred to in paragraph (a),

(d) include a statement of financial position as at the beginning of the financial year immediately preceding the most recently completed financial year in the case of a venture issuer that discloses in its annual financial statements an unreserved statement of compliance with IFRS and that

(i) applies an accounting policy retrospectively in its annual financial statements,

(ii) makes a retrospective restatement of items in its annual financial statements, or

(iii) reclassifies items in its annual financial statements,

(e) in the case of a venture issuer's "first IFRS financial statements", as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, include the opening IFRS statement of financial position at the "date of transition to IFRS", as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, and

(f) include notes to the annual financial statements.

(3) The annual financial statements contained in the annual report must be audited.

(4) The chief executive officer and chief financial officer of the venture issuer must certify and date the annual report, and any revised annual report, as set out in sections 43 and 44 of Form 51-103F1.

(5) If a venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, the venture issuer must comply with Part 10 of Regulation 51-102 respecting Continuous Disclosure Obligations as if it were a senior-unlisted issuer to which that regulation applies and include the disclosure required under Part 10 of that regulation in the annual report.

Guidance:

(1) *Form 51-103F1 requires that the venture issuer's annual financial statements and management's discussion and analysis, accompanied by the auditor's report, be included in the annual report. The annual report must also be certified by the chief executive officer and chief financial officer.*

(2) *Because the definition of annual financial statements in this Regulation includes both the financial statements for the most recently completed financial year and the comparative statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include one set of audited financial statements that contain the 2 most recently completed financial years.*

(3) *Canadian GAAP applicable to publicly accountable enterprises provides an issuer 2 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 paragraphs 8(2)(b) and 10(2)(c).*

(4) *Venture issuers should consider the obligations imposed under section 34 of this Regulation. If a venture issuer sends a disclosure document that contains material information (for example, financial statements) to its security holders, or files it with a regulator in another jurisdiction, that document must be concurrently filed with the applicable securities regulatory authority or regulator. There is allowance under section 34 for instances where it is not reasonably practicable to file a document concurrently, but we are of the view that these circumstances will be rare.*

Approval and Filing of Interim Report

9. (1) A venture issuer must file an interim report for each interim period ended after becoming a venture issuer.

(2) A report referred to in subsection (1) must be filed on or before the 60th day after the end of the venture issuer's most recently completed interim period.

(3) The board of directors of the venture issuer, or the audit committee if authority is delegated to the audit committee, must approve the interim report before it is filed.

Interim Report and Interim Financial Report

10. (1) A venture issuer must prepare its interim report in accordance with Part 8 of Form 51-103F1.

(2) A venture issuer's interim report must contain an interim financial report that

(a) includes a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, all for the year-to-date interim period and comparative financial information for the comparative interim period in the immediately preceding financial year, if any,

(b) includes, for interim periods other than the first interim period in a venture issuer's financial year, a statement of comprehensive income for the 3 month period ending on the last day of the interim period and comparative financial information for the comparative period in the immediately preceding financial year, if any,

(c) if the venture issuer presents the components of profit or loss in a separate income statement, displays the separate income statement immediately before the statement of comprehensive income filed under paragraph (a),

(d) includes a statement of financial position as at the end of each of

- (i) the period referred to in paragraph (a)(i), and
- (ii) the immediately preceding financial year, if any,

(e) in the following circumstances, includes a statement of financial position as at the beginning of the immediately preceding financial year:

(i) the venture issuer discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*; and

(ii) the venture issuer

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report,

(f) in the case of a venture issuer's first interim financial report in the year of adopting IFRS, includes the opening IFRS statement of financial position at the "date of transition to IFRS," as that phrase is defined in Canadian GAAP applicable to publicly accountable enterprises, and

(g) includes notes to the interim financial report.

(3) The chief executive officer and chief financial officer of the venture issuer must certify and date the interim report, and any revised interim report, as set out in sections 43 and 44 of Form 51-103F1.

Guidance:

(1) *An interim report is required to be prepared in the form of Form 51-103F1. It is required to include the venture issuer's interim financial report and certain additional information, including quarterly highlights. It is required to be certified by the venture issuer's chief executive officer and chief financial officer.*

(2) *The term "interim financial report" is defined in Canadian GAAP applicable to publicly accountable enterprises.*

First Annual Financial Statements and Interim Financial Reports After Becoming a Reporting Issuer

11. (1) Despite any other provision of this Part, a venture issuer must file annual financial statements and an interim financial report for each annual and interim period immediately following the periods covered by the financial statements and the interim financial report of the venture issuer in the document filed

(a) that resulted in the venture issuer becoming a reporting issuer, or

(b) in respect of a transaction that resulted in the venture issuer becoming a reporting issuer.

(2) If subsection (1) requires a venture issuer to file annual financial statements or an interim financial report for a period that ended on or before the date the venture issuer became a reporting issuer, the statements or report must be filed by the later of

(a) in the case of annual financial statements,

(i) the 20th day after the venture issuer became a reporting issuer,

(ii) on or before the 120th day after the end of the venture issuer's most recently completed financial year, and

(b) in the case of an interim financial report,

(i) the 10th day after the venture issuer became a reporting issuer,

(ii) on or before the 60th day after the end of the venture issuer's most recently completed interim period.

(3) A venture issuer is not required to provide comparative financial information in the statements or report referred to in subsection (1) for interim periods that ended before the venture issuer became a reporting issuer if all of the following apply:

(a) the board of directors or audit committee, acting reasonably, determines that it is impracticable to present prior-period information on a basis consistent with the requirements for an interim financial report;

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

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

(4) Annual financial statements filed under this Part must be audited.

Guidance:

(1) *Section 11 is intended to provide investors with access to the current financial history of the venture issuer by requiring venture issuers to file financial statements for all annual periods and interim financial reports for all interim periods that ended after the periods that are covered by the financial statements and interim financial reports which were included in the prospectus, information circular or other document that was filed in connection with the venture issuer becoming a reporting issuer.*

(2) *Securities regulatory authorities are of the view that it is only "impracticable to present prior-period information" if the venture issuer has made every reasonable effort to present prior-period information on a basis consistent with the interim financial report. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not for reasons related solely to the cost or the time involved in preparing the interim financial report.*

Delivery Options for an Annual Report or Interim Report

12. A venture issuer must send its annual report and interim reports to each registered securityholder and beneficial owner using one or any combination of the following methods:

(a) a method to which the registered securityholder or beneficial owner consents;

(b) the method set out in section 4.6 of Regulation 51-102 respecting Continuous Disclosure Obligations as if the venture issuer were a senior-unlisted issuer to which that regulation applies;

(c) a method that satisfies all of the following:

(i) the venture issuer must issue a news release disclosing the filing of each annual report and interim report as soon as reasonably practicable, and in any event within 3 business days of the filing;

(ii) the news release must do each of the following:

(A) provide the address of the SEDAR website and the specific address or a link to the specific page on another website, at which the annual report or interim report, as applicable, can be viewed electronically;

(B) disclose that a registered securityholder or beneficial owner may receive, upon request, from the venture issuer a copy of the most recently filed annual report or interim report, as applicable, free of charge;

(C) disclose contact details through which the request can be made;

(iii) if a registered securityholder or beneficial owner of the venture issuer requests a copy of an annual report or interim report, the venture issuer must send the most recently filed annual report or interim report, as applicable, to the registered securityholder or beneficial owner, without charge, as soon as reasonably practicable following the request and, in any event, within 3 business days of the request by either

(A) sending a paper copy by pre-paid mail, courier or another method that provides delivery within an equivalent time period, or

(B) any other method to which the registered securityholder or beneficial owner consents.

Guidance:

(1) Section 12 permits use of a notice and access system as an alternative to mailing the annual report or interim report. However, applicable corporate law or the legal documents creating or establishing the issuer may impose a requirement that the annual financial statements be placed before or sent to the securityholders.

(2) References to “interim financial report” and “interim management’s discussion and analysis” as used in section 4.6 of Regulation 51-102 respecting Continuous Disclosure Obligations mean, in the context of this Regulation, the interim report.

(3) Securities regulatory authorities are of the view that “registered securityholder” is a registered holder of voting securities of a venture issuer as indicated on the register of shareholders maintained by the venture issuer or its registrar and transfer agent.

PART 4

PROXY SOLICITATION AND INFORMATION CIRCULARS

Requirements for Proxy Form and Information Circular

13. (1) If management of a venture issuer gives notice to registered securityholders of a meeting of securityholders, management must, at or before the time of giving that notice, send to each registered securityholder who is entitled to notice of the meeting

(a) a proxy form, and

(b) an information circular.

(2) If a person or company, other than management of a venture issuer, solicits proxies from registered securityholders of a venture issuer, the person or company must, at or before the time of solicitation, send to each registered securityholder of the venture issuer whose proxy is solicited, an information circular.

(3) A proxy form required to be filed or sent under this Part must be prepared in accordance with Form 51-103F3.

(4) A proxy form may confer discretionary authority but only by way of a specific statement conferring such authority and only if

(a) the proxy form states in bold-face type how the securities represented by

the proxy form will be voted in respect of each such matter or group of related matters if a securityholder does not specify a choice with respect to a matter referred to in paragraph 3(2)(b) of Form 51-103F3, and

(b) with respect to amendments or variations to matters identified in the notice of meeting or other matters properly coming before the meeting, the person or company by whom or on whose behalf the solicitation is made is not aware within a reasonable time before the time the solicitation is made that any of these amendments or variations or other matters are to be presented for action at the meeting.

(5) Despite subsection (4), a proxy form must not confer discretionary authority to vote in either of the following two circumstances:

(a) for the election of any person as a director unless a bona fide proposed nominee for that election is named in the proxy form;

(b) at a meeting other than the meeting specified in the notice of meeting or any adjournment of that meeting.

(6) An information circular required to be filed or sent under this Part must be prepared and dated in accordance with Form 51-103F4.

(7) A person or company required to send a document under this Part, must promptly file the following:

(a) a copy of that document;

(b) all other material sent to registered securityholders in connection with the applicable meeting.

Delivery Options for Proxy Form

14. A person or company required to send a proxy form to a registered securityholder under this Part must use one or any combination of the following methods:

(a) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period;

(b) any method to which that registered securityholder consents.

Delivery Options for Information Circular and Proxy Related Material

15. (1) A person or company required to send an information circular or any other proxy related material to a registered securityholder under this Part must use one or any combination of the following methods:

(a) a method to which the registered securityholder consents;

(b) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period;

(c) a method that satisfies the following:

(i) at least 30 days before the date fixed for the meeting, send, at no cost to a registered securityholder, in one of the methods described in paragraphs (a) or (b), a document containing all of the following information and no other information:

(A) the date, time and location of the venture issuer's securityholder meeting;

(B) a factual description of each matter or group of related matters identified in the form of proxy to be voted on;

(C) the website address other than the address for SEDAR, where the proxy-related materials are located;

(D) a reminder to review the information circular before voting;

(E) an explanation of how to obtain a paper copy of the information circular from the person or company;

(F) a document in plain language that explains notice and access and includes the following information:

(I) why the person or company is using notice-and-access;

(II) if the person or company is using stratification, as defined in Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer, which registered holders or beneficial owners are receiving paper copies of the information circular;

(III) the date and time by which a request for a paper copy of the information circular should be received in order for the requester to receive the information circular in advance of any deadline for the submission of voting instructions and the date of the meeting;

(IV) an explanation of how to return voting instructions, including any deadline for the return of the instructions;

(V) reference to the location in the information circular where disclosure regarding each matter or group of related matters identified in the notice in clause (i)(B) can be found;

(VI) contact details the beneficial owner can use to ask questions about notice-and-access;

(ii) in the case of a solicitation by or on behalf of management of the venture issuer, at least 30 days before the date fixed for the meeting, issue a news release containing all of the following:

(A) the information required in the document referred to in subparagraph (i);

(B) if management is using the procedures in this paragraph only in respect of certain registered securityholders, an explanation of this decision;

(iii) from the day the person or company soliciting proxies sends the documents required under paragraph (b) until at least the date of the meeting for which proxies are being solicited,

(A) provide public electronic access, to the extent reasonably practicable, through a website, other than SEDAR, to the information circular and all other proxy-related material in a format that permits a person or company with a reasonable level of computer skill and knowledge to access, read, search, download and print the document, and

(B) maintain a telephone number that can be used by registered securityholders to request a paper copy of the information circular and other proxy-related materials;

(iv) if a request is received by a registered securityholder for a paper copy of the information circular or other proxy-related materials, send the information circular or other proxy-related materials, as applicable, to the registered securityholder in a method described in paragraph (a) or (b) no later than 3 business days after the request is received;

(v) in the case of a solicitation by or on behalf of management of a venture issuer, where management sends paper copies of the information circular to other registered securityholders, send the paper copies to those other registered securityholders on the same day as they are sent under paragraph (b).

(2) A venture issuer that uses the notice and access procedures in subsection (1)(c) to send proxy-related materials to a registered securityholder must do the following not more than 6 months, and not less than 3 months, before the expected date for the first meeting for which proxy-related materials will be sent by notice and access:

(a) post on a website that is not SEDAR a document in plain language that explains the notice and access procedures;

(b) issue a news release stating that the venture issuer intends to use notice and access procedures to deliver proxy-related materials and providing the website address where the document in subparagraph (1)(c)(i) is posted.

Guidance:

(1) Section 15 permits use of a notice and access system as an alternative to mailing an information circular. However, applicable corporate law or constating documents may impose a mailing requirement.

(2) This Regulation only addresses the notification and delivery requirements for registered securityholders. Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer addresses delivery obligations with respect to beneficial securityholders.

Dissident Proxy Solicitation Exemption

16. (1) Despite subsection 13(2), a person or company, other than management of a venture issuer or a person or company acting on behalf of management, may solicit proxies from registered securityholders of a venture issuer without sending an information circular if

(a) the solicitation is made to the public by broadcast, speech or publication, in a manner legally permitted by the laws under which the venture issuer is incorporated, organized or continued,

(b) in the case of a solicitation that occurs in connection with a transaction referred to in subsection 32(6),

(i) the following information is contained in the broadcast, speech or publication:

(A) the name and address of the venture issuer to which the solicitation relates;

(B) the information required under sections 7 and 26(b) and (d) of Form 51-103F4;

(C) whether the person or company giving a proxy has the right to revoke it and, if so, a description of any limitations on or conditions to the right to revoke;

(D) a statement identifying the document referred to in clause (b)(ii)(A) and indicating that it is or will be available at www.sedar.com,

(ii) all of the following documents are filed:

(A) a document containing the information required under clauses (1)(b)(i)(A), (B) and (C);

(B) any information required to be disclosed or sent to securityholders by the laws under which the venture issuer is incorporated, organized or continued;

(C) any communication to be published or sent to securityholders, or

(c) in the case of a solicitation that occurs in connection with the nomination of a director,

(i) a document containing the information required under Part 4 of Form 51-103F4 is filed, and

(ii) the broadcast, speech or publication indicates that the solicitation is made in connection with the nomination of a director, identifies the document in paragraph (c)(i) and indicates that it is or will be available at www.sedar.com.

(2) A solicitation under subsection (1) is not considered to be made to the public unless it is disseminated using one or more of the following methods that the person or company making the solicitation reasonably believes to be effective in reaching the market for the venture issuer's voting securities:

(a) a speech in a public forum that is generally accessible;

(b) a news release, statement or advertisement provided through a news wire, broadcast medium, magazine or newspaper of general and widespread circulation, telephone conference call, webcast or similar communication facility that is generally accessible.

(3) Subsection (1) does not apply to a person or company that is proposing, at the time of the solicitation, a transaction that would be a transaction referred to in subsection 32(6), that would involve the venture issuer and the person or company or an affiliate of the person or company, if in relation to the transaction the securities of the person or company, or securities of an affiliate of the person or company, are to be changed, exchanged, issued or distributed unless

(a) the person or company has filed an information circular or other document containing the information required under Form 51-103F4 in respect of either or both of the transactions, and

(b) the solicitation refers to that information circular or other document and discloses that the information circular or other document is available on SEDAR.

(4) Subsection (1) does not apply to a person or company that is nominating or proposing to nominate, at the time of the solicitation, an individual, including him or herself, for election as a director of the venture issuer unless

(a) the person or company has filed an information circular or other document containing the information required under Form 51-103F4 in respect of the proposed nominee, and

(b) the solicitation refers to that information circular or other document and discloses that the information circular or other document is available on SEDAR.

Guidance:

The definition of solicit in this Regulation may differ from applicable corporate law or the issuer's constating documents. For example, corporate law may impose additional obligations or restrictions on persons or companies soliciting proxies in connection with a dissident information circular.

Other Solicitation Exemptions

17. (1) Section 13(2) does not apply if the total number of securityholders whose proxies are solicited is not more than 15, where joint registered securityholders are counted as a single registered securityholder.

(2) Sections 13 to 16 do not apply to a venture issuer, or a person or company, that solicits proxies from registered securityholders if

(a) the venture issuer or other person or company complies with the requirements of the laws relating to solicitation of proxies under which the venture issuer is incorporated, organized or continued,

(b) those requirements are substantially similar to the requirements of this Part, and

(c) the venture issuer or other person or company promptly files a copy of each form of proxy, information circular or other document that contains substantially similar disclosure, sent by the venture issuer, person or company in connection with the meeting.

PART 5

MATERIAL CHANGES AND OTHER MATERIAL INFORMATION

Disclosure of Material Changes and Other Material Information

18. A venture issuer must, immediately after any of the following events occur, issue and file a news release authorized by an executive officer disclosing the event:

(a) a material change;

(b) a related entity transaction;

(c) a decision to implement a related entity transaction made by either of the following:

(i) the board of directors of the venture issuer,

(ii) senior management of the venture issuer who believe that confirmation of the decision by the board of directors is probable;

(d) major acquisition.

Contents of and Filing Deadline for Form 51-103F2

19. (1) As soon as practicable but in any case by the 10th day after any of the events referred to in section 18, a venture issuer must prepare and file a report

(a) in accordance with Form 51-103F2, or

(b) as the news release referred to in section 18, if that news release

(i) contains the information required under Form 51-103F2, other than section 8 of Form 51-103F2, and

(ii) includes a title stating that it is a Form 51-103F2.

(2) A news release prepared and filed in accordance with paragraph (1)(b) is deemed to be a Form 51-103F2.

(3) A Form 51-103F2 that discloses a material change as required under paragraph 18(a) is a material change report.

Guidance:

- (1) Regulation 13-101 requires that a Form 51-103F2 be filed in the SEDAR category for material change reports.
- (2) If a Form 51-103F2 is prepared in the form of a news release under paragraph 19(1)(b) and filed in the SEDAR category for material change reports, it does not need to also be filed as a news release. However, the reverse is not true. If a Form 51-103F2 is prepared in the form of a news release it is not sufficient to file it only in the SEDAR category for news releases. The report must also be filed in the SEDAR category for material change reports.
- (3) Whether the venture issuer chooses to prepare its report in the form of a Form 51-103F2 or in the form of a news release under paragraph 19(1)(b), that report is considered a “core document” for purposes of secondary market civil liability.

Confidential Report of Material Change

20. (1) Despite sections 18 and 19, a venture issuer may delay generally disclosing a material change that is not a related entity transaction if

(a) the venture issuer immediately delivers the report required under section 19 marked to indicate that it is confidential, together with written reasons for non-disclosure, and

(b) either,

(i) in the opinion of the venture issuer, and if that opinion is arrived at in a reasonable manner, the disclosure required under section 18 would be unduly detrimental to the interests of the venture issuer, or

(ii) the material change consists of a decision to implement a change made by senior management of the venture issuer who believe that confirmation of the decision by the board of directors is probable, and senior management has no reason to believe that a person or company with knowledge of the material change has made use of that knowledge to buy or sell a security of the venture issuer.

(2) If a venture issuer has filed a report under paragraph (1)(a), and the venture issuer believes the report should continue to remain confidential, the venture issuer must advise the securities regulatory authority or, except in Ontario and Québec, the regulator, in writing of this within 10 days of the date of filing of the initial report and every 10 days after that until either of the following applies:

(a) the material change is generally disclosed as required under paragraph 18(a);

(b) if the material change consists of a decision of the type referred to in subparagraph (1)(b)(ii), until that decision has been rejected by the board of directors of the venture issuer.

(3) If a report has been filed under paragraph (1)(a), the venture issuer must promptly generally disclose the material change in the manner referred to in sections 18 and 19 upon the venture issuer becoming aware, or having reasonable grounds to believe, that a person or company is purchasing or selling securities of the venture issuer with knowledge of the material change that has not been generally disclosed.

PART 6
ADDITIONAL DISCLOSURE FOR MAJOR ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

Definitions

21. In this Part

“business” includes an interest in an oil and gas property to which reserves, as defined in Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities, have been specifically attributed;

“market capitalization” means the sum of the aggregate market value of each class of equity securities of a venture issuer, where the market value of each class of securities is calculated by multiplying the number of securities of that class that were outstanding immediately before the announcement of the acquisition by the last trading price before the announcement of the acquisition;

“trading price” means,

(a) if the class of equity securities is traded on a published venture market, the 10 day volume-weighted average closing price of those securities as reported by the published venture market on the last trading day before the announcement of the acquisition,

(b) if the class of equity securities is not traded on a published venture market but the venture issuer has made application to have that class of securities listed or quoted on a published venture market and,

(i) if the venture issuer is conducting an initial public offering in connection with its application to list or quote that class of securities, then either

(A) the initial public offering price per security, if the initial public offering price has been determined, or

(B) the price per security at which the board of directors reasonably anticipates the securities will be issued on the initial public offering, if the initial public offering price has not been determined,

(ii) if the venture issuer is not conducting an initial public offering in connection with its application to list or quote that class of securities, then either

(A) the price per security of the concurrent financing, if the venture issuer is conducting a concurrent financing, or

(B) the price per security at which the board of directors reasonably anticipates the securities to commence trading on the published venture market, if the venture issuer is not conducting a concurrent financing, or

(c) if the class of equity securities is not traded on a published venture market and no application to list or quote that class of securities on a published venture market has been made, the fair value of the outstanding securities of that class the day before the announcement of the acquisition.

Guidance

For this purpose, the securities regulatory authority or regulator will consider as evidence of the fair value such things as fairness opinions, valuations and letters from registered dealers.

Major Acquisition

22. (1) A direct or indirect acquisition of a business or related business by a venture issuer or a subsidiary of a venture issuer is a major acquisition if the pre-announcement value of the consideration to be transferred for the business or related business, calculated reasonably, equals 100% or more of the market capitalization of the venture issuer.

(2) For the purpose of subsection (1), an acquisition includes a lease or an option to acquire.

(3) For the purpose of the calculation in subsection (1), the consideration transferred must be determined without re-measuring previously held equity interests.

(4) For the purpose of subsection (1), the pre-announcement value of any securities to be transferred for the business or related business is obtained by multiplying the number of securities to be transferred by the last trading price of the securities before announcement of the acquisition.

Guidance:

(1) *The “pre-announcement value” in (1) is only used for the purpose of calculating whether an acquisition is a major acquisition. The actual value of the securities to be transferred, as required to be reported in the issuer’s financial statements is calculated as at the acquisition date.*

(2) *Under section 23, a venture issuer that has made a major acquisition must include in its Form 51-103F2 certain financial statements of each business acquired. When determining whether a venture issuer is acquiring a “business”, consideration should be given to the particulars of the acquisition. The CSA generally considers a separate entity, a subsidiary or a division to be a business. In certain circumstances, a smaller component of a company may also be a business, whether or not that business previously prepared financial statements.*

(3) *In determining whether a venture issuer is acquiring a business, a venture issuer should consider the continuity of business operations, including the following factors:*

(a) *whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition; and*

(b) *whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the venture issuer instead of remaining with the seller after the acquisition.*

Additional Disclosure for a Major Acquisition

23. (1) A report filed under section 18 for a major acquisition must include, or incorporate by reference, each of the following for each business or related business:

(a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows 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 acquisition date,

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

(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 acquisition date;

(b) a statement of financial position as at the end of each of the periods specified in paragraph (a);

(c) notes to the financial statements.

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

Guidance:

Venture issuers are reminded that Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards sets out the accounting principles and auditing standards that must be used to prepare and audit the financial statements required for major acquisitions.

(3) A report filed under section 18 for a major acquisition must include, or incorporate by reference, interim financial reports for each business or related business for each of the following:

(a) the most recently completed interim period, or other period, that started the day after the date of the statement of financial position specified in paragraph (1)(b) and ended

(i) in the case of an interim period, before the acquisition date, or

(ii) in the case of a period other than an interim period, after the interim period referred to in subparagraph (i) and on or before the acquisition date; and

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

Guidance:

Section 5 of Form 51-103F2 requires that if information is incorporated by reference into a report that information must be filed by the venture issuer under its filer profile for SEDAR.

Filing Extension for Disclosure of a Major Acquisition

24. (1) Despite section 19(1), a venture issuer may file the disclosure required under subsection 23(1), either

(a) within 75 days after the acquisition date, or

(b) if the most recently completed financial year of the acquired business ended 45 days or less before the acquisition date, within 120 days after the acquisition date.

(2) If a venture issuer relies on the exemption in subsection (1) the disclosure must

(a) be filed as a Form 51-103F2, and

(b) be accompanied by a notice

(i) entitled “Addendum to Form 51-103F2”, stating that the annual financial statements and interim financial reports, as applicable, are for a business acquired by the issuer that was a major acquisition and the acquisition date, and

(ii) stating the date of each Form 51-103F2 that has been filed relating to the major acquisition.

Contents of Interim Financial Report - Canadian GAAP Applicable to Major Acquisitions of Private Enterprises

25. (1) If a venture issuer is required under subsection 23(3) to include an interim financial report in the report required to be filed under section 19 and the interim financial report for the business or related business acquired is prepared in accordance with Canadian GAAP

applicable to private enterprises, as permitted under Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards, the interim financial report must include each of the following:

- (a) a balance sheet as at the end of the interim period and a balance sheet as at the end of the immediately preceding financial year, if any;
- (b) an income statement, a statement of retained earnings and a cash flow statement, all for the year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any;
- (c) notes to the interim financial report.

Financial Statements for a Major Acquisition of a Related Business

26. If a venture issuer is required under section 23 to include financial statements for more than one business because a major acquisition involves an acquisition of related businesses, the financial statements required 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 venture issuer may present the financial statements of the businesses on a combined basis.

Exemption for Major Acquisitions Accounted for Using the Equity Method

27. A venture issuer is exempt from section 23 if

- (a) the acquisition is, or will be, of an equity investee;
- (b) the report required to be filed under section 19 includes disclosure for the periods for which financial statements are otherwise required under subsection 23(1) that
 - (i) summarizes financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and
 - (ii) describes the venture issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the venture issuer's share of profit or loss;
- (c) the financial information provided under paragraph (b) for the most recently completed financial year
 - (i) has been derived from audited financial statements of the equity investee,or
 - (ii) has been audited;
- (d) the report required to be filed under section 19
 - (i) identifies the financial statements referred to in subparagraph (c)(i) from which the disclosure provided under paragraph (b) has been derived, or
 - (ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and
 - (iii) discloses that the auditor expressed an unmodified opinion with respect to the financial statements or the financial information referred to in paragraph (d).

Exemption for Major Acquisitions if Financial Year End Changed

28. If under section 23 a venture issuer is required to provide financial statements for a business acquired and the business changed its financial year end during either of the financial years required to be included, the venture issuer may include financial statements for the

transition year in satisfaction of the financial statements for one of the years, if the transition year is at least 9 months.

Exemption from Comparatives if Interim Financial Report for a Major Acquisition Not Previously Prepared

29. A venture issuer is not required to provide comparative information for an interim financial report required under subsection 23(3) for a business acquired if

(a) to a reasonable person it is impracticable to present prior-period information on a basis consistent with the most recently completed interim period of the acquired business,

(b) the prior-period information that is available is presented in the report, and

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

Guidance:

(1) *Securities regulatory authorities are of the view that it is only “impracticable to present prior-period information” if the venture issuer has made every reasonable effort to present prior-period information on a basis consistent with the interim financial report. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not for reasons related solely to the cost or the time involved in preparing the financial statements or interim financial report.*

(2) *Section 29 provides that a venture issuer does not have to provide comparative financial information for an acquired business if specific requirements are met. This exemption may, for example, apply to an acquired business that was, before the acquisition, a private entity. In this example, the venture issuer may be unable to prepare the comparative financial information because it is impracticable to do so.*

(3) *Relief may be granted from the requirement to include certain financial statements of an acquired business or related business in some situations that may include the following:*

(a) *the business’s historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the venture issuer may be requested by the securities regulatory authority or regulator to*

(i) *represent in writing to the securities regulatory authority or regulator, no later than the time Form 51-103F2 is required to be filed, that the venture issuer made every reasonable effort to obtain copies of, or reconstruct the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and*

(ii) *disclose in Form 51-103F2 the fact that the historical accounting records have been destroyed and cannot be reconstructed; or*

(b) *the business has recently emerged from bankruptcy and current management of the business and the venture issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the venture issuer may be requested by the securities regulatory authority or regulator to*

(i) *represent in writing to the securities regulatory authority or regulator, no later than the time Form 51-103F2 is required to be filed that the venture issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful; and*

(ii) *disclose in Form 51-103F2 the fact that the business has recently emerged from bankruptcy and current management of the business and the venture issuer are denied access to the historical accounting records.*

Exemption for a Major Acquisition by Multiple Investments in the Same Business

30. Despite section 23, a venture issuer is exempt from the requirements to include, or incorporate by reference, financial statements and interim financial reports, as applicable, for an acquired business in the report required to be filed under section 19 if the venture issuer has made multiple investments in the same business and the acquired business has been consolidated in the venture issuer's most recent annual financial statements that have been filed.

Exemption for a Major Acquisition of an Interest in an Oil and Gas Property

31. (1) A venture issuer is exempt from the requirements in section 23 if

(a) the major acquisition is an acquisition of a business that is an oil and gas property or related businesses that are interests in oil and gas properties and that is not of securities of another issuer, unless the seller transferred the business to that other issuer which

(i) was created for the sole purpose of facilitating the acquisition, and

(ii) other than assets or operations relating to the transferred business, has no substantial assets or operating history;

(b) the venture issuer is unable to provide the financial statements or interim financial reports in respect of the major acquisition required under section 23, or as otherwise permitted by sections 25, 27, 28, 29 or 30 because those financial statements or interim financial reports, as applicable, do not exist or because the venture issuer does not have access to those financial statements or interim financial reports, as applicable;

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

(d) subject to subsection (2), in respect of the business or related businesses, for each of the financial periods for which financial statements or an interim financial report, as applicable, would, but for this section, be required under section 23, or as otherwise permitted by sections 25, 27, 28, 29 or 30, Form 51-103F2 includes each of the following:

(i) an operating statement for the business or related businesses prepared in accordance with subsection 3.11(5) of Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards;

(ii) a description of the property or properties and the interest acquired by the venture issuer;

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

(e) the operating statement for the most recently completed financial period referred to in subsection 23(1) is audited; and

(f) the report required to be filed under section 19 discloses both of the following:

(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 venture issuer or to the seller of the person who prepared the estimates;

(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 (i).

(2) A venture issuer is exempt from the requirements of subparagraphs (1)(d)(i) and (iii), if both of the following apply:

- (a) production, gross revenue, royalty expenses, production costs and operating income were nil for the business or related businesses for each financial period;
- (b) the report required to be filed under section 19 discloses this fact.

Additional Disclosure and Financial Statements Required for Certain Transactions

32. (1) If a venture issuer conducts a transaction referred to in subsection (6) it must disclose, or incorporate by reference, information, including annual financial statements and interim financial reports, if applicable, for each of the following:

- (a) the venture issuer if it has not filed all documents required under this Regulation;

- (b) each person or company, other than the venture issuer, whose securities are being changed, exchanged, issued or distributed, if the venture issuer's current securityholders will have an interest in that person or company after the transaction referred to in subsection (6) is completed;

- (c) each person or company that would result from the transaction referred to in subsection (6), if the venture issuer's securityholders will have an interest in that person or company after the transaction referred to in subsection (6) is completed.

(2) The disclosure required under subsection (1) for the venture issuer and each person or company referred to in paragraphs (1)(b) or (1)(c) must be the disclosure, including annual financial statements and interim financial reports, if any, prescribed under securities legislation and described in the form of prospectus that the venture issuer or person or company, respectively, would be eligible to use immediately prior to the sending and filing of the information circular in respect of the transaction referred to in subsection (6) for a distribution of securities in the jurisdiction.

(3) If the venture issuer's securityholders are solicited in respect of a transaction referred to in subsection (6), the disclosure required under this Part must be included in the information circular prepared for the meeting of securityholders.

(4) If disclosure will not be provided in an information circular, the disclosure required under this Part must be included in a Form 51-103F2.

(5) Despite subsections (3) and (4), if disclosure of a transaction referred to in subsection (6) has been included in a prospectus, a securities exchange takeover bid circular or other filed document, a venture issuer may comply with the disclosure requirements of this section by including in the information circular or Form 51-103F2 required under this section a statement:

- (a) indicating that the applicable disclosure is incorporated by reference from another document and identifying that other document by name and date;

- (b) identifying the location of the relevant disclosure in the other document;

- (c) indicating that the other document is available on SEDAR at www.sedar.com.

(6) The disclosure required under subsections (1) and (2) is required for each of the following transactions involving a venture issuer:

- (a) a reverse-takeover;

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

- (c) a transaction or series of transactions in which the venture issuer acquires assets and issues securities where both of the following apply immediately after the transaction

(i) the venture issuer has issued that number of voting securities that is at least 50% of the number of voting securities outstanding prior to the transaction, and

(ii) one or more persons or companies described in subsection (7) meet either of the following conditions:

(A) alone or with their associates or affiliates are able to materially affect control of the venture issuer;

(B) alone or with their associates or affiliates hold more than 20% of the outstanding voting securities of the venture issuer, unless there is evidence showing that holding those securities does not materially affect the control of the venture issuer;

(d) any other transaction or series of transactions similar to the transactions listed in paragraphs (a) to (c).

(7) The persons or companies referred to in paragraph (6)(c)(ii) are any of the following:

(a) the sellers of the assets;

(b) a person or company who, alone or with that person or company's associates or affiliates, did not, prior to the transaction, meet either of the following conditions:

(i) have the ability to materially affect the control of the venture issuer;

(ii) hold more than 20% of the outstanding voting securities of the venture issuer;

(c) a combination of persons or companies, acting together, who did not, prior to the transaction, meet either of the following conditions:

(i) have the ability to materially affect the control of the venture issuer;

(ii) hold more than 20% of the outstanding voting securities of the venture issuer;

(d) one or more individuals who, prior to the transaction, were not management of the venture issuer.

(8) Despite subsection (4), disclosure under subsections (1) and (2) is not required for a subdivision, consolidation, or other transaction that does not alter a securityholder's proportionate interest in the venture issuer and the venture issuer's proportionate interest in its assets.

Guidance:

Section 5 of Form 51-103F2 requires that if information is incorporated by reference into a report that information must be filed by the venture issuer under its filer profile for SEDAR.

Filing Extension for Additional Disclosure Provided in Form 51-103F2

33. (1) Despite section 18, if the additional disclosure required under subsection 32(1) is included in a Form 51-103F2, a venture issuer may file the disclosure,

(a) within 75 days after the date of closing of the transaction, or

(b) if the most recently completed financial year of a person or company for which additional disclosure is required ended 45 days or less before the date of closing of the transaction, within 60 days after the date of closing.

(2) If a venture issuer relies on the exemption in subsection (1) the disclosure must be accompanied by a notice

(a) entitled “Addendum to Form 51-103F2 *Report of Material Change or Other Material Information*”, stating that the annual financial statements and interim financial reports, as applicable, are for a person or company with which the venture issuer conducted a significant transaction, including a brief description of that transaction and the date of closing of the transaction, and

(b) stating the date of each Form 51-103F2 that has been filed relating to the transaction.

PART 7 OTHER REQUIRED DISCLOSURE

Disclosure Made in Other Jurisdictions or Sent to Securityholders

34. (1) A venture issuer must concurrently file any disclosure document, other than one filed in connection with a distribution, that contains material information that has not previously been filed if any of the following apply:

(a) it sends the disclosure document to its securityholders;

(b) it files the disclosure document with a securities regulatory authority or regulator in another province or territory;

(c) in the case of an SEC issuer, it files the disclosure document with or furnishes it to the SEC under the 1934 Act, including material information filed as an exhibit to another document that has not been included in a document already filed by the SEC issuer in a jurisdiction;

(d) it files the disclosure document with a foreign securities regulatory authority.

(2) Despite subsection (1), if a concurrent filing is not reasonably practicable, the venture issuer must file the disclosure document as soon as reasonably practicable.

Guidance:

Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards requires that, subject to certain exceptions, all financial statements and interim financial reports “filed” be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and, if required by securities legislation to be audited, must be audited in accordance with Canadian GAAS. Accordingly, if a financial statement, interim financial report and/or auditors’ report is required to be filed because of section 34 it must comply with Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards.

Change of Reporting Issuer Status or Name

35. (1) An issuer must file a notice as soon as practicable, and in any event, not later than the deadline for the first filing required under this Regulation, after the occurrence of any of the following:

(a) the issuer becomes a venture issuer;

(b) the venture issuer changes its name;

(c) the issuer ceases to be a venture issuer.

(2) The notice required under subsection (1) must disclose each of the following:

- (a) the circumstances of the change of status or change of name;
 - (b) the significant terms of any transaction that occurred in connection with the change of status or change of name, including the names of the parties and the effective date of the transaction;
 - (c) if paragraph (1)(a) applies, each of the following:
 - (i) the date of the first financial year-end for the reporting issuer after becoming a reporting issuer;
 - (ii) the periods, including comparative periods, of any of the interim financial reports and annual financial statements required to be filed for the venture issuer's first financial year after becoming a reporting issuer;
 - (iii) the documents that were filed under this Regulation describing the transaction and where those documents can be found on SEDAR.
- (3) This section does not apply if the venture issuer has disclosed the change of status or change of name as a material change under Part 5 and files a copy of the report required to be filed under section 19 in the SEDAR category for changes in status.

Guidance:

If an issuer ceases or intends to cease to be a reporting issuer, refer to CSA Staff Notice 12-307 Applications for a Decision that an Issuer is not a Reporting Issuer. If an issuer fails to file the applicable notice, regulators will not receive notice to update their records and may continue to report the issuer on a list of defaulting issuers.

Securityholder Documents and Material Contracts

- 36.** (1) A venture issuer must file a copy of each of the following documents and a copy of any material amendment to the following, unless previously filed:
- (a) articles of incorporation, amalgamation, continuation or any other constating or establishing documents of the venture issuer;
 - (b) the venture issuer's by-laws or other corresponding instruments currently in effect;
 - (c) any securityholder or voting trust agreement that the venture issuer has access to and that can reasonably be regarded as material to an investor in securities of the venture issuer;
 - (d) any securityholders' rights plan or similar plan or contract of the venture issuer or a subsidiary of the venture issuer that significantly affects the rights or obligations of securityholders;
 - (e) a material contract.
- (2) Despite paragraph (1)(e), a venture issuer is not required to file a copy of a material contract entered into in the ordinary course of business unless the material contract is any of the following:
- (a) a contract to which directors, executive officers, or founders are parties other than a contract of employment;
 - (b) a continuing contract to sell the majority of the venture issuer's products or services or to purchase the majority of the venture issuer's requirements of goods, services or raw materials;
 - (c) a franchise or license or other agreement to use a patent, formula, trade secret, process or trade name;

(d) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions;

(e) an external management or external administration agreement;

(f) a contract on which the venture issuer's business is substantially dependent.

Guidance:

Some examples of a contract on which the continuation of the venture issuer's business might be substantially dependent include:

(a) *financing or credit agreements that provide a majority of the venture issuer's capital requirements if alternative financing on comparable terms is not readily available;*

(b) *a contract calling for the purchase or sale of substantially all of the venture issuer's property, plant and equipment, long-lived assets, or total assets;*

(c) *an option, joint venture, purchase or other agreement relating to a mining or oil and gas property that represents a majority of the venture issuer's business.*

(3) A venture issuer may omit or mark a provision of a material contract so that it is unreadable if

(a) an executive officer of the venture issuer reasonably believes that disclosure of the provision would be seriously prejudicial to the interests of the venture issuer or violate confidentiality provisions,

(b) the provision does not relate to

(i) debt covenants and ratios in a financing or credit agreement,

(ii) events of default or other terms relating to the termination of a material contract, or

(iii) other terms necessary for understanding the impact of the material contract on the venture issuer's business, and

(c) the venture issuer includes a description of the type of information that has been omitted or marked to be unreadable in the material contract, immediately below the omitted or unreadable provision.

(4) Unless previously filed, a venture issuer must file a copy of a material contract entered into

(a) within the last financial year, or

(b) before the last financial year if that material contract is still in effect.

(5) The documents required to be filed under (1) must be filed no later than the earlier of

(a) the date the venture issuer files a report in Form 51-103F2, if the making of the document is a material change for the issuer, or

(b) the date that the venture issuer's annual report is filed.

Guidance:

(1) *Venture issuers should consider their securities law disclosure obligations when negotiating material contracts. Securities regulatory authorities or regulators will only consider exemptions from section 36(2)(b) in limited circumstances such as where it is reasonable for an executive officer of the venture issuer to consider that the disclosure would be seriously prejudicial to the venture issuer and the contract was negotiated before the issuer was a reporting issuer.*

(2) *Disclosure that would violate applicable privacy legislation in Canada could be “seriously prejudicial”; however, generally when securities legislation requires disclosure of a particular type of information, applicable privacy legislation provides an exemption for the disclosure.*

(3) *The CSA will consider schedules, side letters or exhibits referred to in a material contract to be part of the material contract for purposes of section 36 and these documents or attachments are also required to be filed. Subsection 36(3) allows the venture issuer to omit or make provisions of material contracts unreadable in certain circumstances; this provision extends to the schedules, side letters or exhibits.*

(4) *Whether the venture issuer entered into a contract in the ordinary course of business is determined based on a review of the facts surrounding the contract including consideration of the venture issuer’s business and industry.*

Change of Auditor

37. (1) This section does not apply to

- (a) a change of auditor required by legislation,
- (b) a change of auditor resulting from a reverse takeover, amalgamation, merger, arrangement or reorganization of the venture issuer if the reason for the change of auditor is not a situation referred to in subparagraph (2)(d)(i), (ii) or (iii), or
- (c) a change of auditor that arises from an amalgamation, merger or other reorganization of the auditor.

(2) If there is a change of auditor, the venture issuer must prepare a notice that includes the following information:

- (a) the date of termination or resignation;
- (b) whether the termination or resignation of the predecessor auditor and any appointment of the successor auditor were considered or approved by the audit committee of the venture issuer’s board of directors or the venture issuer’s board of directors;
- (c) whether the predecessor auditor
 - (i) resigned on the predecessor auditor’s own initiative or at the venture issuer’s request,
 - (ii) declined to stand for re-election or was removed, or
 - (iii) was not reappointed or has not been proposed for reappointment.
- (d) whether the change of auditor is a result of any of the following:
 - (i) a difference of opinion related to the content or presentation of the venture issuer’s previously issued annual financial statements or interim financial reports or the predecessor auditor’s audit report or communication of the results of the auditor’s review of the issuer’s interim financial report;

(ii) a difference of opinion related to the content or presentation of the venture issuer's annual financial statements or interim financial reports proposed to be issued or the predecessor auditor's proposed audit report or communication of the results of the auditor's proposed review of the issuer's interim financial report;

(iii) a consultation, unresolved issue or any other reason unrelated to the content or presentation of the venture issuer's annual financial statements or interim financial reports referred in subparagraphs (i) and (ii).

(3) The notice required under subsection (2) must be filed with the securities regulatory authority or regulator and must be delivered to the venture issuer's predecessor auditor and, if applicable, its successor auditor on the earlier of

(a) 30 days after the change of auditor, or

(b) the next filing deadline for the venture issuer's annual report required under this Regulation.

(4) If a predecessor or successor auditor concludes that the venture issuer's notice required under subsection (2) fails to fairly and fully provide the information required by subparagraphs (2)(d)(i), (2)(d)(ii) and (2)(d)(iii), the auditor must, within 7 days, deliver a letter to the securities regulatory authority or regulator that provides notice of the deficiency and an explanation of the inaccuracy.

Guidance:

(1) *In situations described in subparagraph 2(d)(i) where management of the venture issuer does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation, and amend the financial statements in circumstances where the auditor believes they need to be amended, Canadian Auditing Standards require that the auditor notify management of the venture issuer that the auditor will seek to prevent future reliance on the auditor's report. If, despite such notification, management do not take the necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report.*

(2) *If a venture issuer is required to describe a consultation under subparagraph 2(d)(iii), the description should include both the predecessor auditor and successor auditor advice, if applicable. Advice includes both oral and written forms.*

(3) *Form 51-103F4 requires that the notice required under subsection (2) be included in the next information circular that is sent and filed in connection with a meeting at which securityholders will be asked to appoint an auditor.*

Financial News Release

38. If a venture issuer issues a news release disclosing information about its historical or prospective financial performance or financial condition, the venture issuer must promptly file that news release.

Guidance:

Subsection 5(2) requires that the news release be reviewed by the audit committee before it is issued.

Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks

39. (1) This section applies to forward-looking information that is disclosed by a venture issuer other than forward-looking information contained in oral statements.

(2) A venture issuer that discloses material forward-looking information must have a reasonable basis for that information, and must do each of the following, in connection with disclosing that information:

- (a) identify the statements that contain the forward-looking information;
- (b) caution users of the forward-looking information that actual results may vary and identify material known and reasonably foreseeable risk factors that could cause actual results to differ materially;
- (c) state the material factors or assumptions used to develop the forward-looking information;
- (d) describe any policy of the venture issuer for updating forward-looking information, beyond that which is required under section 40.

(3) A venture issuer may only disclose material forward-looking information about prospective financial performance, financial position or cash flows that is based on assumptions about future economic conditions and courses of action, regardless of whether it is presented in the format of a historical statement of financial position, statement of comprehensive income or statement of cash flows, that is “future oriented financial information”, or presented in some other manner, that is a “financial outlook”, if

- (a) at the time of disclosure, the assumptions supporting the financial outlook or future oriented financial information are reasonable in the circumstances,
- (b) such information is limited to a period for which it can be reasonably estimated, and
- (c) the venture issuer uses the accounting policies it expects to use to prepare its historical annual financial statements and interim financial reports for the period covered by such information.

(4) A venture issuer that discloses information described in subsection (3) must, in addition to making the disclosure required under paragraph (2),

- (a) state the date management approved the information unless the document in which the information is disclosed is dated, and
- (b) explain the purpose of the information and provide a caution to readers that the information may not be appropriate for other purposes.

(5) Subsections (3) and (4) do not apply to either of the following:

- (a) disclosure subject to the requirements of either or both of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities and Regulation 43-101 respecting Standards of Disclosure for Mineral Projects;
- (b) disclosure that has been made to comply with an exemption previously provided from the applicable requirements of paragraph (3)(a) if that exemption has not been removed.

Guidance:

- (1) *The provisions dealing with forward-looking information in section 39 apply not only to documents filed by a venture issuer with securities regulatory authorities but also to its news releases, website and marketing materials.*
- (2) *In addition to the provisions in this Regulation dealing with forward-looking information, the securities legislation in certain jurisdictions contains secondary market civil liability provisions which create a statutory right of action on the part of persons or companies who relied on the forward-looking information if the forward-looking information contains a misrepresentation.*

Securities legislation may provide a defence to liability where there was a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information and there is a statement proximate to the forward looking information which contains reasonable cautionary language identifying the forward-looking information and the material factors that could cause results to differ materially from it as well as a statement of material factors or assumptions that were applied in drawing the conclusion or making the forecast or project set out in the forward-looking information.

(3) *Examples of financial outlooks include expected revenue, profit or loss, earnings per share and research and development spending. A financial outlook relating to profit or loss is commonly referred to as “earnings guidance”.*

(4) *An example of forward-looking information that is not a financial outlook or future oriented financial information would be an estimate of future store openings by an issuer in the retail industry. This type of information may or may not be material, depending on whether a reasonable investor’s decision whether or not to buy, sell or hold securities of that issuer would be influenced or changed if the information were omitted or misstated.*

(5) *Paragraph 39(3)(b) requires a venture issuer to limit the period covered by future oriented financial information or a financial outlook to a period for which the information can be reasonably estimated. In many cases that time period will not go beyond the end of the venture issuer’s next fiscal year. Some of the factors a venture issuer should consider include the venture issuer’s ability to make appropriate assumptions, the nature of the venture issuer’s industry and the venture issuer’s operating cycle.*

(6) *Venture issuers may consider using tables and other methods of presentation that clearly link specific material risk factors and material factors and assumptions to the particular forward-looking information.*

Disclosure Relating to Previously Disclosed Material Forward-Looking Information

40. (1) If a venture issuer previously disclosed material forward-looking information to the public, other than forward-looking information referred to in section 39(5), it must update that disclosure in accordance with section 22(1) of Form 51-103F1.

(2) If, during the period to which an annual report or interim report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, the venture issuer must provide disclosure in accordance with section 22(2) of Form 51-103F1.

Change in Year End

41. (1) A venture issuer that decides to change its financial year-end must, as soon as practicable, and in any event not later than the deadline for the first filing required under this Regulation following that decision, file a notice disclosing the following:

(a) that it has decided to change its year-end and the reason for the change;

(b) its old financial year-end and new financial year-end;

(c) the length and ending date of the periods, including comparative periods, of each interim financial report and the annual financial statements to be filed for its transition year and new financial year;

(d) the filing deadlines, respectively, for the interim reports and annual report for its transition year.

(2) For the purposes of this section,

(a) a transition year must not exceed 15 months, and

(b) the first interim period after an old financial year must not exceed 4 months.

(3) Despite section 8, a venture issuer is not required to file an interim report for any period in its transition year that ends not more than one month

- (a) after the last day of its old financial year, or
- (b) before the first day of its new financial year.

(4) If a transition year is less than 9 months in length, the venture issuer must include each of the following as comparative financial information to its annual financial statements for its new financial year:

(a) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements for its transition year;

(b) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to its financial statements for its old financial year;

(c) a statement of financial position as at the beginning of the old financial year, in the case of a venture issuer that discloses in its annual financial statements an unreserved statement of compliance with IFRS and that

(i) applies an accounting policy retrospectively in its annual financial statements,

(ii) makes a retrospective restatement of items in its annual financial statements, or

(iii) reclassifies items in its annual financial statements;

(d) in the case of the venture issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS.

(5) If the interim period for the venture issuer's transition year ends 3, 6, 9 or 12 months after the end of its old financial year, the venture issuer must include each of the following as comparative financial information in each interim financial report:

(a) during its transition year, the comparative financial information required under section 10, except if an interim period during the transition year is 12 months in length and the venture issuer's transition year is longer than 13 months, the comparative financial information must be the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows for the 12 month period that constitutes its old financial year;

(b) during its new financial year,

(i) a statement of financial position as at the end of its transition year, and

(ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the periods in its transition year or old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year;

(c) a statement of financial position as at the beginning of the earliest comparative period in the case of a venture issuer that discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* and that

(i) applies an accounting policy retrospectively in its interim financial report,

(ii) makes a retrospective restatement of items in its interim financial

report, or

(iii) reclassifies items in its interim financial report;

(d) in the case of the venture issuer's first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS.

(6) If the interim period for a venture issuer's transition year ends 12, 9, 6 or 3 months before the end of the transition year, the venture issuer must include each of the following as comparative financial information in each interim financial report:

(a) during its transition year, a statement of financial position as at the end of its old financial year, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for periods in its old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the transition year;

(b) during its new financial year,

(i) a statement of financial position as at the end of its transition year, and

(ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows in its transition year or old financial year, or both, as appropriate, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year;

(c) in the case of a venture issuer that discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, a statement of financial position as at the beginning of the earliest comparative period if the venture issuer

(i) applies an accounting policy retrospectively in its interim financial report,

(ii) makes a retrospective restatement of items in its interim financial report, or

(iii) reclassifies items in its interim financial report;

(d) in the case of the venture issuer's first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS.

Guidance:

For assistance with determining filing requirements for changes in year end, venture issuers may wish to consult Appendix A of Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations.

Reverse-takeovers

42. (1) A venture issuer that completes a reverse-takeover must file the following financial statements and interim financial reports for the reverse-takeover acquirer, unless the financial statements or interim financial reports have already been filed:

(a) audited annual financial statements for all financial years and interim financial reports for each interim period ending before the date of the reverse-takeover and after the date of the financial statements and interim financial reports, as applicable, included in either of the following if the document was prepared in connection with the reverse-takeover:

(i) an information circular or similar document;

(ii) under section 11 of Form 51-103F2, or

(b) if the venture issuer did not file a document referred to in paragraph (a) or the document did not include the financial statements or interim financial reports of the reverse-takeover acquirer that would be required to be included in a prospectus, the financial statements and each interim financial report that the reverse-takeover acquirer would be required to provide in the prospectus the reverse-takeover acquirer was eligible to file immediately before the reverse-takeover.

(2) The annual financial statements required under subsection (1) must be filed by the later of

(a) the 20th day after the date of the reverse-takeover, or

(b) the 120th day after the end of the financial year.

(3) The interim financial reports for interim periods required under subsection (1) must be filed by the later of

(a) the 10th day after the date of the reverse-takeover,

(b) the 60th day after the end of the interim period, or

(c) the filing deadline in subsection (2).

(4) A venture issuer is not required to provide comparative interim period financial information in the financial statements or interim financial reports of the reverse-takeover acquirer for periods that ended before the date of a reverse-takeover if it is impracticable, and if applicable, the notes to the interim financial report must disclose that the prior period information was not prepared on the same basis as the most recent interim financial report.

Guidance:

(1) *Following a reverse-takeover, the venture issuer that legally acquired the business that is now its legal subsidiary remains the reporting issuer. From a legal perspective, this issuer was the acquirer; however, for accounting purposes this issuer is referred to as the reverse-takeover acquiree. The venture issuer's financial statements and interim financial reports for periods ended on or after the date of the reverse-takeover will reflect the financial performance of the legal subsidiary, referred to, for accounting purposes, as the reverse-takeover acquirer. Consequently, the venture issuer's financial statements for annual financial years and interim financial reports for interim periods that end on or after the date of the reverse-takeover must be prepared and filed as if the reverse-takeover acquirer had always been the reporting issuer.*

(2) *The venture issuer must also file all annual reports and interim reports of the reverse-takeover acquiree for each annual financial year and interim period ending before the date of the reverse-takeover, even if the filing deadline for those financial statements and interim financial reports is after the date of the reverse-takeover.*

(3) *See the guidance following section 11 regarding the meaning of the word "impracticable".*

(4) *If a venture issuer changes its year end in connection with a reverse-takeover, section 41 requires that it file a notice.*

Refiling of a Continuous Disclosure Document

43. (1) If a venture issuer makes a decision to re-file a document filed under this Regulation or under Regulation 51-102 respecting Continuous Disclosure Obligations and the information in the re-filed document will differ materially from the information originally filed, then the venture issuer must immediately issue and file a news release that describes the nature and substance of the change or proposed change and that news release must be authorized by an executive officer.

(2) If any revisions are made to an annual report or to an interim report that differ materially from the information originally filed, then the entire revised annual report or interim report must be re-filed and recertified.

PART 8 EXEMPTIONS

Discretionary Exemptions

44. (1) The securities regulatory authority or regulator may grant an exemption from this Regulation, in whole or in part, subject to such conditions and restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) may be granted under the statute referred to in Appendix B of Regulation 14-101 respecting Definitions opposite the name of the local jurisdiction or as otherwise permitted in the local jurisdiction.

SEC Issuers

45. (1) A venture issuer that is an SEC issuer satisfies the requirements of section 8, with respect to the contents of an annual report for a financial year, if it

(a) files an annual report or transition report prepared under the 1934 Act on Form 10-K or Form 20-F for that financial year,

(b) files concurrently with or as soon as reasonably practicable after the filing of the report referred to in paragraph (a), the information required under Item 402 “Executive Compensation” of Regulation S-K under the 1934 Act other than, as a foreign private issuer, by providing the information required under Items 6.B “Compensation” and 6.E.2 “Share Ownership” of Form 20-F under the 1934 Act, prepared for the financial year referred to in paragraph (a),

(c) is in compliance with the SOX 302 rules, and files the signed certificates required under the SOX 302 rules relating to the report referred to in paragraph (a) together or concurrently with the filing of that report,

(d) discloses in the report referred to in paragraph (a) or files together or concurrently with that report a document which includes the disclosure required under the following items of Form 51-103F1:

(i) subsections 18(3) to (5) (management’s discussion and analysis disclosure for venture issuers without significant revenue);

(ii) section 19, Business Objectives, Performance Targets and Milestones;

(iii) section 21, Significant Equity Investee;

(iv) section 22, Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks;

(v) section 26, Outstanding, Escrowed and Fully-Diluted Securities;

(vi) section 29, Trading Price and Volume;

(vii) section 30, Directors’ and Executive Officers’ Biographical Information, Securityholdings and Conflicts of Interest, but only as it relates to securityholdings, and

(e) files together or concurrently with the report referred to in paragraph (a), the certificates required under subsection 8(4), modified as necessary to indicate that the

certification applies to the disclosure required under paragraphs (b) and (d), if the disclosure required under paragraphs (b) or (d) is not included in the report referred to in paragraph (a).

(2) A venture issuer that is an SEC issuer satisfies the requirements of section 10, with respect to an interim report for an interim period, if it

(a) files each Form 10-Q or Form 6-K required under the 1934 Act that was prepared for an interim period and contained the venture issuer's quarterly interim financial report and management's discussion and analysis,

(b) is in compliance with the SOX 302 rules and files the signed certificates required under the SOX 302 rules relating to the report referred to in paragraph (a) together or concurrently with that report.

(3) Section 12(c) does not apply to an SEC issuer if it uses the procedures in Rule 14a-16 under the 1934 Act to deliver proxy-related materials to a registered securityholder.

(4) An SEC issuer satisfies the requirements of section 41 if it

(a) complies with the requirements of U.S. federal securities laws relating to a change of fiscal year, and

(b) files a copy of all materials required by U.S. laws relating to a change of fiscal year at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC and, in the case of annual and interim reports, no later than the filing deadlines prescribed under sections 9 and 11.

(5) Section 37 does not apply to an SEC issuer if it

(a) complies with the requirements of U.S. laws relating to a change of auditor,

(b) files a copy of all materials required by U.S. laws relating to a change of auditor at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC, and

(c) includes the materials referred to in paragraph (b) with the next information circular that is sent and filed in connection with a meeting at which securityholders will be asked to appoint an auditor.

Guidance:

Paragraph 34(1)(c) requires that the documents referred to in this section, if they are filed with or furnished to the SEC, must be concurrently filed with the securities regulatory authority or regulator.

Exemptions for Exchangeable Security Issuers and Credit Support Issuers

46. (1) An exchangeable security issuer satisfies the requirements of this Regulation and the insider reporting and insider profile filing requirements under Regulation 55-102 respecting System for Electronic Disclosure by Insiders if it qualifies under and complies with section 13.3 of Regulation 51-102 respecting Continuous Disclosure Obligations as if it were a senior-unlisted issuer to which that regulation applies.

(2) A credit support issuer satisfies the requirements of this Regulation and the insider reporting and insider profile filing requirements under Regulation 55-102 respecting System for Electronic Disclosure by Insiders if it qualifies under and complies with section 13.4 of Regulation 51-102 respecting Continuous Disclosure Obligations as if it were a senior-unlisted issuer to which that regulation applies.

Existing Exemptions

47. (1) A venture issuer that was entitled to rely on an exemption, waiver or approval granted to it by a securities regulatory authority or regulator relating to continuous disclosure requirements of securities legislation or securities directions under one of the following regulations, is exempt from each substantially similar provision of this Regulation to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval:

- (a) Regulation 51-102 respecting Continuous Disclosure Obligations;
- (b) Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings;
- (c) Regulation 52-110 respecting Audit Committees;
- (d) Regulation 58-101 respecting Disclosure of Corporate Governance Practices.

(2) The venture issuer must deliver a notice to the regulator advising of its intent to rely on an exemption, waiver or approval referred to in subsection (1) together with a copy of such exemption, waiver or approval.

PART 9 LANGUAGE OF DOCUMENTS

Language of Documents

48. (1) A document required to be filed under this Regulation may be filed in English or French.

(2) Despite subsection (1), if a person or company files a document only in English or French but delivers to securityholders a version of the document in the other language, the person or company must file the version in the other language not later than when it is first delivered to securityholders.

(3) If a person or company files a document under this Regulation that is a translation of a document prepared in a language other than English or French, 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.

(4) In Québec, a venture issuer must comply with linguistic obligations and rights prescribed by Québec law.

PART 10 EFFECTIVE DATE AND TRANSITION

Effective Date

49. This Regulation comes into force [●].

Transition

50. Despite section 49, Parts 3, 4 and 7 do not apply to a venture issuer until the last day of a venture issuer's most recently completed financial year end which is on or after [●].

**FORM 51-103F1
ANNUAL AND INTERIM REPORTS**

PART 1 INSTRUCTIONS

1. OVERVIEW OF ANNUAL AND INTERIM REPORTS

Audited annual financial statements and associated management's discussion and analysis are an integral part of a venture issuer's annual report. An annual report also describes the venture issuer's operations, prospects and risks and provides disclosure about its directors, executive officers, governance, executive compensation and related entity transactions. The specific requirements for the content of an annual report are in Parts 2 – 7, 9 and 10.

An interim report consists primarily of the interim financial report and quarterly highlights. The specific requirements for the content of an interim report are in Part 8.

The last part of this form includes a disclosure certificate that must be signed by the chief executive officer and chief financial officer and included in an annual report and an interim report. By signing the certificate, the chief executive officer and chief financial officer certify that there is no misrepresentation in the report and that the report as a whole fairly presents, in all material respects, the venture issuer's financial condition, financial performance and cash flows for the period covered.

2. Focus on Material Information

In preparing a report, focus the disclosure on information that is material. In determining whether or not a particular matter is material, consider whether disclosing, omitting or misstating the relationship, transaction, agreement, plan or other information would likely influence or change a reasonable investor's decision as to whether or not to buy, sell or hold a security in the capital of the venture issuer. You do not need to disclose information that is not material.

Guidance:

For purposes of item 17(2), venture issuers should refer to section 2.4 of Policy Statement to Regulation 43-101 respecting Standards of Disclosure for Mineral Projects for a discussion of "materiality" in the mining context.

For purposes of item 30(4), disclose all orders, bankruptcies, penalties and sanctions.

3. Guidelines for Management's Discussion and Analysis

Management's discussion and analysis must provide an explanation of the venture issuer's financial performance during the most recently completed financial year and a comparison to the prior financial year. A repetition of the information provided in the financial statements or a summary of the financial statement changes as compared to the prior financial year is not sufficient. Changes in the venture issuer's financial performance and financial condition must be explained. Avoid boilerplate discussion.

The purpose of management's discussion and analysis is to explain how management views the venture issuer's prospects and explain the methods by which management evaluates the venture issuer's business, including the key indicators it uses and the analysis performed. It must discuss information that may not be clearly or fully reflected in the financial statements, for example, contingent liabilities, defaults under debt, off-balance sheet financing arrangements, and other contractual commitments.

If a venture issuer completed a reverse-takeover in the last two completed financial years or subsequent to the completion of the most recently completed financial year, the disclosure required for the venture issuer by sections 17 to 21 must be based on the reverse-takeover acquirer's financial statements and interim financial reports.

4. Quarterly Highlights

The purpose of the quarterly highlights reporting is to obtain a brief narrative update about the business activities and financial position of the venture issuer. Provide a short, focused discussion that gives an accurate picture of the venture issuer's business activities during the interim period.

If there was a change to the venture issuer's accounting policies during the quarter, include a description of the material effects resulting from the change.

5. Defined Terms

For terms used in this form that are not defined in the form, refer to the Regulation and, if not defined in the Regulation, refer to securities legislation and Regulation 14-101 respecting Definitions.

Guidance:

This form also uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. See the Guidance following section 1 of the Regulation.

6. Repetition and Incorporating Information by Reference

Unless indicated otherwise in this form, it is not necessary to repeat disclosure that the venture issuer has provided elsewhere in the form.

Incorporating material into this form by reference is not permitted, unless expressly stated.

Despite the above restriction, a capital pool company may incorporate by reference the disclosure required by sections 16 and 17 of this form from its initial public offering prospectus if that disclosure continues to provide all material facts in respect of the corporate structure and description of the business for the capital pool company. To refer to previously disclosed information, provide a cross-reference, stating the name and date of that other document and that it is available on SEDAR at www.sedar.com. Also include a statement that the applicable disclosure is incorporated by reference into this report. If the other disclosure document is lengthy, indicate the location of the relevant information in the other document.

Guidance:

The annual report, in particular, should provide a complete annual disclosure record for the venture issuer with very limited information incorporated by reference. The goal is to provide investors with one disclosure document that is as complete as possible.

7. Plain Language

Use plain, easy to understand language in preparing a report. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

8. Format

Unless otherwise stated, the numbering, headings and ordering of the items included in this form are only guidelines and do not need to be used in the report. To make the report easier to understand, present information in tables and, where possible, state amounts in figures.

9. Omitting Information

Unless this form indicates otherwise, it is not necessary to respond to an item in this form if it does not apply to the venture issuer.

10. Date of Information

Unless this form indicates otherwise, present the information in the annual report as at the last day of the venture issuer's most recently completed financial year and the information in the interim report as at the last day of the most recently completed interim period.

If presenting information as at the end of the financial period creates a misleading picture of the venture issuer's business, operations or outstanding securities, update that information to the date of filing and clearly indicate the date to which the information is current. The accompanying disclosure certificate must be dated as of the date the report is filed.

11. Forward-Looking Information

Any forward-looking information provided in a report must comply with section 39 of the Regulation.

12. Available Prior Period Information

If comparative financial information is not presented in the venture issuer's annual financial statements or interim financial report, provide in the management's discussion and analysis or quarterly highlights, as applicable, the prior period information relating to financial performance that is available.

13. Use of "Financial Condition"

This form uses the term "financial condition". Financial condition reflects the overall health of the venture issuer and includes the venture issuer's financial position, as shown on the statement of financial position, and other factors that may affect the venture issuer's liquidity, capital resources and solvency.

14. Table of Contents

Include a table of contents with an annual report.

PART 2 DISCLOSURE OF BUSINESS

15. Cover Page

(1) On or near the front or back of the annual report, disclose each of the following:

(a) the venture issuer's full legal name and any other name under which it carries on business;

(b) the laws under which the venture issuer is incorporated, continued or otherwise created and exists;

(c) the venture issuer's registered address and head office address, and the venture issuer's website address, if one exists;

(d) the name and title of an executive officer of the venture issuer who can be contacted for inquiries regarding the report, including a current telephone number and, if available, an email address for that person;

(e) the name of the venture issuer's auditor;

(f) the name and address of the venture issuer's registrar and transfer agent;

(g) the name of each marketplace on which, to the knowledge of the executive officers of the venture issuer, any of the venture issuer's securities trade or are listed or quoted and the stock or ticker symbol, if applicable, under which the securities trade on each such marketplace.

(2) Include the following statement in bold type on the cover page of the annual report:

“[Insert name of venture issuer] is a venture issuer subject to the governance and disclosure regime applicable to venture issuers under Regulation 51-103 respecting Ongoing Governance and Disclosure Requirements for Venture Issuers. Consequently, it is not required to provide certain disclosure applicable to issuers that are not venture issuers, such as management’s discussion and analysis for interim periods. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, [insert name of venture issuer] is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting. [Insert name of venture issuer] will also be subject to certain other obligations not applicable to issuers that are not venture issuers.

This disclosure provided by [insert name of venture issuer] will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers.”

(3) If the annual report or interim report is a revised report, identify it as a “revised” report.

16. Corporate Structure

(1) Disclose the relationship between the venture issuer and each subsidiary and each party with whom the venture issuer participates in a joint venture or partnership. If it would be useful to a reasonable investor in understanding the relationship, include a diagram.

(2) For each subsidiary disclose each of the following:

(a) the percentage of votes that the venture issuer beneficially owns, or directly or indirectly controls or directs;

(b) the percentage of each class of restricted securities that the venture issuer beneficially owns, or directly or indirectly controls or directs, if any;

(c) the laws under which it was incorporated, continued or otherwise created.

(3) For each joint venture or partnership disclose the following:

(a) a description of the voting control over the joint venture or partnership and the material decisions relating to management, operation and continuation of the joint venture or partnership that the venture issuer may directly or indirectly control or direct;

(b) for a joint venture, the nature of the joint venture, the agreement or agreements under which it operates and, if applicable, the laws under which it was incorporated, continued or otherwise created;

(c) for a partnership, the agreement or agreements under which it operates and the laws under which it was created.

17. Business Description

(1) **General** – Disclose each of the following:

(a) the venture issuer’s industry and a description of its current business and its operating segments that are reportable segments as those terms are described in the issuer’s GAAP;

(b) the number of employees, and the number of consultants retained on an on-going basis, of the venture issuer;

(c) the principal location(s) of the venture issuer’s business.

Guidance:

Examples of aspects of a venture issuer's business to disclose include:

- *the actual or proposed method of production or the actual or proposed method of providing services;*
- *any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to the venture issuer;*
- *the competitive conditions in the venture issuer's principal markets and geographic areas, including an assessment of the venture issuer's competitive position;*
- *the status of any new product that has been announced;*
- *the sources, pricing and availability of raw materials, component parts or finished products;*
- *the existence and importance of brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, to the venture issuer and its industry;*
- *the extent to which the business of a reportable segment of the venture issuer's business is cyclical or seasonal;*
- *contracts upon which the venture issuer's business is substantially dependent;*
- *any reasonably anticipated changes in the business as a result of renegotiation or termination of contracts or sub-contracts, and the likely effect;*
- *financial and operational effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of the venture issuer in the current financial year and those expected in future years;*
- *dependence on foreign operations;*
- *investment policies and lending and investment restrictions.*

(2) **Venture Issuers with Mineral Projects** - If the venture issuer had a mineral project, provide a summary of the following information for each project material to the venture issuer:

(a) **Current Technical Report** - The title, author or authors, and date of the most recent technical report on the property, if any, filed in accordance with Regulation 43-101 respecting Standards of Disclosure for Mineral Projects;

(b) **Project Description, Location, and Access**

(i) The location of the project and means of access;

(ii) The nature and extent of the venture issuer's title to or interest in the project, including surface rights, obligations that must be met to retain the project, and the expiration date of claims, licences, and other property tenure rights;

(iii) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the project is subject;

(iv) To the extent known, any significant factors or risks that may affect access, title or the right or ability to perform work on the property, including permitting and environmental liabilities to which the project is subject;

(c) **History**

(i) To the extent known, a summary of the prior exploration and development of the property, including the type, amount, and results of the exploration work undertaken by

previous owners, any significant historical estimates, and any previous production on the property;

(ii) If the venture issuer acquired a project within the three most recently completed financial years or during the current financial year from, or intends to acquire a project from, a related entity, the name of the vendor, the relationship of the vendor to the venture issuer, and the consideration paid or intended to be paid to the vendor;

(iii) To the extent known, the name of every person or company that has received or is expected to receive a greater than 5% interest in the consideration received or to be received by the vendor referred to in subparagraph (ii);

(d) **Geological Setting, Mineralization, and Deposit Types**

(i) The regional, local, and property geology;

(ii) The significant mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, and the length, width, depth, and continuity of the mineralization, together with a description of the type, character, and distribution of the mineralization;

(iii) The mineral deposit type or geological model or concepts being applied;

(e) **Exploration** - The nature and extent of all relevant exploration work other than drilling, conducted by or on behalf of the venture issuer, including a summary and interpretation of the relevant results;

(f) **Drilling** - The type and extent of drilling and a summary and interpretation of all relevant results;

(g) **Sampling, Analysis, and Data Verification** - The sampling and assaying including

(i) sample preparation methods and quality control measures employed before dispatch of samples to an analytical or testing laboratory,

(ii) the security measures taken to ensure the validity and integrity of samples taken,

(iii) assaying and analytical procedures used and the relationship, if any, of the laboratory to the issuer, and

(iv) quality control measures and data verification procedures, and their results;

(h) **Mineral Processing and Metallurgical Testing** - If mineral processing or metallurgical testing analyses have been carried out, discuss the nature and extent of the testing and analytical procedures, and provide a summary of the relevant results and, to the extent known, any processing factors or deleterious elements that could have a significant effect on potential economic extraction;

(i) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including

(i) the effective date of the estimates,

(ii) the quantity and grade or quality of each category of mineral resources and mineral reserves,

(iii) the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves, and

(iv) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues;

(j) **Mining Operations** - For advanced properties, the current or proposed mining methods, including a summary of the relevant information used to establish the amenability or potential amenability of the mineral resources or mineral reserves to the proposed mining methods;

(k) **Processing and Recovery Operations** – For advanced properties, a summary of current or proposed processing methods and reasonably available information on test or operating results relating to the recoverability of the valuable component or commodity;

(l) **Infrastructure, Permitting, and Compliance Activities** – For advanced properties,

(i) the infrastructure and logistic requirements for the project, and

(ii) the reasonably available information on environmental, permitting, and social or community factors related to the project;

(m) **Capital and Operating Costs** – For advanced properties,

(i) a summary of capital and operating cost estimates, with the major components set out in tabular form, and

(ii) an economic analysis with forecasts of annual cash flow, net present value, internal rate of return, and payback period, unless exempted under Instruction (2) to Item 22 of Form 43-101F1;

(n) **Exploration, Development, and Production** - A description of the venture issuer's current and contemplated exploration, development or production activities.

(3) To the extent a venture issuer has a technical report that supports the disclosure required under subsection 17(2), the venture issuer may satisfy the disclosure requirements in subsection 17(2) by reproducing the summary from the technical report on the material property, and incorporating the detailed disclosure in the technical report into the annual report by reference.

Guidance:

(1) *Disclosure regarding mineral exploration, development or production activities on material projects is subject to Regulation 43-101 respecting Standards of Disclosure for Mineral Projects, which requires a venture issuer to use the appropriate terminology to describe mineral reserves and mineral resources. A venture issuer must base its disclosure on information prepared by, under the supervision of, or approved by, a qualified person.*

(2) *The disclosure required by this form will not trigger the filing of a technical report under Regulation 43-101 respecting Standards of Disclosure for Mineral Projects unless section 4.2(1)(j) of that regulation applies. However, if a technical report has not been prepared, the disclosure must still be prepared by or under the supervision of a “qualified person”, as defined in that regulation.*

(3) *If a venture issuer intends to use the annual report as a base disclosure document for accessing the short form prospectus system under Regulation 44-101 respecting Short Form Prospectus Distributions then, subject to available exemptions in Regulation 43-101 respecting Standards of Disclosure for Mineral Projects, the filing of a preliminary short form prospectus under Regulation 44-101 respecting Short Form Prospectus Distributions will trigger a requirement to file a technical report.*

(4) **Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities** – A venture issuer subject to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities must

- (a) include in its annual report the disclosure required by section 2.1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities,
- (b) comply with Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities if any voluntary disclosure of resources is provided, and
- (c) to the extent not reflected in the information required by section 2.1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities, 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 venture issuer's most recently completed financial year end.

Guidance:

Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities requires venture issuers to disclose reserves and resources using the appropriate terminology and categories as prescribed by the "COGE Handbook", as that term is defined in Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.

- (5) **Issuers with Products and Services** – Describe each product or service, produced, distributed or provided by the venture issuer.

Guidance:

Examples of information to disclose about products and services are

- *principal markets,*
- *distribution methods,*
- *the revenue for each category of product or service as percentage of total consolidated revenues, and the extent to which revenues are derived from sales or transfers to related entities, and*
- *the stage of development of the product or service and, if applicable, steps needed to reach commercial production, and an estimate of costs and timing.*

- (6) **Issuers Engaged in Research and Development** – Describe each of the venture issuer's products or services that are in the research or development phase and are expected to form a significant part of the venture issuer's business, including:

- (a) the stage of research or development;
- (b) who is conducting the research or development;
- (c) the estimated timeline and cost to completion;
- (d) the proposed markets and distribution channels;
- (e) the anticipated sources of competition;
- (f) whether contracts exist with major suppliers or customers.

18. Two Year History and Management's Discussion and Analysis in an Annual Report

- (1) **Development of business** - Describe how the venture issuer's business has developed over the last two completed financial years, including acquisitions and dispositions and a discussion of changes and industry and economic conditions that have influenced the general development of the business whether favourably or unfavourably.

- (2) **Management's Assessment of Performance** – Disclose management's assessment of how the venture issuer performed during the most recently completed financial year and how it

compares to the prior financial year. Discuss why the venture issuer performed as it did by reference to the principal influencing factors:

(a) using financial measures from the issuer's GAAP, such as profit or loss, cash flows from operating activities, net assets and earnings per share, discuss the venture issuer's financial condition, changes in financial condition and financial performance in the last financial year, comparing it to the previous financial year;

(b) include in the discussion

(i) significant elements of profit or loss that do not arise from the venture issuer's continuing operations and the effect on current or future operations,

(ii) causes for any significant changes from period to period in one or more line items of the venture issuer's annual financial statements,

(iii) the effect of changes in accounting policies;

(c) include a discussion of key operating statistics and performance measures that management and industry typically use to assess performance of the venture issuer's business and similar businesses.

Guidance

(1) *To the extent that any of the key operating statistics and performance measures in (2)(c) are "non-GAAP financial measures", refer to the CSA Staff Notice 52-306 Non-GAAP Financial Measures and Additional GAAP Measures for further guidance about how to disclose these items.*

(2) *Examples of statistics might include, depending on the industry, revenues, gross margin, EBITDA (earnings before interest, tax, depreciation and amortization), levels of production, average price per barrel, netbacks, finding costs, and operating costs per unit of production.*

(3) **Issuers without Significant Operating Revenue** - If the venture issuer has not had significant revenue from operations,

(a) disclose in table format, for each of the 2 most recently completed financial years, unless already disclosed in the annual financial statements, a breakdown of the significant components of

(i) exploration and evaluation assets or expenditures,

(ii) expensed research and development costs,

(iii) intangible assets arising from development,

(iv) general and administration expenses, and

(v) any material costs, whether expensed or recognized as assets, not referred to above,

(b) for a venture issuer whose primary business is mining exploration and development, present the information required by paragraph (a) on a property-by-property basis, and

(c) for a venture issuer in the exploration, research or development stage, provide a comparison of the amount spent on executive compensation and general and administrative expenses, whether expensed or capitalized, to, as applicable,

(i) exploration and evaluation assets or expenditures, whether expensed or capitalized, and

(ii) research and development costs, whether expensed or capitalized.

(4) **Actual Use of Financing Proceeds** - Unless previously disclosed, include a table comparing disclosure previously made by the venture issuer about how it was going to use financing proceeds to actual use of such funds, an explanation of any variances and a discussion of the impact of the variances, if any, on the venture issuer's ability to achieve its business objectives and performance targets.

(5) **Liquidity and Capital Resources** - Disclose each of the following:

(a) internal and external sources of liquidity, including

(i) financing resources reasonably anticipated to be available to the venture issuer, including debt, equity and other financing resources,

(ii) working capital requirements and, if a working capital deficiency exists or is reasonably anticipated, the impact of that deficiency on the operations of the venture issuer and how the deficiency is anticipated to be remedied, and

(iii) whether the venture issuer reasonably expects to have sufficient funds to maintain activities and fund planned growth or development activities;

(b) the amount, nature and purpose of material commitments for capital expenditures, including any exploration and development or research and development expenditures or contractual payments necessary to maintain properties or agreements in good standing and the expected sources of funds for such expenditures;

(c) defaults or arrears or anticipated defaults or arrears on debt covenants or payments required under contractual commitments such as lease payments and debt and how the venture issuer intends to cure the defaults or arrears or address the risk of anticipated defaults or arrears;

(d) any known trends, events or uncertainties that are reasonably likely to have a material impact on the venture issuer's

(i) short term or long-term liquidity,

(ii) revenue or profit or loss from continuing operations, and

(iii) debt, equity or other available financing resources.

19. Business Objectives, Performance Targets and Milestones

(1) Describe in table format, if practicable, the venture issuer's short-term (next 12 months) business objectives, key performance targets and milestones, as applicable, and how it plans to meet those objectives, performance targets and milestones including each of the following:

(a) identification of each of the objectives, performance targets and milestones to be achieved;

(b) when the objective, performance target or milestone is anticipated to be achieved or, if not known, the estimated number of months to complete it;

(c) an estimate of the funds required to accomplish each objective, performance target or milestone;

(d) the anticipated source(s) of funds to accomplish the objective, performance target or milestone.

Guidance:

Examples of objectives, performance targets and milestones include the purchase or sale of significant property or equipment, as well as research, exploration or development work, expansion plans, productivity improvements and hiring of a significant number of new employees.

(2) Despite subsection (1), a venture issuer must only disclose objectives, performance targets or milestones which are possible to achieve; if a venture issuer does not yet have achievable objectives, performance targets or milestones, the venture issuer must disclose this fact.

Guidance

Securities regulatory authorities are of the view that, in most instances, a venture issuer would have achievable objectives, performance targets or milestones.

(3) If the venture issuer has not yet generated significant operating revenue and is developing a significant project or a product or service, the development of which will extend beyond 12 months, describe

- (a) objectives, performance targets and milestones, as applicable, for development,
- (b) the status of development,
- (c) expenditures made to date relative to those objectives, performance targets and milestones, and
- (d) further expenditures required to reach the next stage of the development plan.

(4) If it would be useful to a reasonable investor, provide a graph or table to illustrate the performance targets or stages of development and the venture issuer's current status.

Guidance:

(1) *When providing forward-looking information in response to the requirements of this section, it is necessary to comply with the requirements of section 39 of the Regulation.*

(2) *Venture issuers should consider whether to include disclosure to investors advising of the risks and difficulties associated with providing forward-looking information and that despite the venture issuer's reasonable beliefs regarding its objectives, performance targets and milestones and its efforts to achieve those, there can be no assurance that it will achieve those objectives, performance targets or milestones in the time frames outlined, for the amounts estimated, or at all.*

(3) *In disclosing forward-looking information, venture issuers should consider that*

(a) *securities legislation contains secondary market civil liability provisions which create a statutory right of action on the part of persons or companies who relied on the forward-looking information if the forward-looking information contains a misrepresentation, and*

(b) *securities legislation may provide a defence to liability where there was a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information and there is a statement proximate to the forward looking information which contains reasonable cautionary language identifying the forward-looking information and the material factors that could cause results to differ materially from it as well as a statement of material factors or assumptions that were applied in drawing the conclusion or making the forecast or project set out in the forward-looking information.*

(4) *In an effort to develop a potential defence to a secondary market civil liability claim, venture issuers complying with this section should*

- (a) confirm that there appears to be a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information, and*
- (b) ensure that a statement proximate to the forward-looking information is made which contains reasonable cautionary language which*
 - (i) identifies the forward-looking information,*
 - (ii) identifies the material factors that could cause actual results to differ materially from the forward-looking information, and*
 - (iii) states the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection in the forward-looking information.*

20. Off-Balance Sheet Arrangements

(1) If the venture issuer has any off-balance sheet arrangement that has or is reasonably likely to have, a current or future effect on the venture issuer's financial performance or financial condition, including, without limitation, liquidity and capital resources then provide the disclosure required for off-balance sheet arrangements under item 1.8 of Form 51-102F1 as if the issuer were a "senior-unlisted issuer", as defined in Regulation 51-102 respecting Continuous Disclosure Obligations to which Form 51-102F1 of that Regulation applies.

(2) For the purpose of this section, an off-balance sheet arrangement includes any contractual arrangement that is not reported on a consolidated basis by the venture issuer under which the venture issuer has any of the following:

- (a) any obligation under certain guarantee contracts;
- (b) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for the assets;
- (c) any obligation under certain derivative instruments;
- (d) any obligation held by the venture issuer in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the venture issuer, or engages in leasing, hedging activities or, research and development services with the venture issuer.

21. Significant Equity Investee

(1) A venture issuer that has a significant equity investee must disclose

(a) summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss, and

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

(2) Provide the disclosure in subsection (1) for the following periods:

- (a) the 2 most recently completed financial years;
- (b) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial report included in the prospectus, if any.

(3) Subsection (1) does not apply if

(a) the information required under that subsection has been disclosed in the financial statements included in the annual report, or

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

Guidance:

Securities regulators will generally consider an equity investee to be significant to a venture issuer if, using the financial statements of the equity investee and the venture issuer as at their respective most recently completed financial year ends, the venture issuer's

(a) proportionate share of the consolidated assets of the equity investee exceeds 40% of the consolidated assets of the venture issuer, or

(b) consolidated investments in and advances to the equity investee exceeds 40% of the consolidated assets of the venture issuer.

22. Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks

(1) If a venture issuer previously disclosed material forward-looking information to the public, other than forward-looking information referred to in section 39(5) of the Regulation, disclose either

(a) both of the following:

(i) all events or circumstances that have occurred in the period to which the annual report or interim report relates that are reasonably likely to cause actual results to differ materially from the previously publicly disclosed material forward-looking information for a financial period that is not yet complete, and, if so, the expected differences of those events or circumstances;

(ii) if the forward-looking information was a financial outlook or future oriented financial information, any material differences from actual results for the period to which the annual report or interim report relates, or

(b) the date of a news release that has been filed that contains the information in paragraph (a), and stating that it is available at www.sedar.com.

Guidance:

(1) *For the purpose of subsection (1), disclosure will be considered to be made to the public if it is filed, made in a press release, in a newspaper, magazine or other publication generally available to the public or published on a website or in marketing material.*

(2) *The following is an example of disclosure that must be updated: a venture issuer published future oriented financial information for the current year assuming no change in the prime interest rate, but by the end of the second quarter the prime interest rate increased by 2%. In its disclosure for the second quarter, the venture issuer should discuss the interest rate increase and its expected effect on results compared to those indicated in the previously disclosed future oriented financial information.*

(3) *A venture issuer should also consider whether the events and circumstances that trigger updating this disclosure also trigger material change reporting under Part 5 of the Regulation.*

(4) *Under (a)(ii) a venture issuer should disclose and discuss material differences for material individual items included in the future oriented financial information or financial outlook, including assumptions.*

(5) *For example, if the actual dollar amount of revenue approximates forecasted revenue but the sales mix or sales volume differs materially from what the venture issuer expected, the venture issuer should explain the differences.*

(2) If, during the period to which an annual report or interim report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, disclose either

(a) the withdrawal and explain the reasons for the withdrawal, including the assumptions for the forward-looking information that are no longer valid, or

(b) the date of a news release that has been filed that contains the information in paragraph (a), and stating that it is available at www.sedar.com.

23. Risk Factors - Disclose the risk factors of the venture issuer, by first identifying the risks that are most significant to the venture issuer.

Guidance:

Examples of possible risk factors include:

- *lack of specific management, experience or technical knowledge required for the type of business,*
- *management's regulatory and business track record,*
- *environmental and health risks and related penalties, sanctions or required remediation,*
- *existing and anticipated litigation,*
- *legal issues or uncertainty with respect to property rights or ability to conduct business,*
- *need for regulatory or government permits or approvals and regulatory constraints,*
- *lack of or limited market for product or services or significant competition,*
- *economic or political conditions, including instability and uncertain political and legal regimes in area of operations,*
- *dependence on financial viability of a guarantor or principal suppliers, customers or other creditors,*
- *securityholders becoming liable to make additional contributions beyond the price of the security,*
- *cash flow and liquidity problems, including lack of or limited history of revenues or profits,*
- *need for additional financing and/or insufficiency of current funds to accomplish business objectives, and*
- *limited personnel and/or reliance on key personnel, suppliers, customers or agreements.*

24. Legal and Regulatory Proceedings

(1) Disclose any legal proceedings involving the venture issuer or any of its properties that are known to exist, are reasonably contemplated, or existed during the most recently completed financial year, and include the nature of the claim, the principal parties involved, the court, agency or regulatory authority to hear the claim, the date of filing of the claim, the amount of the claim and the status of the claim.

(2) Disclose all of the following:

(a) penalties or sanctions relating to securities legislation imposed against the venture issuer by a court or securities regulatory authority during the most recently completed financial year;

(b) any other penalties or sanctions imposed by a court, regulatory body or SRO against the venture issuer during the most recently completed financial year that would likely be considered important to a reasonable investor in making an investment decision;

(c) settlement agreements relating to securities legislation entered into by the venture issuer with a court or securities regulatory authority during the most recently completed financial year.

Guidance

The term "SRO" is defined in Regulation 14-101 respecting Definitions and includes self-regulatory organizations, self-regulatory bodies and exchanges.

25. Material Contracts - List each material contract required to be filed under paragraph 36(1)(e) of the Regulation to which either or both of the following apply:

(a) it was entered into by the venture issuer since the start of the most recently completed financial year;

(b) it is still in effect.

PART 3 OUTSTANDING SECURITIES AND TRADING INFORMATION

26. Outstanding, Escrowed and Fully-Diluted Securities

(1) Using the following table format, provide as at the latest practicable date, all of the following information about voting or equity securities of the venture issuer, including convertible or exchangeable securities that may be converted or exchanged into voting or equity securities:

(a) the number of each type of security outstanding;

(b) the number and type of each outstanding security subject to escrow, pooling, lock-up or similar agreement or arrangement and the percentage that number represents of the total number of such securities outstanding;

(c) the number of equity and voting securities that would be outstanding on a fully-diluted basis if all convertible or exchangeable securities that may be converted or exchanged into voting or equity securities were converted or exchanged;

(d) If the number of voting or equity securities that are issuable on conversion is not determinable, disclose the maximum number of each type of voting or equity securities that are issuable on the conversion and, if that maximum number is not determinable, describe the conversion features and the manner in which the number of voting or equity securities will be determined.

Type of security	Number outstanding as at latest practicable date	Number and percentage subject to escrow, lock-up, pooling etc.	Number of equity and voting securities outstanding on a fully-diluted basis

(2) Disclose the date at which the information in the table is provided.

(3) Add notes to the table to describe the material terms of the securities, such as special voting rights, preference to dividends, retraction or redemption rights, conversion rights, option and warrant exercise prices, and expiry dates.

(4) Add notes to the table to describe the material terms of any escrow, lock-up, pooling or similar arrangement or agreement, including the name of any escrow agent and the release terms and release date(s).

(5) Despite paragraph (1)(b) and subsection (4), securities subject to contractual restrictions on transfer as a result of pledges made to lenders are not required to be disclosed.

(6) If the venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exercisable into or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, provide the disclosure required by Part 10 of Regulation 51-102 respecting Continuous Disclosure Obligations as if the issuer were a “senior-unlisted issuer”, as defined in Regulation 51-102 respecting Continuous Disclosure Obligations.

27. Founders, Principal Securityholders and Control Persons - To the extent reasonably ascertainable, identify each founder who was a founder during the most recently completed financial year, each principal securityholder and each control person and disclose the number and type of securities of the venture issuer that are beneficially owned or directly or indirectly controlled by each.

28. Reporting Insiders - Identify each person or company, other than executive officers of the venture issuer, that, to the venture issuer’s knowledge, is or was, during the most recently completed financial year a “reporting insider”, as that term is defined in Regulation 55-104 respecting Insider Reporting Requirements and Exemptions, of the venture issuer.

29. Trading Price and Volume

(1) For each class of securities of the venture issuer that is traded or quoted on a published market

(a) identify the market on which the largest volume of trading or quotation generally occurs, and

(b) provide each of the following for the most recently completed financial year:

(i) the price ranges (high and low) at which the securities traded;

(ii) the volume traded or quoted on that market.

(2) If the securities do not trade on a market that has a published market, disclose that and indicate how the securities are publicly traded.

(3) Provide the information required under subsection (1) on an annual basis for each year.

PART 4 BIOGRAPHICAL, SECURITYHOLDINGS AND CONFLICTS OF INTEREST INFORMATION FOR DIRECTORS AND EXECUTIVE OFFICERS

30. Directors’ and Executive Officers’ Biographical Information, Securityholdings and Conflicts of Interest

(1) Provide biographical and securityholdings information in the following tabular format for each director and executive officer.

Full name, municipality, province/state and country of residence	Principal position(s) held with venture issuer or subsidiary and date of first appointment or election	Principal occupation or business for last 5 years including name and description of business	Number and percentage of each type of security of the venture issuer beneficially owned or over which control or direction is directly or indirectly exercised	Director or executive officer positions in the last 5 years with other reporting issuers or issuers with reporting obligations in foreign jurisdictions	Orders, bankruptcies, penalties or sanctions
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(2) Provide notes to the table above to:

(a) identify whether securities are held directly, indirectly or whether control or direction is exercised,

(b) for convertible or exchangeable securities, disclose the conversion or exchange price, the expiry date and any vesting provisions, including the number that have already vested,

(c) specify the circumstances surrounding each order, bankruptcy, penalty or sanction and to provide any material details including whether the order, bankruptcy, penalty or sanction is still in effect, and

(d) state the date at which information is provided.

(3) For the purpose of this section, “order” means an order that was in effect for a period of more than 30 consecutive days and that is a cease trade order, an order similar to a cease trade order (including a management cease trade order) or an order that denied the relevant individual access to any exemption under securities legislation.

(4) Disclose orders, bankruptcies, penalties or sanctions if

(a) a director or executive officer of the venture issuer is, as at the date of the annual report, or has been, within 10 years before the date of the annual report, a director, chief executive officer or chief financial officer of any entity, including the venture issuer, that

(i) was subject to an order that was issued while the director or executive officer was acting in the capacity of director, chief executive officer or chief financial officer of the entity, or

(ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the entity that resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, or

(b) a director or executive officer of the venture issuer

(i) is, as of the date of the annual report, or has been, within 10 years before the date of the annual report, a director or executive officer of any entity, including the venture issuer, that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or

(ii) has, within the 10 years before the date of the annual report, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a

receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer, or

(c) a director or executive officer of the venture issuer has been subject to any penalties or sanctions, other than a late filing fee,

(i) 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

(ii) imposed by a court, regulatory body or SRO that would likely be considered important to a reasonable investor in making an investment decision.

(5) Despite subsection (4), settlement agreements entered into before December 31, 2000 are not required to be disclosed unless the disclosure would likely be important to a reasonable investor in making an investment decision.

(6) Disclose particulars of existing or potential material conflicts of interest between the issuer or a subsidiary of the issuer and a director or executive officer of the issuer or of a subsidiary of the issuer.

PART 5 RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS

31. Related Entity Indebtedness

(1) Use the following table, modified as necessary, to disclose each director, executive officer or other related entity of the venture issuer that

(a) during the most recently completed financial year, owed a debt to the venture issuer or any of its subsidiaries, or

(b) was the beneficiary of a guarantee to a third party, a support agreement, letter of credit or similar arrangement or understanding provided by the venture issuer or any of its subsidiaries to such person or company during the most recently completed financial year.

Name and position (e.g., title or description of related entity relationship)	Role of venture issuer (e.g., lender or guarantor)	Amount outstanding at financial year end / Largest amount outstanding in financial year	Interest rate	Secured debt?	Amount, if any, of debt forgiven in last financial year

(2) Add notes to the table to include material terms of the debt, agreement or other arrangement including,

(a) the terms of repayment, including the rate of interest and the term to maturity, and any circumstances where repayment may be limited,

(b) the date of the agreement or other arrangement,

(c) the due date for repayment of the debt,

(d) a description of any security provided for the debt,

(e) the business purpose for the transaction, and

(f) whether the debt was for the purpose of purchasing securities of the venture issuer.

32. Other Related Entity Transactions

(1) Except to the extent disclosed previously in Part 4 or section 31,

(a) disclose the purpose and terms of each related entity transaction that has occurred during the most recently completed financial year and each related entity transaction that senior management has proposed and that it is probable the board of directors will approve, and

(b) include the disclosure required under item 10 of Form 51-103F2 for each of the related entity transactions required to be disclosed.

(2) If the disclosure required by this section, in respect of any related entity transaction, will be disclosed in the notes to the financial statements of the venture issuer which form part of the annual report, it is not necessary to restate the disclosure here if the venture issuer states that and identifies the note or notes to where the disclosure is located.

Guidance:

A series of related entity transactions might not be individually material but collectively might be considered material where they are all with the same related entity or with a related entity and other persons or companies with whom the related entity has a family relationship or a significant business or other relationship.

PART 6 INTERESTS OF EXPERTS

33. Names of Experts

(1) Disclose the name of each person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under the Regulation or Regulation 51-102 respecting Continuous Disclosure Obligations by the issuer during, or relating to, the venture issuer's most recently completed financial year if that person's or company's profession or business gives authority to the report, valuation, statement or opinion made by the person or company.

(2) Identify the report, valuation, statement or opinion and the filing or filings in which it was referred to.

(3) For the purpose of this Part, a person or company referred to in subsection (1) is an "expert".

34. Interests of Experts

(1) Disclose all securities, other than securities held through mutual funds, or other property of the venture issuer, its subsidiaries or affiliates that

(a) were beneficially owned, or that were directly or indirectly controlled or directed by an expert required to be named in section 33 and, if the expert is not an individual, by the designated professionals of that expert,

(i) when that expert prepared the report, valuation, statement or opinion referred to in section 33, or

(ii) at any time since the time specified in subparagraph (i), or

(b) are to be directly or indirectly received by an expert named in section 33 and, if the expert is not an individual, by the "designated professionals" of that expert.

(2) For the purposes of subsection (1), a designated professional means, in relation to an expert named in section 33,

(a) each partner, employee or consultant of the expert who participated in and who was in a position to directly influence the preparation of the report, valuation, statement or opinion referred to in section 33, and

(b) each partner, employee or consultant of the expert who was, at any time during the preparation of the report, valuation, statement or opinion referred to in section 33, in a position to directly influence the outcome of the preparation of the report, valuation, statement or opinion, including, without limitation,

(i) any person who recommends the compensation of, or who provides direct supervisory, management or other oversight of, the partner, employee or consultant in the performance of the preparation of the report, valuation, statement or opinion referred to in section 33, including those at all successively senior levels through to the expert's chief executive officer,

(ii) any person who provides consultation regarding technical or industry-specific issues, transactions or events for the preparation of the report, valuation, statement or opinion referred to in section 33, and

(iii) any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in section 33.

(3) For the purposes of subsection (1), if a person's or company's interest in the securities of the venture issuer represents less than one per cent of the venture issuer's outstanding securities of the same class, a general statement to that effect is sufficient.

(4) Despite subsection (1), an auditor who is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or who has performed an audit in accordance with U.S. PCAOB GAAS or U.S. AICPA GAAS is not required to provide the disclosure in subsection (1) if there is disclosure that the auditor is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or that the auditor has complied with the SEC's rules on auditor independence.

(5) If a person or a director, officer or employee of a person or company referred to in subsection (1) is or is expected to be elected, appointed or employed as a director, executive officer or employee of the venture issuer, one of its subsidiaries or an affiliate, disclose the fact or expectation.

(6) Despite subsection (1), disclosure is not required for the auditor of a business acquired by the venture issuer or one of its subsidiaries if the auditors are not the auditors of the venture issuer and management of the venture issuer does not intend to recommend that they be appointed as auditors of the venture issuer.

Guidance:

(1) *In some cases, securities legislation requires that the consent of an expert be obtained before referring to the expert's report, valuation, statement or opinion. See, for example, Regulation 43-101 respecting Standards of Disclosure for Mineral Projects and Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.*

(2) *A consent may also be required at a future date if the filing in which the expert's report, valuation, statement or opinion is included or referred to is incorporated by reference into a short form prospectus.*

PART 7 BOARD AND GOVERNANCE MATTERS

35. Board Committees

(1) Identify each of the committees of the venture issuer's board of directors and briefly describe the powers and responsibilities of each of the committees.

(2) Using the following table, modified as necessary,

- (a) identify each director,
 - (b) disclose each of the board committees upon which the director serves, and
 - (c) identify each of the directors who are executive officers or employees of the venture issuer.
- (3) In the following table, for members of the audit committee, indicate whether or not
- (a) the member is an executive officer, employee or control person;
 - (b) the member, or a family member of the member, receives compensation for services provided to the venture issuer or to a subsidiary of the venture issuer, other than compensation for serving as a director; and
 - (c) the board of directors considers the member to be financially literate.
- (4) Disclose the factors the board of directors considered to determine whether a member of the audit committee is financially literate.

Guidance:

In assessing the financial literacy of an audit committee member, consider the individual's

(a) understanding of the accounting principles used by the venture issuer to prepare its annual financial statements and interim financial reports,

(b) ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions,

(c) experience preparing, auditing, analyzing or evaluating annual financial statements and interim financial reports that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the venture issuer's annual financial statements and interim financial reports, or experience actively supervising one or more individuals engaged in such activities, and

(d) understanding of internal controls and procedures for financial reporting.

Name of director	Board committees on which director serves	Executive officer, employee or control person?	Financially literate? (Audit committee only)

(5) Disclose each relationship of each of the directors that the board of directors considers could reasonably be expected to affect the director's ability to exercise independent judgment in a particular circumstance.

(6) Disclose the number of board meetings held in the most recently completed financial year and indicate for each director the number of meetings attended.

(7) Disclose for each board committee, the number of meetings held in the most recently completed financial year and indicate for each committee member, the number of meetings attended.

36. Governance and Ethical Conduct

(1) Disclose whether or not the venture issuer's directors and officers are subject to any statutory or contractual obligations that require them, in performing their services as directors and officers of the venture issuer, to

- (a) act honestly and in good faith,
- (b) exercise care, skill or diligence.

(2) If any of the requirements in (1) apply, briefly describe them.

Guidance:

It is not necessary to provide a lengthy description. If, for example, the issuer is subject to similar requirements under an incorporating statute it is sufficient to refer to the name of the statute, indicate to whom the obligations are owed, and quote the provisions of that statute. It is not necessary to summarize general common-law obligations.

(3) Disclose whether or not the board takes any steps to encourage and promote a culture of ethical business conduct and, if so, describe those steps.

(4) Disclose how the board of directors facilitates its exercise of independent supervision over management, including

(a) steps taken by the directors of the venture issuer to identify, prevent and address material conflicts of interest between the venture issuer, any of its subsidiaries and the directors and executive officers of the venture issuer, and

(b) the board of directors' process for identifying related entities, related entity transactions and for reviewing and approving related entity transactions.

(5) Briefly describe the significant components of the venture issuer's review and approval process designed to ensure that disclosure contained in news releases, annual reports and interim reports does not contain misrepresentations or misleading information.

Guidance:

When responding to subsection 36(5), focus on those aspects of the review and approval process in which the directors and executive officers are engaged, such as consultations with expert advisers or senior staff, meetings of directors and/or executive officers, and internal policies or procedures requiring reviews by various parties. It is not necessary to provide a lengthy review of the issuer's disclosure controls and procedures or internal controls over financial reporting.

(6) Describe any steps taken by the venture issuer (including, for example, educational efforts, confidentiality agreements and the adoption of policies or procedures), or disclose that no such steps are taken, to deter persons or companies with knowledge of an undisclosed material fact or material change in respect of the venture issuer from

(a) buying or selling a security of the venture issuer or exercising or issuing any option or other convertible or exchangeable security, the underlying security of which is a security the value of which is derived by reference to a security of the venture issuer,

(b) recommending or encouraging any other person or company to do anything referred to in paragraph (a), or

(c) informing, other than as necessary in the ordinary course of business, any other person or company of that undisclosed material fact or material change.

(7) Describe any steps taken to provide an orientation to new directors and to provide continuing education for directors, or disclose that no such steps are taken.

(8) Disclose what steps, if any, the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively, or disclose that no such steps are taken.

37. Auditor Independence

(1) If the auditor performed services during the most recently completed financial year, other than for audit fees, disclose whether those services were pre-approved by the audit committee, and if not, state that in bold type.

(2) If the pre-approval in (1) was conducted under a pre-approval policy, describe that policy.

(3) Disclose whether the audit committee recommended the appointment and compensation of the external auditor for the most recently completed financial year, and if not or if the recommendations were not adopted, state that in bold type, explain why not and state who made the recommendations and why.

(4) Using the following table, disclose the fees billed to the venture issuer or any of its subsidiaries by its external auditor for professional services relating to each of the 2 most recently completed financial years, and add notes to the table to provide details of the services provided, if any, in each of the categories.

Category	[Most recently completed financial year] (\$)	[Preceding financial year] (\$)
Audit Fees		
Audit-Related Fees		
Tax Fees		
All Other Fees		

(5) For the purpose of this section:

(a) “Audit Fees” are the aggregate fees billed by the external auditor in respect of the financial year for audit services;

(b) “Audit-Related Fees” are the aggregate fees billed by the external auditor in respect of the financial year for assurance and related services that are reasonably related to the performance of the audit or review of the venture issuer’s annual financial statements and interim financial reports and are not reported as “Audit Fees”;

(c) “Tax Fees” are the aggregate fees billed by the external auditor in respect of the financial year for professional services for tax compliance, tax advice and tax planning;

(d) “All Other Fees” are the aggregate fees billed by the external auditors in respect of the financial year for products and services not described in one of the three other categories.

PART 8 CONTENTS OF AN INTERIM REPORT

38. Interim Report Contents - Include cover page disclosure in an interim report as described by paragraphs (1)(a), (c) and (d) and subsection (2) of section 15 – Cover Page, and any other items referenced in section 15, if those other items have changed since the date of the latest annual or interim report.

39. Interim Report Quarterly Highlights

(1) Provide a short discussion of the venture issuer’s operations and liquidity, and in your discussion please address known trends, demands, major operating statistics and changes thereto, commitments, events, expected or unexpected, or uncertainties that have materially affected the venture issuer’s operations and liquidity in the quarter or are reasonably likely to have a material effect going forward.

Guidance:

Focus your discussion on business activities; while these summaries are to be clear and simple, they are subject to the normal prohibitions against false and misleading statements.

(2) Provide the disclosure required by section 22, if applicable, modified as necessary to refer to the most recently completed interim period and interim financial report.

Guidance:

(1) *It is conceivable that a venture issuer with no operations or simple operations could satisfy the requirements of subsection (1) with very brief statements. For instance, a capital pool company may appropriately limit its discussion to: “This quarter we continued to look for a qualifying transaction. Management reviewed a number of proposals but there are no further developments to report at this time”; a mining venture issuer, might appropriately limit its discussion to: “This quarter we continued drilling and general exploration on our Nevada property completing 2 drill holes totaling 500 feet and plan to continue to do so”; and an oil and gas venture issuer might appropriately limit its discussion to: “This quarter our production increased 100 bbl per day. We completed 4 wells and are continuing with our plan to drill 2 more. Production expenses have increased on a per bbl basis due to higher water production”.*

(2) *Describing as “Management’s Discussion & Analysis” or “MD&A” disclosure that is provided optionally outside of the annual or the interim report, may be misleading unless the optional disclosure is prepared in accordance with items 18, 20 and 21¹ of this Form, Form 51-102F1, or as permitted by section 45 of the Regulation.*

40. Interim Financial Report in Interim Report

(1) Include the interim financial report in the interim report.

(2) If the venture issuer did not engage an auditor to review an interim financial report, state that fact.

(3) If a venture issuer engaged an auditor to review an interim financial report and the auditor was unable to complete the review, the interim financial report must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial report, and the reasons why the auditor was unable to complete the review.

(4) If an auditor has performed a review of the interim financial report and the auditor has expressed a reservation of opinion in the auditor’s interim review report, include the review report.

41. Certification of Interim Report - Include in the interim report the applicable disclosure certificate set out in Part 10.

PART 9 ANNUAL FINANCIAL STATEMENTS

42. Annual Financial Statements - Include the annual financial statements, including the accompanying auditor’s report, in the annual report.

Guidance:

Because the definition of annual financial statements in the Regulation includes both the financial statements for the most recently completed financial year and the comparative statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include one set of audited annual financial statements that contain the 2 most recently completed financial years.

¹ The 41-101F4 Prospectus Form (items 5.6-5.10) requires comparable information to items 18, 20 and 21 of Form 51-103F1.

PART 10 DISCLOSURE CERTIFICATE

43. Required Certificate

(1) Attach a certificate in the form set out in section 45 to each annual report and interim report.

(2) Despite subsection (1), a venture issuer may provide a certificate in the following form:

(a) for an annual report, Form 52-109F1 of Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, as if each of the following applies:

- (i) the venture issuer is a senior-unlisted issuer;
- (ii) references to "annual filings" are read as "annual report";
- (iii) the certificate is modified, as necessary, to refer to the annual report;

(b) for an interim report, Form 52-109F2, as if each of the following applies:

- (i) the venture issuer is a senior-unlisted issuer;
- (ii) references to "interim filings" are read as "interim report";
- (iii) references to "interim MD&A" are read as "quarterly highlights";

(iv) the certificate is modified, as necessary, to refer to the interim report and quarterly highlights.

Guidance:

(1) *A venture issuer providing a certificate in accordance with subsection (2) would comply with Part 4 or 5 of Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, as applicable, as if the venture issuer were a senior-unlisted issuer.*

(2) *The Regulation requires that the certificate be dated and signed by the chief executive officer and the chief financial officer. If the individual signing in the capacity of chief executive officer or chief financial officer does not hold the title of chief executive officer or chief financial officer, indicate the individual's title.*

(3) *If an annual report or interim report is refiled, the Regulation requires redating and re-signing of the certificate by the chief executive officer and the chief financial officer. Date the certificate as of the date of refiling.*

44. Date of Certificate - Sign and date the certificate as of the date that the annual report, interim report, or revised report as applicable, is filed.

45. Chief Executive Officer and Chief Financial Officer Certificate – The form of certificate required is as follows:

“As [Chief Executive Officer/Chief Financial Officer],

(a) I acknowledge my responsibility for the disclosure of information in this [annual report/interim report] including the [annual financial statements/interim financial report] and [management's discussion and analysis/quarterly highlights].

(b) I confirm I have reviewed the [annual report/interim report] to which this certificate is attached, and for greater certainty, all documents and information incorporated by reference into the [annual report/interim report] for the [financial year/interim period] ended [insert date] and, based on my knowledge, having exercised reasonable diligence, the [annual report/interim report]

(i) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the [annual report/interim report], and

(ii) fairly presents in all material respects the financial condition, financial performance and cash flows of [insert name of venture issuer] as of the date of and for the periods presented in the [annual report/interim report].

[print name and title of Chief Executive Officer]

[print name and title of Chief Financial Officer]

[signature of Chief Executive Officer]

[signature of Chief Financial Officer]

Date: _____

Note to Reader: [insert name of venture issuer], as a venture issuer, is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting (as those terms are defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings). This may result in additional risks to the quality, reliability, transparency and timeliness of annual reports, interim reports and other disclosures provided by it under securities legislation.”

Guidance:

(1) *If a venture issuer provides a certificate in the form of section 45, it is not required to discuss in its annual report or interim report the design or operating effectiveness of disclosure controls and procedures or internal control over financial reporting.*

(2) *If a venture issuer provides a certificate in the form of section 45, and chooses to discuss in its annual report, interim report or other regulatory filings the design or operation of one or more components of its disclosure controls and procedures or internal control over financial reporting, it should also consider disclosing in the same document that*

(a) *the venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures and internal control over financial reporting and has not completed such an evaluation, and*

(b) *inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis disclosure controls and procedures and internal control over financial reporting for the venture issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.*

(3) *A selective discussion in a venture issuer's management's discussion and analysis about one or more components of a venture issuer's disclosure controls and procedures or internal control over financial reporting without these accompanying statements will likely not provide transparent disclosure of the state of the venture issuer's disclosure controls and procedures or internal control over financial reporting.*

(4) *With respect to the content of certificates, Part 10 requires the annual and interim certificates to be filed in the exact wording prescribed by the required form, including the form number and form title, without any amendment, except the modifications set out in section 43. Failure to do so will be a breach of the Regulation.*

FORM 51-103F2
REPORT OF MATERIAL CHANGE OR OTHER MATERIAL INFORMATION

PART 1 INSTRUCTIONS

1. Information Being Reported

Indicate whether the report is being filed to report a material change, a related entity transaction, a major acquisition or one of the transactions specified in subsection 32(6) of the Regulation.

If the transaction being reported falls in more than one of these categories, indicate each of the applicable categories.

Guidance

For example, if the transaction is a material change and also a major acquisition, indicate this.

2. Format

The numbering, headings and ordering of the items included in this form are guidelines only.

3. Defined Terms

Refer to the Regulation for the definition of terms that are used in this form that are not defined in the form. If terms are not defined in that regulation, refer to securities legislation and Regulation 14-101 respecting Definitions.

4. Plain Language

Use plain, easy to understand language in preparing the report of material change, related entity transaction, major acquisition or other transaction. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

5. Incorporating Material by Reference

If the disclosure required by this form has been provided in another document filed by a venture issuer, the venture issuer may comply with the disclosure requirements of this form by stating the name and date of that other document, that it is available on SEDAR at www.sedar.com and by including a statement that the applicable disclosure is incorporated by reference into this report. If the other document is lengthy, indicate the location of the relevant information in the other document.

PART 2 CONTENTS OF REPORT

6. Name and Address - State the venture issuer's full name and the address of its head office.

7. Date of Material Change, Related Entity Transaction, Major Acquisition or Other Transaction - Disclose the following, as applicable:

(a) the date of the material change;

(b) the date of the decision to implement a related entity transaction;

(c) the date of the related entity transaction;

(d) the acquisition date for a major acquisition or transaction specified in subsection 32(6) of the Regulation.

8. News Release - State the date of the news release issued under section 18 of the Regulation and the news wire or service used to disseminate it.

9. Summary of Material Change, Related Entity Transaction, Major Acquisition or Other Transaction - Briefly summarize the nature and substance of the material change, related entity transaction, major acquisition or other transaction being reported.

10. Full Description of Material Change, Related Entity Transaction, Major Acquisition or Other Transaction

(1) Describe the material change, related entity transaction, major acquisition or other transaction so that a reader can appreciate management's assessment of the reasonably anticipated significance and impact of the material change, related entity transaction, major acquisition or other transaction on the venture issuer's business, operations, financial performance, financial position, risks and prospects, whether positive or negative.

Guidance:

Specific financial forecasts are not normally required in connection with disclosure of a material change, related entity transaction or major acquisition.

(2) Disclose the purpose of and reasons for the material change, related entity transaction, major acquisition or other transaction.

(3) Disclose, in respect of the material change, related entity transaction, major acquisition or other transaction, each of the following that are applicable, if material:

(a) the date of each applicable agreement;

(b) in respect of an acquisition, the acquisition date or anticipated acquisition date, as determined in accordance with the issuer's GAAP and, in respect of a disposition, the closing date or anticipated closing date;

(c) the parties to the agreement or transaction and, if the event or transaction is a related entity transaction, the nature of the relationship that causes each applicable entity to be considered a related entity of the venture issuer;

(d) if the venture issuer is acquiring or has acquired an asset or business from a related entity, and the related entity acquired the asset or business within the prior three calendar years, the consideration paid by that related entity for the asset or business;

(e) a description for each asset, business, related business or liability acquired, disposed of or leased, including its location;

(f) the consideration paid or to be paid for each asset, business or related business or liability acquired, disposed of or leased, including

(i) on-going commitments arising from the event or transaction,

(ii) an estimate of the aggregate consideration paid or received for all assets, businesses, related business or liabilities subject to the transaction, as reasonably anticipated to be recorded in the financial statements or interim financial reports of the venture issuer,

(iii) how the consideration was determined, including whether a valuation was obtained, and, if so, identify the valuator and summarize the material terms of the valuation,

(iv) how and when the consideration is to be paid, including a description of the number and type of securities that form all or part of the consideration, and

(v) for acquisitions, where consideration includes a cash payment, the source of funds;

(g) risks related to the material change, related entity transaction, major acquisition or other transaction;

(h) any plans or proposals for a significant change in the venture issuer's business affairs or those of an acquired business or related business that may have a significant effect on its financial performance or financial position, for example, plans to liquidate, amalgamate or sell or lease all or substantially all of the assets of a business;

(i) the identity of each person or company that has or will become or who has ceased or will cease to be a director, executive officer, principal securityholder or control person in connection with the material change, related entity transaction, major acquisition or other transaction.

11. Additional Disclosure for Major Acquisitions and Certain Transactions

(1) If disclosure is required for a major acquisition that is not a transaction specified in subsection 32(6) of the Regulation include the additional disclosure, financial statements or other information required by sections 23, 25 and 26 of the Regulation.

(2) If disclosure is required for a transaction specified in subsection 32(6) of the Regulation include the disclosure required by subsections 32(1) and 32(2) of the Regulation.

12. Additional Disclosure for Material Changes to Prior Oil and Gas Activity Disclosure

- If the material change, had it occurred on or before the effective date of information included in the statement most recently filed by the venture issuer under item 1 of section 2.1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities, would have resulted in a significant change in the information contained in that statement, include the disclosure required by subsection 6.1(2) of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.

13. Confidential Reports of Material Change - If this report is being delivered on a confidential basis in reliance on section 20 of the Regulation, state the reasons for such reliance.

Guidance

Refer to section 20 of the Regulation concerning continuing obligations about confidential reports of material change.

14. Omitted Information

(1) State whether any information has been omitted on the basis that it is confidential information.

(2) In a separate letter to the applicable regulator or securities regulatory authority marked "confidential", provide the reasons for the venture issuer's omission of confidential significant facts in the report in sufficient detail to permit the applicable regulator or securities regulatory authority to determine whether to exercise its discretion to allow the omission of these significant facts.

15. Contact Person - State the name, position and telephone number of an executive officer of the venture issuer who is knowledgeable about the material change, related entity transaction or major acquisition reported and the contents of the report.

16. Date of Report - Date the report.

**FORM 51-103F3
PROXY FORM**

1. Definitions - Refer to the Regulation for terms used in this form that are not defined in the form; if terms are not defined in that regulation, refer to securities legislation and Regulation 14-101 respecting Definitions.

2. General Requirements

(1) Identify the meeting in respect of which the proxy is solicited and each matter management, or other person or company making the solicitation, reasonably anticipates securityholders will be asked to vote on at the meeting.

(2) Indicate in bold-face type whether or not the proxy is solicited by or on behalf of management and, if not, by whom the proxy is solicited.

(3) Provide a specific blank space for each of the following:

(a) the date of the proxy;

(b) the printed name of the securityholder and any person authorized to sign on behalf of the securityholder;

(c) the signature of the securityholder or the securityholder's authorized signatory.

3. Authority of Securityholder

(1) Indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting, other than a person or company designated in the proxy form, and that the person or company appointed does not need to be a securityholder, and also provide instructions regarding how this right can be exercised.

(2) Provide a space for the securityholder to specify that the securities registered in the securityholder's name will be voted

(a) for or withheld from voting in respect of the appointment of an auditor or the election of directors, and

(b) for or against each other matter or group of related matters identified in the proxy form.

(3) State that

(a) the securities represented by the proxy form will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for, and

(b) if the securityholder specifies a choice under subsection (2) with respect to any matter to be acted upon, the securities will be voted accordingly.

(4) State whether the person or company giving the proxy has the right to revoke it and if there are any limitations on or conditions to the right to revoke, describe the limitations or conditions.

(5) If the proxy form confers discretionary authority, include a specific statement conferring that authority and state in bold-face type how the securities represented by the proxy form will be voted in respect of each such matter or group of related matters if a securityholder does not specify a choice with respect to a matter referred to in paragraph (2)(b).

4. Access to Information Regarding Matters to be Voted Upon

(1) Indicate in bold-face type that the information circular, annual report, interim report and any other disclosure relating to the matters to be acted upon at the meeting can be accessed

electronically on the SEDAR website at www.sedar.com, and, if applicable, identify the specific location on another website where it can be accessed.

(2) State whether management of the venture issuer is using the notice and access system permitted by section 12 of the Regulation for all or only certain securityholders and, if it is being used for only certain securityholders, provide an explanation for this decision.

5. Securityholder Request for Documents - Disclose that a securityholder may obtain upon request, and free of charge, a copy of the most recent information circular, annual report and interim report and identify how that request may be made, including identifying a contact person with an address, telephone number and, if applicable, an email address.

**FORM 51-103F4
INFORMATION CIRCULAR**

PART 1 INSTRUCTIONS

1. Defined Terms

Refer to the Regulation for terms that are used in this form that are not defined in this form; if not defined in that regulation, refer to securities legislation and Regulation 14-101 respecting Definitions.

This form also uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. See the guidance at the end of Part 1 of the Regulation.

2. Incorporating Information by Reference

If the disclosure required by this form has previously been provided in another document filed by the venture issuer, the venture issuer may comply with the disclosure requirements of this form by stating the name and date of that other document, that it is available on the venture issuer's profile on SEDAR at www.sedar.com and by including a statement that the applicable disclosure is incorporated by reference into the information circular. If the other document is lengthy, indicate the location of the relevant information in the other document.

3. Plain Language

Use plain, easy to understand language in drafting the information circular. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

4. Format

The numbering, headings and ordering of the items included in this form are guidelines only. Present information in tables, when possible, if doing so will make the information circular easier for securityholders to understand.

State all amounts in figures.

5. Omitting Information

It is not necessary to respond to an item in this form if it is not applicable to the venture issuer. Information may be omitted if (a) it is not known to the person or company on whose behalf the solicitation is made, (b) it is not reasonably within the power of such person or company to obtain, and (c) the information circular briefly states the circumstances that make the information unavailable.

PART 2 INTRODUCTORY CONTENTS OF INFORMATION CIRCULAR

6. Date

(1) Date the information circular with a date that is not more than 30 days before the date the information circular is first sent to any securityholder of the venture issuer.

(2) Unless otherwise required by this form, all information in the information circular must be current to the date provided in (1).

7. Solicitation

(1) Indicate who is making or on whose behalf the solicitation is being made, and state who will pay the costs of solicitation.

(2) If the solicitation is to be made other than by mail, describe the method to be used.

(3) If specially engaged employees or soliciting agents will make the solicitation describe the material terms of the engagement including the parties and the cost.

8. Opposition by a Director - If a director has informed management that he or she intends to oppose any action intended to be taken by management at the meeting, state this and indicate the action that he or she has indicated an intention to oppose.

9. Record Date Establishing Securityholders Who Can Vote

(1) State the record date for determining which securityholders of record are entitled to vote at the meeting or, if applicable, the particulars as to the closing of the security transfer register.

(2) If the right to vote is not limited to securityholders of record as of a specified record date, state the conditions under which securityholders are entitled to vote.

10. Outstanding Voting Securities

(1) For each class of voting securities of the venture issuer entitled to be voted at the meeting, state the number of securities outstanding and describe the voting rights.

(2) If the venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into, or exercisable or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, provide a cross-reference to the disclosure in the annual report required under item 26(6) of Form 51-103F1.

PART 3 ADDITIONAL INFORMATION

11. Availability of Information

(1) State that additional information relating to the venture issuer is available on SEDAR at www.sedar.com

(2) State that information regarding the venture issuer can be found in the annual report for its most recently completed financial year and in the most recently filed interim report.

(3) Identify and disclose in bold-face type the most recently filed annual report or other document in which disclosure was provided relating to

- (a) indebtedness of directors and executive officers,
- (b) governance of the venture issuer by the board of directors, and
- (c) fees paid to the auditor.

(4) State that information relating to each of the matters in (3) can be found in the applicable document and that the document is available on the SEDAR website at www.sedar.com.

(5) If a venture issuer has not filed, prior to the date of the information circular, an annual report for its most recently completed financial year, include in the information circular the disclosure required to be included in an annual report under Parts 3, 4, 5 and 7 of Form 51-103F1.

(6) Disclose how a securityholder may request a copy of the venture issuer's most recent annual report and interim report.

PART 4 ELECTION OF DIRECTORS

12. Biographies of and Securities Held by Proposed Directors

(1) This section applies only if directors are to be elected at the meeting.

(2) List each of the individuals who are to be nominated for election as a director and each other individual whose term as a director will continue following the meeting, including the expiry date of such individual's term.

(3) If an individual, who is not currently a director, is to be nominated for election as a director (a “proposed new director”), provide the following information in respect of that individual:

(a) name, municipality and country of residence;

(b) principal occupation, business or employment for the prior five years, including the name and principal business of any person or company in which any such employment is carried on;

(c) the number of securities of each class of the venture issuer and any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly;

(d) if an individual is or has been within the prior five years a director or executive officer of another reporting issuer or a person or company that is subject to reporting obligations in a foreign jurisdiction, the name of that other reporting issuer or entity and the position held with that other reporting issuer or entity;

(i) if the proposed new director, alone or together with his or her associates or affiliates, is a principal securityholder of the venture issuer’s securities,

(A) disclose the number of securities of each class beneficially owned, or controlled or directed, directly or indirectly, by the proposed new director and his or her associates or affiliates, and

(B) state the name of each associate or affiliate of the proposed new director who is a principal securityholder;

(e) if the proposed new director owes or since the start of the last completed financial year owed a debt to the venture issuer or a subsidiary of the venture issuer or is or was during the last completed financial year a beneficiary of a guarantee to a third party, a support agreement, letter of credit or similar arrangement or understanding provided by the venture issuer, provide the disclosure specified by section 31 of Form 51-103F1.

(4) For each proposed director who is not a proposed new director, comply with either of the following:

(a) provide the disclosure for the proposed director that is required by subsection (2) for a proposed new director;

(b) if disclosure comparable to that required by subsection (2) has been provided in the most recent annual report and the information has not changed materially since that date, provide a cross-reference to the disclosure in the most recent annual report and state that it is incorporated by reference into the information circular.

13. Special Voting Rights and Arrangements

(1) If directors are to be elected and any class of securityholder has the right to elect a specified number of directors or has cumulative or similar voting rights, describe those rights and how they may be exercised.

(2) If a proposed director is to be elected under any arrangement or understanding with any other person or company, name the other person or company and briefly describe the arrangement or understanding.

(3) It is not necessary to describe an arrangement with the directors or executive officers of the venture issuer acting on behalf of the venture issuer.

14. Cease Trade Orders, Penalties, Sanctions and Bankruptcies of Proposed New Directors

(1) State whether a proposed new director of the venture issuer or a personal holding company of the proposed new director is, as at the date of the information circular, or has been, within 10 years before the date of the information circular, a director, chief executive officer or chief financial officer of any entity, including the venture issuer, that, while that individual was acting in that capacity,

(a) was the subject of a cease trade or similar order, including a management cease trade, or an order that denied the relevant entity access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect,

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the entity being the subject of a cease trade or similar order, including a management cease trade, or an order that denied the relevant entity access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect, or

(c) within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

(2) State whether a proposed new director of the venture issuer or a personal holding company of the proposed new director has, within the 10 years before the date of the information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed new director or personal holding company, as applicable.

(3) If a proposed new director or a personal holding company of a proposed new director has been subject to a penalty or sanction, other than a late filing fee, describe the penalty or sanction imposed and the grounds on which it was imposed, if any of the following apply:

(a) it was imposed by a court and relates to securities legislation;

(b) it was imposed by a securities regulatory authority;

(c) it was imposed by a court, regulatory body or SRO and would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed new director.

(4) If a proposed new director or a personal holding company of a proposed new director has entered into a settlement agreement with a securities regulatory authority, describe the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement.

(5) Despite subsection (4), disclosure of a settlement agreement entered into before December 31, 2000 is not required unless it would likely be considered important to a reasonable investor in making an investment decision.

(6) For each proposed director, other than a proposed new director, comply with either of the following:

(a) provide the disclosure required by this section for a proposed new director;

(b) if disclosure comparable to the disclosure required by this section was provided in the last annual report or another document filed in the prior 12 months and that disclosure continues to be accurate, provide a cross-reference to that disclosure and state that it is incorporated by reference into the information circular.

PART 5 COMPENSATION, OPTIONS AND INCENTIVE PLANS

15. Director and Executive Officer Compensation, excluding options

(1) Use the following table, to the extent reasonably practicable, to disclose all compensation for each of the two most recently completed financial years, other than compensation disclosed under section 16, paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the venture issuer or any subsidiary of the venture issuer, to each “named executive officer” and each director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the named executive officer or director for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiaries.

Guidance:

Compensation includes payments, grants, awards, gifts and benefits and would generally include

- *salaries,*
- *consulting fees,*
- *management fees,*
- *retainer fees,*
- *bonuses,*
- *committee and meeting fees,*
- *special assignment fees,*
- *pensions and employer paid RRSP contributions,*
- *perquisites such as*
 - *car, car lease, car allowance or car loan,*
 - *personal insurance,*
 - *parking,*
 - *accommodation, including use of vacation accommodation,*
 - *financial assistance,*
 - *club memberships,*
 - *use of corporate motor vehicle or aircraft,*
 - *reimbursement for tax on perquisites or other benefits, and*
 - *investment-related advice and expenses.*

Name and position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total

(2) For the purposes of this section, a “named executive officer” means, in respect of the venture issuer and its subsidiaries, each of the following individuals:

(a) each person who, during any part of the most recently completed financial year, served as chief executive officer;

(b) each person who, during any part of the most recently completed financial year, served as a chief financial officer;

(c) the most highly compensated executive officer other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection (4), for that financial year;

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the venture issuer, nor acting in a similar capacity, at the end of that financial year.

Guidance:

The \$150,000 threshold in paragraph (c) of the definition of named executive officer only applies when determining who is a named executive officer in a venture issuer’s most recently completed financial year. If an individual is a named executive officer in the most recently completed financial year, disclosure of compensation in prior years must be provided if otherwise required by this form even if total compensation in a prior year is less than \$150,000 in that year.

(3) In the table referenced in subsection (1), disclose compensation of the named executive officers first.

(4) To calculate total compensation awarded to, earned by, paid to, or payable to an individual under paragraph (2)(c),

(a) use the total compensation that would be reported for each executive officer using the summary compensation table below, as if that executive officer were a named executive officer for the venture issuer’s most recently completed financial year, and

(b) exclude each of the following from the calculation:

(i) any pension benefit compensation;

(ii) any incremental payments, payables, and benefits to an executive officer that are triggered by, or result from, termination, severance, constructive dismissal or a change of control that occurred during the most recently completed financial year;

(iii) any cash compensation that relates to foreign assignments that is specifically intended to offset the impact of a higher cost of living in the foreign location, and is not otherwise related to the duties the executive officer performs for the venture issuer.

(5) Despite subsection (1), it is not necessary to disclose Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation

plans that do not discriminate in scope, terms or operation that are generally available to all salaried employees.

(6) Provide notes to the table to disclose each of the following:

(a) compensation paid by any person or company other than the venture issuer, including the identity of that other person or company;

(b) compensation paid indirectly to the director or named executive officer and, in such case, the amount of compensation, to whom it is paid and the relationship between the director or named executive officer and such other person or company;

(c) the nature of each perquisite paid, that is, any amount the board of directors considers to be not integrally and directly related to the performance of the director or named executive officer's duties, and how the value of the perquisite was calculated;

(d) the nature of each form of other compensation paid and how the value of such other compensation was calculated, if it is not paid in cash;

(e) the nature of each perquisite or other compensation paid or payable that equals or exceeds 25% of the total value of perquisites or other compensation, as applicable, paid or payable to that director or named executive officer.

(7) If non-cash compensation, other than compensation required to be disclosed in section 17, was provided or is payable, disclose the fair market value of the compensation at the time it is earned or, if it is not possible to calculate the fair market value, disclose that fact and the reasons why.

(8) If the venture issuer provides a pension to a director or a named executive officer, provide for each such person the additional disclosure required by Item 5 of Form 51-102F6.

Guidance

For details and guidance regarding pension disclosure, see Form 51-102F6.

(9) If a director or named executive officer has served in that capacity for only part of a year, indicate the number of months he or she has served; do not annualize the compensation.

(10) Do not provide information for a completed financial year if the venture issuer was not a reporting issuer at any time during the most recently completed financial year, unless the venture issuer became a reporting issuer as a result of a transaction specified under subsection 32(6) of the Regulation.

(11) If the venture issuer was not a reporting issuer at any time during the most recently completed financial year and the venture issuer is completing the form because it is preparing a prospectus, discuss all significant elements of the compensation to be awarded to, earned by, paid to, or payable to named executive officers of the venture issuer once it becomes a reporting issuer, to the extent this compensation has been determined.

16. External Management Company

(1) If one or more individuals acting as a named executive officer of the venture issuer are not employees of the venture issuer, disclose the names of those individuals.

(2) If an external management company employs or retains one or more individuals acting as named executive officers or directors of the venture issuer and the venture issuer has entered into an understanding, arrangement or agreement with the external management company to provide executive management services to the venture issuer, directly or indirectly, disclose any compensation that:

(a) the venture issuer paid directly to an individual employed, or retained by the external management company, who is acting as a named executive officer or director of the venture issuer; and

(b) the external management company paid to the individual that is attributable to the services they provided to the venture issuer, directly or indirectly.

17. Stock Options, and Compensation Securities and Regulations

(1) Using the following table, disclose all stock options, securities, convertible securities, exchangeable securities and similar instruments including stock appreciation rights (“SARs”), deferred share units (“DSUs”), restricted stock units (“RSUs”) and phantom securities granted or issued by the venture issuer or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiaries in the most recently completed financial year, and disclose each of the following:

(a) on an individual basis, each grant or issuance made to a director or named executive officer;

(b) grants or issuances to persons or companies other than directors and named executive officers, which disclosure may be aggregated;

(c) if disclosure is provided on an aggregate basis, each issue or grant price (and for convertible or exchangeable securities the price at which they convert or exchange) and the number of securities, convertible securities, exchangeable securities or similar instruments issued or granted at each such price.

Stock Options, and Compensation Securities and Regulations							
Name and position	Type of security or other instrument	Number of securities or instruments or for convertible or exchangeable securities, the number of underlying securities and percentage of class	Date of issue or grant	Issue or Conversion price	Closing price of security or underlying security on date of grant	Closing price of security or underlying security at year end	Expiry date

(2) Position the tables prescribed in (1) and (5) directly after the table prescribed in subsection 15(1).

(3) Provide notes to the table to disclose:

(a) the material terms of the class of security, convertible security, exchangeable security or instrument or a cross-reference to such description provided elsewhere in the annual report;

(b) vesting provisions;

(c) restrictions or conditions with respect to converting convertible securities or exchanging exchangeable securities.

(4) Provide notes to the table to disclose any security, convertible security, exchangeable security or instrument that has been re-priced, cancelled and replaced, had its term extended or otherwise been materially modified in the most recently completed financial year, including, the

original and modified terms, the effective date, the reason for the modification, and if the holder was a director or executive officer, the name of the holder.

(5) Using the following table, disclose on an individual basis, all exercises by directors and named executive officers of securities referred to in subsection (1) during the most recently completed financial year.

Exercise of Securities by Directors and Named Executive Officers							
Name and position	Type of security or other instrument	Number of securities exercised	Exercise price per security	Date of exercise	Closing price per security on date of exercise	Difference between exercise price and closing price on date of exercise	Total

18. Employment, Consulting and Management Agreements

(1) Disclose the terms of each agreement or arrangement under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the venture issuer or any of its subsidiaries that were

(a) performed by a director or named executive officer, or

(b) performed by any other party but are services typically provided by a director or a person who would typically be a named executive officer.

(2) For each agreement or arrangement referred to in subsection (1), disclose each of the following:

(a) the total compensation paid or provided in the most recently completed financial year or that is payable or to be provided by the venture issuer or any of its subsidiaries;

(b) the provisions, if any, with respect to change of control, severance, termination or constructive dismissal;

(c) the estimated incremental payments that are triggered by, or result from, change of control, severance, termination or constructive dismissal;

(d) any relationship between the other party to the agreement and a director or named executive officer of the venture issuer or any of its subsidiaries.

19. Oversight and Description of Director and Executive Officer Compensation

(1) Disclose who determines director compensation and how and when it is determined.

(2) Disclose who determines the compensation of the named executive officers and how and when it is determined.

(3) For each named executive officer,

(a) describe and explain all significant elements of compensation awarded to, earned by, paid or payable to the named executive officer for the most recently completed financial year, including at a minimum each element of compensation that accounts for 10% or more of the named executive officer's total compensation,

(b) disclose whether or not total compensation or any significant element of compensation is tied to one or more performance criteria or goals, including for example, milestones, agreements or transactions and, if so,

- (i) describe the performance criterion or criteria and goals, and
- (ii) indicate the weight assigned to each performance criterion or goal,

(c) disclose any significant events that have occurred during the most recently completed financial year that have significantly affected compensation including whether any performance criterion or goal was waived or changed and, if so, why,

(d) disclose how the venture issuer determines the amount to be paid for each significant element of compensation referred to in paragraph (a), including whether the process is based on objective, identifiable measures or a subjective decision,

(e) disclose whether a peer group is used to determine compensation and, if so, describe the peer group and why it is considered appropriate, and

(f) disclose any significant changes to the venture issuer's compensation policies that were made during or after the most recently completed financial year that could or will have an effect on director or named executive officer compensation.

(4) Despite subsection (3), if a reasonable person would consider that disclosure of a previously undisclosed specific performance criterion or goal would seriously prejudice the venture issuer's interests, the venture issuer is not required to disclose it provided that the venture issuer does each of the following:

(a) discloses the percentage of the named executive officer's total compensation that relates to the undisclosed criterion or goal;

(b) discloses the anticipated difficulty in achieving the performance criterion or goal;

(c) states that it is relying on this exemption;

(d) explains why disclosing the performance criterion or goal would seriously prejudice its interests.

(5) For the purposes of the exemption provided in (4), a venture issuer's interests are not considered to be seriously prejudiced solely by disclosing performance goals or criteria if those criteria or goals are based on broad corporate-level financial performance metrics such as earnings per share, revenue growth, and earnings before interest, taxes, depreciation and amortization (EBITDA).

20. Stock Option Plans and Other Incentive Plans

(1) Describe the material terms of each stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units, restricted stock units or phantom securities and any other incentive plan or portion of a plan under which awards are granted.

Guidance

Examples of material terms are vesting provisions, maximum term of options granted, whether a stock option plan is a rolling plan, the maximum number or percentage of options that can be granted, method of settlement.

(2) Indicate for each such plan or agreement whether it has previously been approved by shareholders and, if applicable, when it is next required to be approved.

(3) Disclosure is not required of plans, such as shareholder rights plans, that involve issuance of securities to all securityholders.

PART 6 APPOINTMENT OF AUDITOR

21. Current Auditor

- (1) Name the current auditor of the venture issuer and if the auditor was first appointed within the last five years, state the date when the auditor was first appointed.
- (2) Indicate who is recommending appointment of the auditor for the ensuing financial year.
- (3) If action is to be taken to replace an auditor, provide the information required under section 37(2) of the Regulation.

PART 7 PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

22. General Description

- (1) If securityholders will be asked to vote at the meeting on any matter other than the approval of financial statements, the election of directors or the appointment of the auditor, describe the matter they will be asked to vote on, and any related groups of matters, in sufficient detail to allow a reasonable securityholder to form a reasoned judgment on how to vote.

Guidance:

Examples of such matters include:

- *alterations of share capital, such as stock splits, consolidations and creation or amendment of classes of shares;*
- *amendments to constating documents and by-laws;*
- *adoption or amendment of equity compensation plans and shareholders' rights plans;*
- *major acquisitions or restructuring transactions related to material property acquisitions or dispositions;*
- *reverse-takeovers;*
- *amalgamations, mergers, arrangements or reorganizations;*
- *other similar transactions.*

- (2) If the venture issuer is not legally required to obtain securityholder approval of the matter, explain why the venture issuer is asking securityholders to vote on it, and also state what management intends to do if securityholders vote against the matter.

23. Additional Disclosure for Major Acquisitions and Other Transactions

- (1) If securityholders are asked to vote on a major acquisition where securities of the acquired business are being exchanged for the venture issuer's securities, provide the disclosure required under subsections 32(1) and 32(2) of the Regulation as if the major acquisition were a transaction specified in subsection 32(6) of the Regulation.

- (2) If securityholders are asked to vote on a transaction specified in subsection 32(6) of the Regulation, provide the disclosure required under subsections 32(1) and 32(2) of the Regulation.

- (3) Despite subsections (1) and (2), if the disclosure required under subsections 32(1) and 32(2) of the Regulation has been included in a completed Form 51-103F2, a venture issuer may comply with the disclosure requirements of this section by including each of the following:

- (a) the name and date of that other document and that it is available on SEDAR at www.sedar.com;

- (b) a statement that the applicable disclosure is incorporated by reference;
- (c) the location of the relevant disclosure in the other document.

24. Exemptions from Disclosure

(1) If a person or company, other than management of a venture issuer, solicits proxies, the disclosure requirements of this Part do not apply to the information circular, unless the sender of the dissident circular is proposing one of the transactions specified in subsection 32(6) of the Regulation involving the venture issuer and the sender, under which securities of the sender, or an affiliate of the sender, are to be distributed or transferred to securityholders of the venture issuer.

(2) An information circular or filing statement prepared by a venture issuer in connection with a “qualifying transaction” for a “CPC” or in connection with a “reverse takeover” satisfies the disclosure requirements of this Part if the venture issuer complies with the policies and requirements of the TSX Venture Exchange in respect of that qualifying transaction or reverse takeover, as applicable.

(3) For the purpose of subsection (2) only, the terms “qualifying transaction”, “CPC” and “reverse takeover” have the meanings provided in the TSX Venture Exchange Corporate Finance Manual.

25. Restricted Securities - If securityholders will be asked to vote on a transaction that would have the effect of converting or subdividing, in whole or in part, existing securities into restricted securities, or creating new restricted securities, include disclosure in the information circular for each of the following:

(a) the rights, including voting rights, attached to the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;

(b) the voting rights, if any, attached to the securities of any other class of securities of the venture issuer that are the same or greater on a per security basis than those attached to the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;

(c) the percentage of the aggregate voting rights attached to the venture issuer’s securities that are represented by the class of restricted securities;

(d) any significant provisions under applicable corporate and securities law, in particular whether the restricted securities may or may not be tendered in any takeover bid for securities of the venture issuer having voting rights superior to those attached to the restricted securities, that do not apply to the holders of the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, but do apply to the holders of another class of equity securities, and the extent of any rights provided in the constating documents or otherwise for the protection of holders of the restricted securities;

(e) any rights under applicable corporate law, in the constating documents or otherwise, of holders of restricted securities that are the subject of the transaction either directly or following a conversion, exchange or exercise, to attend, in person or by proxy, meetings of holders of equity securities of the venture issuer and to speak at the meetings to the same extent that holders of equity securities are entitled.

PART 8 INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE VOTED ON

26. Disclosure of Material Interests - Briefly describe any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of each of the following persons or companies in any matter to be voted on, other than the election of directors or the appointment of auditors:

(a) if the solicitation is made by or on behalf of the venture issuer's management, each individual who has been a director or executive officer of the venture issuer at any time since the beginning of the venture issuer's last financial year;

(b) if the solicitation is made by or on behalf of anyone other than the venture issuer's management, each person or company by whom, or on whose behalf, directly or indirectly, the solicitation is made;

(c) each proposed new director of the venture issuer;

(d) each associate or affiliate of any of the persons or companies listed in paragraphs (a) to (c).

27. Interpretation

(1) For the purpose of section 26, each of the following persons and companies are persons or companies by whom or on whose behalf the solicitation is made ("solicitor"):

(a) a member of a committee or group that solicits proxies, and any person or company whether or not named as a member who, acting alone or with one or more other persons or companies, directly or indirectly takes the initiative or engages in organizing, directing or financing any such committee or group;

(b) a person or company who contributes, or joins with another to contribute, more than \$250 to finance the solicitation of proxies;

(c) a person or company who lends money, provides credit, or enters into any other arrangements, under any contract or understanding with a solicitor, for the purpose of financing or otherwise inducing the purchase, sale, holding or voting of securities of the venture issuer but not including a bank or other lending institution or a dealer that, in the ordinary course of business, lends money or executes orders for the purchase or sale of securities.

(2) Despite subsection (1), the following persons and companies are not solicitors:

(a) a person or company retained or employed by a solicitor to solicit proxies or a person or company who merely transmits proxy-soliciting material or performs ministerial or clerical duties;

(b) a person or company employed or retained by a solicitor in the capacity of lawyer, accountant, or advertising, public relations, investor relations or financial advisor and whose activities are limited to the performance of their duties in the course of the employment or retainer;

(c) a person or company regularly employed as an executive officer or employee of the venture issuer or any of its affiliates;

(d) an executive officer or director of, or a person or company regularly employed by, a solicitor.