

CSA Multilateral Consultation Paper 51-403 ***Tailoring Venture Issuer Regulation***

A Canadian Securities Administrators consultation by the securities regulatory authorities of Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia and Saskatchewan. Although Ontario and Québec are not fully participating in this consultation, they are encouraging their market participants to review the proposals and provide comments.

May 31, 2010

About this paper

This consultation paper:

- is intended to assess market interest in pursuing a more tailored approach to regulation of the venture market that we think could benefit both issuers and investors, and
- seeks the views of venture market stakeholders, including investors and investor associations, venture issuers and their professional advisers, exchanges, dealers and industry associations.

Consultation rationale

As regulators that deal extensively with Canadian venture issuers and investors, we want to know if there are additional steps we could take to develop a regulatory regime that is directed at and tailored to the venture market.

With the participation of market participants, we hope to answer that question.

We look forward to rigorous discussion and participation in this process.

Contents

A: The consultation process

- Consultation paper
- Consultation sessions
- Comments and submissions

B: Summary of key features of proposal

C: Why pursue this initiative?

- Traditional regulatory response to venture markets
- The venture market
- Impact of current regulation

Annex 1: Summary of proposals

- Continuous disclosure and governance
- Disclosure in connection with offerings

Annex 2: Considerations in developing proposals

- Venture market characteristics
- Resources

Annex 3: Contact the regulators

Annex 4:

- Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*
- Form 51-103F1 *Annual and Mid-Year Reports*
- Form 51-103F2 *Report of Material Change or Disclosable Event*
- Form 51-103F3 *Proxy Form*
- Form 51-103F4 *Information Circular*

A. The consultation process

Consultation paper

The securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia and Saskatchewan, are publishing this consultation paper to assess market interest in pursuing a more tailored approach to regulating venture issuers. We think that a more tailored approach to venture issuer regulation could enhance investor protection in this market, and reduce regulatory costs for venture issuers, allowing management to focus more attention on business development.

For the purpose of this consultation paper, “venture issuer” means reporting issuers that trade on the Canadian junior exchanges, i.e., the TSX Venture Exchange (TSXV) and the Canadian National Stock Exchange (CNSX) as well as other reporting issuers whose equity shares trade over the counter in Canada or on certain international junior markets, such as the London Stock Exchange’s Alternative Investment Market (AIM).

Currently our proposals do not extend to reporting issuers that are subject to BC Instrument 51-509 *Issuers Quoted in the U.S. Over-the-Counter Markets*. That new rule already imposes tailored disclosure requirements for that group of issuers. We think it appropriate to assess how those tailored requirements are working before we consider including those issuers in these more general proposals for venture issuer disclosure.

Our proposals would:

- tailor regulatory requirements to the needs and expectations of investors in the Canadian venture market through
 - varying or eliminating certain costly requirements, and
 - introducing supplemental disclosure that may be more relevant for venture issuers and their investors; and
- reinforce governance standards in the venture market through substantive obligations, certification and disclosure.

We have developed proposals:

- for an alternative continuous disclosure and governance regime for venture issuers, and,
- to coordinate the alternative continuous disclosure requirements for venture issuers with the disclosure required of venture issuers in the context of a prospectus offering and certain exempt offerings.

We invite market participants to provide input on the proposals outlined in this consultation paper. We are particularly interested in hearing from those participating in the venture market. We also invite ideas for other possible regulatory reforms directed at the venture market.

Consultation sessions

In addition to soliciting written comments, we will conduct consultation sessions to engage with venture market participants across Canada to facilitate further feedback and identify any regional differences.

Although not all CSA jurisdictions participated in developing the consultation proposals, our CSA colleagues have expressed interest in the market response to the proposals. The Ontario Securities Commission and the Autorité des marchés financiers are very supportive of the effort to widely consult with all affected market participants on these proposals, will continue to have an interest in the development of regulation tailored to venture issuers and intend to cooperate with CSA participating jurisdictions in the consultation process.

We will be coordinating our consultations with the local securities regulatory authorities (e.g., the Ontario Securities Commission and the Autorité des marchés financiers) and will share the results of our consultations with all of our CSA colleagues.

If you want to participate in the consultation sessions on these proposals, please [click here](#) or contact the person for your jurisdiction identified in **Annex 3**.

Comments and submissions

You may provide written comments in hard copy or electronic form. The comment period expires on September 17, 2010.

We cannot ensure the confidentiality of written comments. We anticipate sharing comments with our CSA colleagues.

Please **address** your comments to each of the following:

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Nova Scotia Securities Commission
New Brunswick Securities Commission
Saskatchewan Financial Services Commission

Please **send** your comments **only** to the following address. They will be shared with the other jurisdictions.

Denise Weeres
Alberta Securities Commission
400, 300 – 5th Avenue S.W.
Calgary, AB T3B 2A6
denise.weeres@asc.ca

B. Summary of key features of proposal

The key features of our proposals include:

- a single new regulatory instrument, that applies only to venture issuers, establishing new governance and continuous disclosure requirements in place of
 - National Instrument 51-102 *Continuous Disclosure Obligations*,
 - National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*,
 - National Instrument 52-110 *Audit Committees*, and
 - National Instrument 58-101 *Disclosure of Corporate Governance Practices*;
- an annual report, replacing the current requirement for separate annual financial statements and management's discussion and analysis (MD&A), providing disclosure of the venture issuer's business, management, governance and executive compensation and including the annual audited financial statements and MD&A;
- eliminating three and nine month interim financial statements and associated MD&A;
- a mid-year report, consisting of six month interim financial statements, associated MD&A and certain supplemental information;
- introducing substantive corporate governance requirements, including
 - directors' and executive officers' duties to act honestly and in good faith, and exercise the care, diligence and skill of a reasonably prudent person,
 - a board of directors' responsibility to implement procedures to address conflicts of interest and related party transactions, and
 - a venture issuer responsibility to implement procedures to reduce the risk of trading when undisclosed material information exists;
- eliminating business acquisition reports and enhancing material change reporting;
- conforming the disclosure requirements for prospectuses, and certain exempt offering disclosure documents to the proposed new continuous disclosure requirements; and
- permitting prospectuses to contain only two years of historical financial statements.

We describe our proposals in detail in [Annex 1](#). They consist of changes to both the governance and continuous disclosure regime for venture issuers as well as corresponding changes to the disclosure required in connection with offerings. We have also prepared Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and accompanying forms (Sample Instrument 51-103), attached as [Annex 4](#), to demonstrate how the governance and continuous disclosure concept proposals might be implemented.

We are not publishing the sample instrument as part of our formal rule-making process. We encourage readers to focus on it as a conceptual example. If the feedback on this consultation encourages us to proceed with new rules tailored to venture issuers, we will consider how best to implement the proposals and, as part of the formal rule-making process, publish proposed instruments for public comment.

Annex 2 to this consultation paper sets out certain of our considerations in developing these proposals, including our understanding of certain general characteristics of the venture market. We invite comment on whether these assumptions are accurate and whether there are other general venture market characteristics that we should consider. **Annex 2** also includes a list of other regulatory regimes and resources we considered in developing these proposals.

C. Why pursue this initiative?

Traditional regulatory response to venture markets

New securities regulatory initiatives often arise in response to developments in international markets or emerging shareholder concerns and are often directed at issues in the senior market. Although Canadian securities regulators already specifically consider the needs and characteristics of the venture market when developing new regulations, the scope of possible adjustments for the venture market can be limited when the adjustments are crafted to work within the confines of the regulatory regime for senior issuers. Consequently, the current securities regulatory regime is largely “one size fits all” with a few variations to address venture issuer differences.

The venture market

Issues particular to the venture market can take longer to gain attention than those that arise in the senior market. This may arise because of the size of the venture market and the limited presence of institutional investor. However, although the market capitalization of venture issuers represents only approximately 2% of the overall Canadian publicly listed equity capital market, there are other important factors that may support a more directed regulatory focus on the venture market.

- Venture issuers by number represent a significant component of the total number of reporting issuers. For example, of the total 3,848 issuers listed on the TSX and the TSXV, 2,374 or approximately 62% are listed on the TSXV. This is a significant portion of the equity capital markets.
- Venture issuers, as small and medium-sized enterprises, can play an important economic role. They directly and indirectly provide jobs, they explore for new resources, serve as incubators for new technologies, and contribute to gross domestic product.
- Many venture issuers grow and become the senior issuers of tomorrow. For example, over the last five years, approximately 50 venture issuers have graduated to the TSX per year

with approximately 330 of the 1474 currently listed TSX issuers being graduates of the TSXV.¹

Impact of current regulation

Compliance challenges

The unique characteristics of the venture market may cause certain aspects of the current regulatory framework to affect the venture market in a different or more significant manner. For example, the length and complexity of and the necessary duplication in the existing rules may create more of a compliance challenge for venture issuers given that they are less likely to have the funds to readily access professional advisers or employ specialized staff to focus solely on securities regulatory compliance matters. Even companion policies, intended to provide guidance and assistance, may create burdens by adding to the length of regulatory instruments.

Required disclosure format

Additionally, the current format of required periodic disclosure, consisting of separate MD&A, financial statements, CEO and CFO certifications, information circulars, and, in some cases, annual information forms, requires that each of these documents be capable of standing on its own. Some duplication between the documents is necessary to ensure they each provide a complete picture but this duplication lengthens the rules and creates additional compliance costs for issuers in reading and interpreting them and ensuring each of the documents conforms to the others. The duplicative disclosure can also add to the printing and mailing costs for those documents required to be mailed.

The duplication can impact investors. They may be less likely to read disclosure documents due to the length and duplication or because they are retail investors with limited time and resources. The lack of a periodic narrative summary of the business may also make it difficult for an investor to get a complete picture of the issuer.

Finally, venture-market investors are frequently investing without the benefit of research reports to aid investment decisions. Requiring a single disclosure document that would encapsulate all annual disclosure and another for a mid-year period allows us to remove much of the duplication. It could also provide investors with a more complete, yet concise picture of the venture issuer's business.

New rule format

Although the existing regulatory framework already accommodates venture issuers, it can often be necessary to read and understand an entire regulatory instrument, including the inapplicable portions, to appreciate the scope of the venture issuer-specific provisions. Separate instruments applicable only to venture issuers that are streamlined and targeted at venture issuer regulation may make it easier for venture issuers to understand the requirements they must follow.

¹ Information derived from TSX information at April 30, 2010. The 330 currently listed graduates do not include those that have been acquired by other issuers.

Annex 1 - Summary of proposals

Our proposals consist of changes both to the governance and continuous disclosure regime for venture issuers as well as corresponding changes to the disclosure made in connection with prospectus offerings and certain exempt offerings that require prescribed disclosure.

Continuous disclosure and governance

(a) Consolidating, streamlining and simplifying

Our proposal would introduce a single new regulatory instrument for venture issuers to replace the governance and continuous disclosure requirements in the following instruments:

- National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102),
- National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109),
- National Instrument 52-110 *Audit Committees*, and
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

In consolidating these four instruments, we can eliminate or reduce many duplicative provisions such as definitions and instructions. We can also remove duplicative disclosure requirements, including for example those respecting related party disclosures and descriptions of material transactions.²

We intend the new regulatory instrument to be plainly and concisely written so that it is easy to understand. As part of our streamlining efforts, we propose to eliminate companion policies and replace them with short guidance notes in the body of the instrument.

Our new requirements would be shorter because they would not include disclosure requirements for matters that are not generally applicable to venture issuers, for example restricted securities and exchangeable securities.

Replacing the four existing disclosure and governance regulatory instruments with one instrument specifically directed at venture issuers, provides a number of streamlining and

² While our proposal involves consolidating a number of the existing regulatory instruments, it is intended to operate within the overall existing securities law framework. All relevant statutory provisions and all other national instruments would continue to apply to venture issuers. To assist venture issuers we have included guidance notes within Sample Instrument 51-103 that cross-reference some of these other requirements, including for example, the following:

- insider trading restrictions,
- secondary civil market liability provisions,
- the requirements of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*,
- National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*,
- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* including the requirements of international financial reporting standards (IFRS) and
- National Instrument 52-108 *Auditor Oversight*.

simplifying opportunities. However, there are certain issues associated with creating a separate new regime:

- it would create a significant initial learning curve
- by facilitating further regulatory variations between the venture market and the senior market, it may require more effort for issuers moving between the venture and senior markets.

It would be possible to implement some aspects of the proposal outlined in this consultation paper within the existing regulatory framework; however, it would be very difficult to implement many of the streamlining efforts within the existing framework. It would also be difficult, within the existing framework, to introduce a single annual or mid-year report in place of the currently required separate documents.

Question # 1:

- (a) Is the venture market sufficiently unique that it is appropriate to consider rules that are further tailored to it?
- (b) If you answered yes to (a), is it preferable to pursue these rules as a separate instrument focused on venture issuers or, recognizing that some of the streamlining might not be possible, to integrate the proposals into existing rules?
- (c) Do the potential benefits of pursuing a separate instrument focused on venture issuers outweigh the challenges it might create for issuers seeking to move between the venture and senior markets?
- (d) Would the tailored disclosure make it easier for venture issuer investors to read and understand the disclosure?

(b) Annual Report

We propose that venture issuers be required to prepare and file an annual report within 120 days of their financial year ends. It would be one of their core disclosure documents³. The annual report would require disclosure of a combination of elements currently found in an annual information form (AIF), management's discussion and analysis (MD&A), and annual audited financial statements. This is similar to the concept of a Form 10-K annual report, typically required in the U.S. securities regime. The annual report would also include corporate governance and executive compensation disclosure rather than having such matters addressed in annual meeting information circulars.

We think an annual report would assist investors by providing a document that annually consolidates key disclosure. Although overall we expect the proposals to reduce regulatory costs for venture issuers, we recognize that requiring an annual report introduces a new cost

³ If Sample Instrument 51-103 were to ultimately be adopted, we would anticipate that the Annual Report and the Mid-Year Report would be added to the list of "core documents" to which secondary market civil liability attaches.

from the current system in which venture issuers are only required to provide an AIF if they wish to access the short form prospectus system or one of the prospectus-exempt offerings that requires an AIF as a base disclosure document. However, we think the additional cost has been minimized. By consolidating in one document many of the current requirements found in an AIF, MD&A, annual financial statements and information circulars, we found that only a few disclosure requirements were introduced that do not currently apply to venture issuers.⁴

There is also a possible advantage to venture issuers in preparing an annual report. They would have faster access to the short form prospectus offering system as well as to the exempt offering regimes that currently require the preparation of an AIF. Given the typically shorter financing windows afforded to venture issuers, this could improve their financing opportunities, allowing them to access the market more efficiently. This could also benefit those investors investing in these financings as they would then be afforded the protections of a prospectus or the applicable exempt offering system.

Some of the significant requirements introduced by the proposed annual report proposal include:

- ***Description of the business*** - Venture issuer businesses can be subject to significant change as a result of acquisitions, dispositions, mergers and management changes. Although material change reporting is often required in the event of such changes, it may be difficult within the confines of a material change report to provide a full picture of the business implications of such change. Requiring venture issuer investors to track through various material change reports to obtain that full picture may create additional challenges for them.
- ***Comparison of R&D or exploration expenses vs. executive compensation and G&A expense*** - From prior investor feedback, we understand that, in the case of issuers engaged in research and development or resource exploration, venture issuer investors were interested in how much money an issuer spends on development of the business as compared to executive compensation. Accordingly, the proposed annual report would require specific comparative disclosure of these amounts.
- ***Biographical disclosure of executives*** - Given the importance that venture issuer investors have previously assigned to management in respect of investment decisions in venture issuers, we think that providing annual disclosure about the venture issuer executive officers would also be of particular use to venture issuer investors.

⁴ A number of disclosure items which may appear are required under current securities law to be disclosed by a venture issuer in its information circular. Some examples include

- certain governance matters;
- biographical disclosure of directors, including sanctions and regulatory actions; and
- related party transactions disclosed in the section dealing with interests of insiders and others in material transactions; and
- compensation disclosure.

- **Material contract summaries** - Based on prior investor surveys we also understood that venture issuer investors were interested in summaries of material contracts and so have proposed to include those in the annual report. To offset the additional regulatory cost, we propose not to require venture issuers to file the underlying contract publicly. Given that there is very little analyst following in the venture market, the summaries, rather than the lengthy contracts may be of more benefit to investors.
- **Trading by reporting insiders** - Although investors can generate reports of securities transactions by reporting insiders from the System for Electronic Disclosure by Insiders (SEDI), we thought that requiring a summary of those transactions in the annual report may be a simpler method for venture issuer investors to access this information. Accordingly, the proposed annual report requires disclosure of these transactions.

We do not expect this requirement would introduce a burden for venture issuers. We would expect that they would have reporting insiders confirm they had reported their securities transactions and then reproduce a report that could be generated by SEDI.

- **Trading price information** – The high and low for the last year as well as the aggregate volume would be required.
- **Outstanding securities** – A table setting out the number of securities outstanding, identifying convertible securities and those subject to escrow or similar restrictions would be required. This is intended to provide investors with a snapshot of the potential fully-diluted capital of the venture issuer as well as identify the number of securities that are currently restricted from trading and when they will be available for trading.

Some other proposed requirements in the annual report may appear new but already apply to venture issuers as MD&A or information circular requirements.

The proposed annual report differs from an AIF in a number of ways. For example, it:

- only requires a two-year business history rather than a three-year history,
- does not require disclosure of interests of experts,
- simplifies the business disclosure, and
- consolidates both the biographical and the compensation disclosure for directors and executive officers.

The annual report also departs in some ways from the current annual MD&A requirements. Because most venture issuer businesses are developing, we have placed a greater emphasis on prospective rather than historical disclosure. Our proposals include eliminating disclosure of selected annual information disclosure and the two-year summary of quarterly results. Instead, we are proposing new requirements to disclose objectives, targets and milestones and performance against those targets. Furthermore, the proposed annual report encourages the use of non-GAAP financial measures – with appropriate safeguards. The rationale for the latter is that those should be disclosed if those are the measures that management is using to evaluate performance and are communicating to investors in non-regulatory venues.

The proposed annual report also streamlines and tailors some of the existing disclosure requirements that apply to venture issuers but that are provided in other documents (for example, disclosure relating to related party transactions and changes of auditor and, as discussed in more detail below, disclosure of audit committees, governance, director and executive compensation, stock option and compensation plans). We are also attempting to remove certain of the duplication that exists with requirements under international financial reporting standards (IFRS), for example, disclosure of financial instruments and executive compensation. We are exploring whether there are further streamlining possibilities.

As discussed in more detail below a certificate signed by the CEO, CFO and two directors would be attached to the annual report.

Question #2:

- (a) Would an annual report providing an annual narrative update on the venture issuer's business, management, securities, compensation and governance be of significant benefit to venture issuer investors? Why or why not?**
- (b) Would preparing an annual report impose significant new costs for venture issuers? If yes, what would those costs be?**
- (c) Would it be appropriate to exempt capital pool companies (CPCs) or other shell companies from certain aspects of the annual report requirement? If so, which requirements?**
- (d) Would the existence of an annual report which can be used as the base disclosure document for a short form prospectus, qualifying issuer offering memorandum or TSX Venture Exchange short form offering document, encourage venture issuers to use these offering regimes?**

- (c) Elimination of three and nine month interim financial statements and associated MD&A**

One of our more significant proposals is to eliminate the requirement to produce three and nine month interim financial statements and associated MD&A. Publicly traded issuers in various respected international markets, such as the U.K., Europe and Australia are typically not required under applicable securities law to provide three and nine month interim financial statements (or first and third quarterly statements). Some of these issuers may provide interim financial statements voluntarily or may prepare them as part of the requirements of accessing a particular stock exchange or the U.S. market.

Regulatory comparability with U.S. standards can be important to market participants in Canada, in order to attract U.S. investors. However, we queried whether this was necessarily the case in the venture market where issuers are more likely to be raising funds on a more regional basis.

We recognize that this change would further differentiate the venture and senior market and any issuers moving between the venture markets and senior markets would need to address this difference. However, this difference in regulatory approach is not inconsistent with the differentiation that currently exists between the rules of the TSXV or CNSX and the TSX rules. It would permit market forces to influence when additional interim financial statements are necessary. A venture issuer would, of course, be able to voluntarily provide additional interim financial statements and MD&A should it feel that that was important to its investors.

One of the rationales for this particular proposal is that it might free up management time to focus on the critical function of successfully developing the business. To ensure investors remain apprised of material developments, we are proposing enhancements to the material change reporting requirements. We are also considering further enhancements.

Question # 3:

- (a) How significant are three and nine month interim financial statements and associated MD&A to venture issuer investors?
- (b) Do the benefits to investors of these interim financial statements and MD&A outweigh the time and costs incurred in producing them?
- (c) What aspects of these interim financial statements and MD&A are particularly significant to venture issuer investors?
- (d) Would eliminating these requirements for disclosure release significant venture issuer management time to focus on development of the business?
- (e) Do you expect many venture issuers would voluntarily provide three and nine month interim financial statements and MD&A?

(d) Mid-year report

Our proposal contemplates that venture issuers would be required to provide a mid-year report that includes both MD&A and financial statements for the six-month interim period since the start of the financial year. The mid-year report would be required 60 days after the end of the mid-year period. A mid-year report would require details of material related party transactions and, as contemplated with an annual report, disclose securities transactions by reporting insiders in the venture issuer's securities during the prior six months. A mid-year report would also update information about the venture issuer's name, office, incorporation, auditor, registrar and transfer agent, stock exchange or market and contact information if that has changed since the annual report.

Like the annual report, the mid-year report would have attached to it a certificate signed by the CEO, CFO and two directors.

(e) Disclosure standards

General - We have proposed a general disclosure standard prohibiting oral or written statements that are false or misleading. This disclosure standard would apply to required or permitted disclosure. Directors and officers of a venture issuer who authorize, permit, or acquiesce to the non-compliance would be liable for the misleading disclosure. A due diligence defence would be available.

Consistency - Our proposals include a requirement that the venture issuer take reasonable steps to ensure that oral and written statements made by it or on its behalf, including on its website are consistent with its most recently filed disclosures. This is intended to address misleading statements made in disclosure that is not filed with securities regulatory authorities, for example, statements made on websites and in chat rooms. Recognizing that it may not be possible to prevent these postings, the venture issuer would not be strictly liable; however, the venture issuer would be expected to take reasonable steps to prevent those it employs or retains from making overly promotional or misleading statements. This might be accomplished by policies or provisions that prevent or limit participation in chat rooms. The responsibility is imposed on the venture issuer and a due diligence defence would be available.

(f) Governance standards

Our proposals include new substantive governance provisions intended to tailor governance regulation to the characteristics of the venture market⁵. The goal of these new requirements would be to enhance the integrity of the venture market through meaningful but attainable standards. With the introduction of these new substantive governance requirements, we expect that certain governance disclosure could be eliminated.

In the senior markets, institutional investors and their advisers often carefully review governance disclosure and apply pressure on the issuers in which they invest to comply with expected governance standards. The risk of shareholder civil actions can be a significant factor influencing corporate behaviour. However, largely due to the lack of institutional and other large investors, these same market forces often do not operate or can be less effective in the venture market. Accordingly, we queried whether governance disclosure is as effective in the venture market as in more senior markets.

Duties of directors and executive officers - We have proposed an obligation on the directors and executive officers of a venture issuer to act honestly and in good faith with a view to the best interests of the venture issuer and to exercise the care, diligence and skill that a reasonably prudent person acting for a venture issuer would exercise in comparable circumstances.

Although similar provisions exist in the corporate law of many jurisdictions⁶, there are a number of reasons to consider introducing these requirements into securities law:

⁵ Not all jurisdictions currently have rule-making authority to introduce the requirements described below and accordingly, if we ultimately determine to proceed with these proposals, legislative amendments would be necessary in some jurisdictions to implement them.

⁶ The provisions are slightly different than those which may be found in corporate law. We have attempted to clarify that both obligations are owed to the venture issuer – not particular securityholders. The intention is to

- not all venture issuers are incorporated under a statute with such obligations;
- some venture issuers are not incorporated at all but rather are created as trusts or partnerships. The common-law may impose obligations in some circumstances but they are not always comparable; and
- as securities law provisions, these obligations could be enforced by securities regulators. Corporate law and common-law obligations are only effectively enforceable by shareholder action. This may be of significance in the venture market where venture issuer investors may not have the same persuasive powers on management and where the threat of shareholder litigation may be less likely to influence behaviour.

The risk of enforcement action could provide a deterrent to bad actors participating in the venture market. However, for the majority of the venture market participants, those that we expect are already complying with these obligations, this would not introduce a new obligation as it would simply restate an obligation to which they would appreciate they are already subject.

Although we think these new disclosure and governance standards could enhance investor protection in the venture market, it is possible that they could deter qualified managers and independent directors from becoming involved with venture issuers and providing their valuable expertise and independence.

Addressing conflicts of interest and related entity transactions and deterring illegal insider trading - We are proposing two further governance obligations.

(i) Conflict of interest requirements

The board of directors would have to take steps reasonably designed to ensure that they are made aware of, and have an opportunity to discuss, consider and address each perceived conflict of interest between the directors and executive officers and the venture issuer and each proposed material related party transaction. Related party transactions are not uncommon in the venture market and often give rise to concerns on the part of investors and regulators.

(ii) Trading policies

Venture issuers would have to take steps reasonably designed to deter persons in a special relationship with it, while in possession of undisclosed material information, from engaging in illegal insider trading or related illegal activities such as tipping or encouraging others to transact in the venture issuer's securities. The new requirement is not intended in any way to change the existing statutory prohibitions against these illegal activities nor is it intended to shift responsibility away from insiders and others in a special relationship with the issuer.

provide a consistent interpretation with that which has evolved under Canadian corporate law. Second, we have clarified that the standard of care expected is that of a venture issuer. This is intended to differentiate between the standard of care that might be expected of a more senior experienced board.

The focus of this new requirement is to encourage venture issuers to implement practices to contain undisclosed material information, such as establishing trading black-outs during the periods of time when undisclosed material information exists but cannot yet be properly disclosed.

We have provided proposed guidance on the types of policies and procedures that directors and executive officers might consider.

Question #4

- (a) Would governance in the venture market be meaningfully enhanced by mandating the following duties:
- (i) of directors and executive officers to act honestly and in good faith and to exercise the care, diligence and skill of a reasonably prudent person,
 - (ii) of boards of directors to address conflicts of interest and material related party transactions, and
 - (iii) of venture issuers to address illegal insider trading and related activities.
- (b) What issues do the introduction of these new duties raise? Would they deter qualified independent directors or executives from acting for venture issuers?

(g) Enhanced certifications

We propose that a certificate be attached to both the annual report and mid-year report which is signed by the CEO, CFO and two directors. The certificate would provide the certifications currently required under NI 52-109, i.e., that the CEO and CFO certify to the absence of a misrepresentation and the fair presentation of the disclosure. Because the annual report would include disclosures that are not currently required in the annual filings of venture issuers, e.g., executive compensation disclosure and disclosure required under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the certificate would apply to a broader range of disclosure than is currently the case.

In addition, the CEO, CFO and two directors would confirm in the certificate that all of the directors and executive officers had acknowledged their duties to act honestly and in good faith and to exercise the care, skill and judgement of a reasonably prudent person. We would expect that those certifying would have requested and received from the other directors and executive officers such an acknowledgement.

Because the directors and executive officers would already be subject to substantive obligations, we have been weighing the benefit of requiring an acknowledgement of those obligations against the additional regulatory burden associated with it. One factor that has influenced us to consider it is that we saw with the introduction of the “bare certificate” in NI 52-109, an enhanced management focus on the quality of disclosure. This seemed to occur even though directors and officers were already responsible for the disclosure and liable in the event of a misrepresentation.

Question #5:

- (a) Do you think that the proposed additional certifications would add meaningful benefits for investors beyond the benefit of the signatories legal duties?
- (b) Would the additional certifications act as a significant deterrent to qualified persons serving as executive officers or directors of venture issuers?

(h) Non-management requirements for audit committees

Current securities law does not impose any minimum level of independence on the audit committees of venture issuers. This reflects an acknowledgement that it can be very difficult for venture issuers to attract and retain independent directors. Although we recognize that the independence requirements of more senior issuers are not realistically attainable for many venture issuers, we queried whether there was some room to enhance the objective oversight of venture issuer financial reporting.

We propose a requirement that is substantially similar to that which exists in the corporate law of a number of jurisdictions, that is, that a majority of the members of an audit committee not be officers or employees of an issuer or its affiliates. We think that this is a realistically attainable standard. By introducing this requirement into securities laws, all venture issuers, whether or not they are corporations incorporated under a statute with similar provisions will be subject to it. Further, securities regulators would be able to monitor and enforce the requirement. The proposed requirement does not ensure the level of independence expected of more senior issuers, but is intended to provide a balance between enhancing the objectivity of the financial reporting oversight process for venture issuers and the difficulty venture issuers can face in attracting and retaining independent directors.

(i) Elimination of business acquisition reports and enhanced material change reporting

Our proposals eliminate the business acquisition report. These types of transactions would be subject instead to material change report-style reporting. (New note disclosure will also apply as a result of the adoption of international financial reporting standards.)

We also propose a new requirement to disclose “Disclosable Events”. A “Disclosable Event” would include material related entity transactions and “significant transactions” a term that includes significant acquisitions, significant dispositions, restructuring transactions as well as the re-filing of documents. Transactions would be significant when the value of the acquired asset or business represents 20% of the venture issuer’s market capitalization. The concept of Disclosable Event is intended to provide clarity regarding the need to report significant events.

Venture issuers would report material changes and Disclosable Events on the same form. We have proposed greater specificity regarding the type of information required to be disclosed than is currently the case with a material change report. Financial statements would not generally be required unless an acquisition was of 100% significance (based on market capitalization) to the venture issuer.

Question #6:

- (a) Do business acquisition reports provide disclosure that is important to venture issuer investors?
- (b) Would the concept of a Disclosable Event provide greater clarity regarding when significant transactions must be reported or would it introduce confusion?
- (c) Is the use of a percentage of market capital a simpler and more relevant alternative to the current significance tests (e.g., income or assets) as a measure of what is “significant” in the context of venture issuers?

Other related proposals include allowing a news release to be filed as the required report rather than requiring a separate report and eliminating the confidential material change report concept. Venture issuers would be expected to assess when the temporary confidentiality relief is no longer available. By not permitting confidential filings, venture issuers would not be able to rely on a confidential material change report filing as a defence to secondary market civil liability for a misrepresentation.

(j) Mailing requirements

We propose that annual reports, mid-year reports and information circulars need not be mailed to shareholders if an alternative “notice and access” system is used. An issuer relying on the notice and access system would be required to issue a news release with prescribed disclosure when the applicable document was filed, make it available electronically on a website and send a copy, free of charge, within three days of a request by a shareholder. The proxy form together with a notice setting out information similar to that which would be provided in the news release, would be required to be sent to shareholders.

(k) Streamlining information circular requirements

The information circular form we propose is a streamlined version of the requirements that currently exist under National Instrument 51-102 *Continuous Disclosure Obligations*. We are proposing that only disclosure strictly necessary in respect of the matters to be voted upon be provided. Executive compensation and corporate governance disclosure would not be required in the information circular. They would be required in an annual report.⁷ Biographical information with respect to continuing directors would not be required unless it had not been included in the most recent annual report. The information circular would cross-reference the applicable disclosure made in the most recently filed annual report.

Moving these disclosures from the information circular to the annual report should reduce the length of information circulars and the associated printing and mailing costs (for those issuers that are required or voluntarily choose to mail them).

In creating the proposed information circular, we considered the interplay between corporate and securities law and whether we could coordinate our proposals with the requirements under corporate law. However, corporate law in this area is not consistent across the Canada.

⁷ However, if an annual report has not been filed at the time the information circular would be filed, the information circular would be required to contain such disclosure.

There is considerable divergence in what is prescribed. Given those differences, we concluded it was not possible to coordinate the disclosure requirements. We propose instead to focus on the disclosure we consider relevant.

(l) Tailoring executive compensation and governance disclosure

We propose to combine into one section the disclosure of executive and director compensation. The rationale for this is that for venture issuers there is generally a small group of individuals running the company and there may be a fair degree of overlap between the board and management. As such, it may be useful to see all forms of compensation in one table. Our proposal does not adopt the concept of “named executive officer” or NEO as used in NI 51-102. Instead, disclosure is required of the compensation paid to all directors and executive officers.

This seemed a simpler approach and one that, in the case of venture issuers, was unlikely to result in disclosure being required of an overly large group. We propose that disclosure be provided for the CEO, CFO and any individual whose compensation exceeded that of the CEO or CFO on an individual basis, but for other executive officers and other directors, the disclosure can be aggregated. We have also not adopted the \$150,000 disclosure threshold used in NI 51-102 which results in disclosure only being provided for executive officers paid in excess of \$150,000. Any bright-line is necessarily arbitrary and, in the case of venture issuers with smaller revenues, and in some cases no revenues and only limited cash raised from financings, we questioned whether the \$150,000 bright-line was appropriate.

Our proposals also contemplate a simplified form of compensation disclosure. The various pension benefit and long term incentive plan disclosures contemplated in NI 51-102 have been replaced with a single table requiring disclosure of all compensation, of whatever nature. This reflects the generally simpler compensation arrangements of venture issuers. We are not proposing a compensation discussion and analysis requirement, but venture issuers would be required to disclose whether they used a peer group to establish compensation for their executives and whether they tie compensation to any performance criteria. (Under IFRS, a compensation discussion will be required as part of the annual financial statement disclosure.)

We propose that details of management agreements and severance packages be disclosed and that related party transactions and indebtedness be disclosed proximate to compensation disclosure. Disclosure of outstanding stock options and compensation securities is expected to be addressed in a single table and it is anticipated that it too would be disclosed in proximity to executive compensation disclosure.

Our proposals with respect to governance require that the venture issuer disclose the steps taken to comply with the substantive governance requirements and the disclosure standard. Disclosure would also be required of board committees and their members and, although there would not be a requirement for directors to be independent, disclosure would be required of any relationships that board members may have that could reasonably be expected to affect their ability to exercise independent judgement in particular circumstances.

We propose not to include certain elements of existing governance disclosure, including:

- how the board of directors facilitates independent judgement;
- steps taken to encourage a culture of ethical conduct; and
- the results of board self-assessments.

Our rationale for not including these items is that they are either covered by a substantive governance requirement or the disclosure is not typically applicable to the governance practices of venture issuers.

Disclosure in Connection with Offerings

The second aspect of our proposals relates to the offering disclosure that a venture issuer would provide to distribute securities. We propose to permit venture issuers to rely on the proposed new continuous disclosure as the base disclosure with which to comply with:

- National Instrument 44-101 *Short Form Prospectus*,
- the qualifying issuer offering memorandum exemption under National Instrument 45-106 *Registration and Prospectus Exemptions*, and
- the TSX Venture short form offering document exemption under National Instrument 45-106 *Prospectus Exemptions*.

Further, we propose to modify the disclosure requirements for a long form prospectus filed by an issuer conducting an initial public offering under National Instrument 41-101 *General Prospectus Requirements* (NI 41-101) that intends to be a venture issuer following completion of the offering. We would permit the issuer to provide essentially the type of disclosure required in an annual report in place of the disclosure required by NI 41-101. We anticipate that we would create a separate form to clarify what disclosure would be required. Among other things, this approach would mean that the issuer would not be required to include business acquisition report disclosure in the prospectus. We also propose that only two years of audited financial statements be required in an IPO prospectus of a proposed venture issuer as compared to the current three-year requirement.

We recognize that most trading occurs in the secondary market rather than the primary market. Because of this, the CSA has developed requirements designed to ensure that the disclosure required in the primary market and the secondary market is consistent. This has largely been accomplished now with respect to senior issuers. However, this is not necessarily the case currently in the venture market as venture issuers are not required to prepare and file an AIF (unless they propose to file a short form prospectus or conduct an exempt offering that requires the filing of an AIF).

The approach we are contemplating would change this, providing greater consistency between the primary and secondary venture markets, particularly through the introduction of an annual report requirement. Since venture issuers conduct the bulk of their financings using exemptions that do not require the filing of a prospectus, the enhancements to secondary market disclosure arguably are of greater significance - benefitting all investors whether buying directly from the issuer or in the secondary market.

We think that it is also possible that if these proposals were implemented, venture issuers would find prospectus offerings less costly and more attractive financing alternatives.

Annex 2 - Considerations in developing proposals

Venture market characteristics

We have heard and observed, through feedback on other projects, formal and informal avenues, investor surveys, market consultations and studies, of various characteristics of the venture market that differentiate that market from more senior markets. Our evaluation of these factors, summarized below, influenced the proposals described in this consultation paper.

<i>Venture issuer investors</i>	
<i>Who are they?</i>	<ul style="list-style-type: none"> • proportionately more likely to be retail investors with small positions • limited institutional involvement • founders and management frequently largest shareholders with controlling interest • more likely to have prior experience in the venture issuer's industry or with its management
<i>Challenges for investors</i>	<ul style="list-style-type: none"> • limited analyst coverage and fewer research reports place greater burden on investors and dealers to do their own research and follow developments • because of fewer institutional investors, shareholder influence on management may differ from that in the senior market
<i>Investment expectations</i>	<ul style="list-style-type: none"> • more likely to expect a dramatic growth strategy • less likely to expect dividend payments, or long-term, steady appreciation • recognize that smaller, developing issuers have a high failure rate, but invest with the understanding that greater risks may bring greater rewards
<i>Management focus</i>	<ul style="list-style-type: none"> • more likely to invest based on management and management's ideas and the anticipated future prospects • more interested in the amount directors and management have invested in the venture issuer – their "skin-in-the-game" • particular interest in the relationship between management compensation compared to amounts of capital spent on business development
<i>Disclosure focus</i>	<ul style="list-style-type: none"> • more likely influenced by material news releases than historical financial statements • interested in intended milestones and performance relative to milestones • concerned about discretionary expenditures and the issuer's "burn-rate" • particular interest in the details of related party transactions • interest in trading by directors and officers in the venture issuer's securities

Venture issuer investors	
Structure and management	<ul style="list-style-type: none"> • tend to have small internal staffs and proportionately smaller scale operations • limited segregation of duties even as between directors and officers
Liquidity and financial resources	<ul style="list-style-type: none"> • more limited financial resources • resource exploration and technology research and development companies <ul style="list-style-type: none"> ○ may have no foreseeable prospects of generating significant revenue, and ○ rely for a prolonged period and perhaps indefinitely, on financing to fund development and meet operational requirements • financing windows are shorter and smaller and there is less competition for their funding • smaller financings, proportionately fewer shareholders with significant positions and less analyst following all tend to create generally reduced trading liquidity
Resource challenges	<ul style="list-style-type: none"> • limited financial resources can <ul style="list-style-type: none"> ○ make it more challenging to hire staff dedicated to securities regulatory compliance matters ○ make the cost of professional and technical advisers proportionately more expensive ○ increase reliance on stock-based compensation ○ increase reliance on stock as a form of currency for acquisitions • the combination of limited financial resources and the statistically greater risk of business failure can make it more difficult to attract and compensate experienced and independent directors and management.

Resources

In an effort to identify alternative regulatory approaches to venture market regulation that might address our goals, we have, among other things:

- consulted with certain of our advisory committees;
- reviewed corporate law in various jurisdictions of Canada, academic papers and prior studies that provide insight in respect of venture issuers and current and former legislation and regulatory instruments, including for example the work of the CSA's prior proportionate regulation committee, the Ontario Securities Commission Task Force on Small Business Financing, October 1996, Quebec's "Small Business Financing in Quebec"

2001 and 2003 reports, the British Columbia Securities Commission's New Economy and Adoption of Technologies project committee report in December 2002;

- reviewed the *Principles of Securities Regulation* established by the International Organization of Securities Commissions (IOSCO), as well as IOSCO's recommendations on various matters relating to audit committees, auditor oversight, governance and ongoing disclosure by listed entities to ensure that the proposals described in this consultation paper are not inconsistent with internationally expected standards for public companies and provide the necessary investor protection to foster a vibrant venture capital market;
- considered British Columbia's Bill 38 (the proposed "principles-based/outcomes-based" securities legislation which has been passed but not proclaimed) and the associated commentary and issuer guides;
- considered the U.K. *Companies Act*, the rules of the U.K. Financial Services Authority, the rules of the London Stock Exchange's Alternative Investment Market (AIM);
- considered the U.S. SEC's small business regulations (including proposed amendments); and
- considered Australia's Corporations Act, the rules of the Australian Stock Exchange (ASX), the Australian Securities and Investments Commission (ASIC) guidance.

Annex 3 - Contact the regulators

You may direct your questions to any of the following:

<p>Tom Graham Director, Corporate Finance Alberta Securities Commission (403) 297-5355 1 877 355 0585 tom.graham@asc.ca</p>	<p>Charlotte Howdle Senior Securities Analyst, Corporate Finance Alberta Securities Commission (403) 297- 2990 1 877 355 0585 charlotte.howdle@asc.ca</p>
<p>Denise Weeres Senior Legal Counsel, Corporate Finance Alberta Securities Commission (403) 297-2930 1 877 355 0585 denise.weeres@asc.ca</p>	<p>Martin Eady Director, Corporate Finance British Columbia Securities Commission (604) 899-6530 1 800 373-6393 meady@bcsc.bc.ca</p>
<p>Andrew Richardson Deputy Director, Corporate Finance British Columbia Securities Commission (604) 899-6730 1 800 373-6393 arichardson@bcsc.bc.ca</p>	<p>Noreen Bent Manager and Senior Legal Counsel Legal Services, Corporate Finance British Columbia Securities Commission (604) 899-6741 1 800 373-6393 nbent@bcsc.bc.ca</p>
<p>Bob Bouchard Director, Corporate Finance and Chief Administrative Officer Manitoba Securities Commission (204) 945-2555 Bob.Bouchard@gov.mb.ca</p>	<p>Kevin Hoyt Director, Regulatory Affairs and Chief Financial Officer New Brunswick Securities Commission / La Commission des valeurs mobilières du Nouveau- Brunswick (506) 643-7691 Kevin.hoyt@nbsc-cvmnb.ca</p>
<p>Shirley Lee Director, Policy and Market Regulation and Secretary to the Commission Nova Scotia Securities Commission (902) 424-5441 leesp@gov.ns.ca</p>	<p>Ian McIntosh Deputy Director, Corporate Finance Saskatchewan Financial Services Commission (306) 787-5867 ian.mcintosh@gov.sk.ca</p>

Annex 4 - Sample Instrument 51-103 and Forms

Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*

PART 1 DEFINITIONS, INTERPRETATION AND APPLICATION

- 1.1 Definitions
- 1.2 Interpretation
- 1.3 Application

PART 2 DISCLOSURE RESPONSIBILITIES

- 2.1 General Disclosure Standard
- 2.2 Consistency of Disclosure
- 2.3 Defences

PART 3 GOVERNANCE RESPONSIBILITIES

- 3.1 Directors' and Executive Officers' Duties to Act Honestly and in Good Faith
- 3.2 Directors' and Executive Officers' Standard of Care
- 3.3 Conflicts of Interest and Material Related Entity Transactions
- 3.4 Audit Committees
- 3.5 Trading Policies

PART 4 PERIODIC FINANCIAL DISCLOSURE

- 4.1 Approval and Filing of Annual Report
- 4.2 Annual Report and Annual Financial Statements
- 4.3 Approval and Filing of Mid-Year Report
- 4.4 Contents of Mid-Year Report
- 4.5 First Financial Statements After Becoming a Reporting Issuer
- 4.6 Delivery Options for an Annual Report or Mid-Year Report

PART 5 PROXY SOLICITATION AND INFORMATION CIRCULARS

- 5.1 Requirements for Proxy Form and Information Circular
- 5.2 Delivery Options for Proxy Form
- 5.3 Delivery Options for Information Circular and Proxy Related Materials
- 5.4 Dissident Proxy Solicitations
- 5.5 Other Exemptions

PART 6 MATERIAL CHANGES AND DISCLOSABLE EVENTS

- 6.1 Material Change or Disclosable Event Disclosure
- 6.2 Filing Deadline for Report of Material Change or Disclosable Event
- 6.3 Contents of Report of Material Change or Disclosable Event
- 6.4 Unduly Detrimental Disclosure

PART 7 OTHER DISCLOSURE OBLIGATIONS

- 7.1 Disclosure Made in Other Jurisdictions or Sent to Securityholders
- 7.2 Change of Reporting Issuer Status or Name
- 7.3 Securityholder Documents
- 7.4 Change of Auditor
- 7.5 Financial News Release
- 7.6 Forward-Looking Information, FOFI and Financial Outlooks
- 7.7 Change in Year-End
- 7.8 Reverse Takeovers

PART 8 EXEMPTIONS

- 8.1 Discretionary Exemptions
- 8.2 SEC Issuers
- 8.3 Exemptions for Exchangeable Security Issuers, Credit Support Issuers and Foreign Issuers
- 8.4 Existing Exemptions

PART 9 EFFECTIVE DATE AND TRANSITION

- 9.1 Effective Date
- 9.2 Transition

PART 10 LANGUAGE OF DOCUMENTS

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

**Sample Instrument 51-103 Ongoing Governance and Disclosure
Requirements for Venture Issuers**

PART 1 DEFINITIONS, INTERPRETATION AND APPLICATION

1.1 Definitions

(1) In this Instrument,

“Annual Financial Statements” means

- (a) 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, the separate income statement;
- (c) a statement of financial position as at the end of each of the periods referred to in paragraph (a);
- (d) 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 explicit and unreserved statement of compliance with IFRS and that
 - (i) applies an accounting policy retrospectively in its annual financial statement,
 - (ii) makes a retrospective restatement of items in its annual financial statement, 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, the opening IFRS statement of financial position at the “date of transition to IFRS”, as that phrase is defined in Canadian GAAP, and
- (f) notes to the financial statements;

“Annual Report” means a report prepared in accordance with Form 51-103F1 *Annual and Mid-Year Reports*, other than Part 8 of that form, or as otherwise permitted by this Instrument;

“Board” or “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;

“Business” has the same meaning as that term is used in Canadian GAAP;

“CEO” means the chief executive officer or the individual performing functions similar to a chief executive officer;

“CFO” means the chief financial officer or the individual performing functions similar to a chief financial officer;

“Combination Transaction” means:

- (a) a Reverse Takeover;
- (b) an amalgamation, merger, arrangement or reorganization;
- (c) a transaction or series of transactions involving a Venture Issuer acquiring assets and issuing securities that results in
 - (i) new securityholders owning or controlling more than 50% of the Venture Issuer’s outstanding voting securities, and
 - (ii) a new person or company, a new combination of persons or companies acting together, the vendors of the assets, or new management
 - (A) being able to materially affect the control of the Venture Issuer, or
 - (B) holding more than 20% of the outstanding voting securities of the Venture Issuer, unless there is evidence showing that the holding of those securities does not materially affect the control of the Venture Issuer;
- (d) a transaction that constitutes a Significant Transaction if any reference to “20%” in any provision of the definition of Significant Transaction is read as “100%”; or
- (e) any other transaction similar to the transactions listed in paragraphs (a) to (d),

but does not include 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;

“Convert” or “Converting” includes exercising, converting or exchanging a Convertible Security;

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

“Credit Support Issuer” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

“Disclosable Event” means any one or more of the following:

- (a) a Significant Transaction;
- (b) a Material Related Entity Transaction;

- (c) a Combination Transaction;
- (d) the decision to re-file a document filed under either this Instrument or National Instrument 51-102 *Continuous Disclosure Obligations* or to restate financial information for comparative periods in financial statements for reasons other than retrospective application of a change in an accounting standard or policy or a new accounting standard and the information in the re-filed document or the restated financial information will differ materially from the information originally filed;

“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 National Instrument 51-102 *Continuous Disclosure Obligations*;

“Executive Officer” means in respect of an issuer, an individual to which any one or more of the following applies,

- (a) is the chair, vice-chair, CEO, CFO or president,
- (b) is a vice-president in charge of a principal business unit, division or function, including sales, finance or production,
- (c) performs a policy-making function in respect of the issuer,
- (d) routinely performs functions substantially similar to those which would reasonably be expected to be performed by an individual referred to in (a) or (b),

“Founder” means a person or company that is a promoter that has been actively involved in the issuer’s business at any time within either or both of

- (a) the two most recently completed financial years,
- (b) the current financial year;

“Information Circular” means an information circular prepared in accordance with Form 51-103F4 *Information Circular* or as otherwise permitted by this Instrument;

“Issuer’s GAAP” has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“Market Capitalization” means the sum of the aggregate market value of each class of equity securities of an issuer, where the market value of each class of securities is calculated by multiplying

- (a) if a class of equity securities are traded on a market that publishes closing prices (a “published market”),

- (i) the number of such class of securities that were outstanding immediately prior to the announcement of the Significant Transaction
 - by
 - (ii) the ten day volume weighted average closing price of those securities as reported by the published market on the trading day immediately prior to announcement of the Significant Transaction,
- (b) if a class of equity securities are not traded on a market that publishes closing prices but the Venture Issuer has made application to have that class of securities listed or quoted on such a market, the number of that class of securities that will be outstanding and available for trading on the published market once trading commences,
- by
- (i) if the Venture Issuer is conducting an initial public offering in connection with its application to list or quote the securities, the price per security at which the Board of Directors reasonably anticipates the securities will be issued on the initial public offering, or
 - (ii) if the Venture Issuer is not conducting an initial public offering in connection with its application to list or quote the securities, the price per security at which the Board of Directors reasonably anticipates the securities to commence trading;
- (c) if a class of equity securities do not trade on a published market and no application to list or quote that class of securities has been made,
- (i) the number of that class of securities that were outstanding immediately before the announcement of the Significant Transaction,
- by
- (ii) the fair market value of the outstanding securities of that class immediately prior to the announcement of the Significant Transaction;

“Marketplace” means

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that
 - (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, and

- (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, or
- (d) a dealer that executes a trade of an exchange-traded security outside of a Marketplace but does not include an inter-dealer bond broker;

“MD&A” means management’s discussion and analysis;

“Mid-Year Financial Statements” means

- (a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for
 - (i) the most recent Mid-Year Period, and
 - (ii) the immediately preceding Mid-Year Period, if any;
- (b) if the Venture Issuer presents the components of profit or loss in a separate income statement, the separate income statement;
- (c) 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
- (d) in the case of a Venture Issuer’s Mid-Year Financial Statements in the year of adopting IFRS, the opening IFRS statement of financial position at the “date of transition” to IFRS, as that phrase is defined in Canadian GAAP, and
- (e) notes to the financial statements;

“Mid-Year Period” means

- (a) in the case of a year other than a Transition Year, a period commencing on the first day of the financial year and ending six months before the end of the financial year;
- (b) in the case of a Transition Year, a period commencing on the first day of the Transition Year and ending
 - (i) six months and 12 months, if applicable, after the end of the old financial year, or
 - (ii) six months and 12 months, if applicable, before the end of the Transition Year;

“Mid-Year Report” means a report prepared in accordance with Part 8 of Form 51-103F1 *Annual and Mid-Year Reports* or as otherwise permitted by this Instrument;

“Principal Holder” means a person or company, other than an underwriter in the course of a distribution, that holds 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, where securities are considered to be "held" if the person or company holds the securities by way of

- (a) beneficial ownership, or control or direction, directly or indirectly, or
- (b) a combination of beneficial ownership and control or direction, directly or indirectly;

"Principal Market" means in respect of a class of securities, the market on which the greatest volume of trading in securities of that class occurred during the 10 trading days before the announcement of a Significant Transaction;

"Proxy Form" means a form of proxy prepared in accordance with Form 51-103F3 *Proxy Form* or as otherwise permitted by this Instrument;

"Registered Securityholder" means 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;

"Related Assets" means two or more assets, to which one or more of the following apply

- (a) they were under common control or management before the acquisition,
- (b) the acquisition of one was conditional upon the acquisition of the other,
- (c) the acquisitions of which were contingent upon a single common event;

"Related Business" means a Business which, in relation to a second Business, one or more of the following apply

- (a) it was under common control or management with the second Business before the acquisition,
- (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" of a Venture Issuer means a person or company that, at the relevant time, is one or more 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 a close member of the family (as defined under Canadian GAAP) of a Founder or insider,
- (c) a person or company of which a director, Executive Officer, or Founder of the Venture Issuer is a director, Executive Officer or Founder,
- (d) a director, Executive Officer or insider of the Venture Issuer or a close member of the family (as defined under Canadian GAAP) of a director, Executive Officer or insider,

- (e) a director, Executive Officer or insider of any other person or company referred to in paragraphs (b) or (c) of this definition,
- (f) an Affiliated Entity of any person or company referred to in any of paragraphs (b), (c) or (d) of this definition,
- (g) a person or company of which persons or companies described in any paragraph of this definition beneficially own, in the aggregate more than 50% of the securities of any class of equity securities;

“Related Entity Transaction” means one or more of the following:

- (a) a related party transaction as defined in Canadian GAAP,
- (b) an oral or written agreement or a transaction to which a Venture Issuer is directly or indirectly 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 or the transaction is agreed to is also a party,
- (c) a Material amendment to an agreement referred to in (b);

“Restricted Security” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

“Report of Material Change or Disclosable Event” means a report prepared in accordance with Form 51-103F2 *Report of Material Change or Disclosable Event* or as otherwise permitted by this Instrument;

“Reverse Takeover” means a reverse acquisition as defined in Canadian GAAP applicable to “publicly accountable enterprises” (as determined in accordance with the Handbook), or a transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity;

“Reverse Takeover Acquirer” means the legal subsidiary in a Reverse Takeover;

“SEC Issuer” means a Venture Issuer

- (a) that 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, and
- (b) that 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;

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

“Significant Transaction” means any of the following

- (a) the acquisition, including by lease or option, by a Venture Issuer or one or more subsidiaries of the Venture Issuer, directly or indirectly, of an asset or Business or Related Assets or Related Businesses, if
 - (i) the value of the consideration transferred (as determined in accordance with the Issuer's GAAP, except previously held equity interests must not be remeasured) for a Business or Related Businesses equals 20% or more of the Market Capitalization of the Venture Issuer, or
 - (ii) the fair value of the consideration paid directly or indirectly by the Venture Issuer or any one or more of its subsidiaries for the asset or Related Assets equals 20% or more of the Market Capitalization of the Venture Issuer,
- (b) the disposition, including by lease or option, by a Venture Issuer or one or more subsidiaries of the Venture Issuer, directly or indirectly, of an asset or Business or Related Assets or Related Businesses where the fair value of the consideration received directly or indirectly by the Venture Issuer or any one or more of its subsidiaries for the asset or Related Assets or Business or Related Businesses equals 20% or more of the Market Capitalization of the Venture Issuer, or
- (c) the decision to exit from or terminate a Business that is Material to the Venture Issuer,

“Solicit” or “Solicitation” in connection with a proxy, includes

- (a) requesting a proxy whether or not the request is accompanied by or included in a form of proxy,
- (b) requesting a securityholder to execute or not to execute a form of proxy or to revoke a proxy,
- (c) sending a form of proxy or other communication to a securityholder under circumstances that is likely to result in the giving, withholding or revocation of a proxy, or
- (d) sending a form of proxy to a securityholder by management of a Venture Issuer,

but does not include

- (e) sending a form of proxy to a securityholder in response to a unsolicited request made by or on behalf of the securityholder,
- (f) performing ministerial acts or professional services on behalf of a person or company Soliciting a proxy,
- (g) sending, by an intermediary as defined in NI 54-101, of the documents referred to in NI 54-101,
- (h) soliciting by a person or company in respect of securities of which the person or company is the beneficial owner,
- (i) publicly announcing, by a securityholder, how the securityholder intends to vote and the reasons for that decision, if that public announcement is made by

- (i) a speech in a public forum, or
 - (ii) 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;
- (j) 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
- (k) communicating, other than a solicitation by or on behalf of the management of the Venture Issuer, to securityholders in the following circumstances:
- (i) 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
 - (A) a securityholder who is an officer or director of the Venture Issuer if the communication is financed directly or indirectly by the Venture Issuer,
 - (B) 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,
 - (C) 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,
 - (D) 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
 - (E) any person or company acting on behalf of a securityholder described in any of clauses (A) to (D);
 - (ii) 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;
 - (iii) 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

- (A) 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,
 - (B) 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
 - (C) 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, or
- (iv) 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 from time to time;

“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 to which this Instrument applies.

- (2) Terms that are used in this Instrument that are not defined in this Instrument have the meaning provided by securities legislation and National Instrument 14-101 *Definitions*.

Guidance:

- (1) *Refer to the securities statute in the local jurisdiction for the definitions or meanings of “associate”, “control person”, “distribution”, “director”, “exchange contract”, “form of proxy”, “forward-looking information”, “insider”, “investment fund”, “issuer”, “material change”, “material fact”, “promoter”, “reporting issuer”, “security”, and “special relationship”.*
- (2) *Refer to National Instrument 14-101 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 Instrument, refer to National Instrument 14-101 Definitions for the meaning of that phrase in British Columbia and New Brunswick.*
- (4) *This Instrument uses accounting terms that are defined, or referred to, in Canadian GAAP. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that National Instrument 14-101 Definitions provides that a term used in this Instrument 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 statute and Canadian GAAP. Securities regulatory authorities think that the references to the term “associate” in the Instrument and its forms (e.g., item 3.1(2)(e) of Form 51-103F4 Information Circular) should be given the meaning of the term under local securities statutes since the context does not indicate that the accounting meaning of the term should be used. Where a term is used in this Instrument or one of its forms and you are required to use an accounting meaning rather than apply the definition found in securities legislation for that term, the Instrument or form indicates that.

If an issuer is permitted under National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP, then the issuer should interpret any reference in the Instrument to a term or provision defined, or referred to, in Canadian GAAP as a reference to the corresponding term or provision in the other acceptable accounting principles.

1.2 Interpretation

(1) In this Instrument

- (a) an issuer is referred to as an “Affiliated Entity” of another issuer if one of them is the Subsidiary Entity of the other or if each of them is Controlled by the same person or company,
- (b) an issuer is considered “Controlled” by another person or company if person or company has or shares the power to govern the financial and operating policies of the Venture Issuer so as to obtain benefits from its activities,
- (c) an issuer is referred to as a “Subsidiary Entity” of another issuer if it is Controlled by that other issuer,

(2) When disclosure is required of a “Material” relationship, transaction, agreement, plan or other information, disclosure is required if 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. This interpretation of “Material” does not apply to the terms “material fact” or “material change”.

1.3 Application

- (1) This Instrument applies to a reporting issuer if a class of its equity securities are listed or quoted on, or application has been made and conditional approval has been given to permit trading of a reporting issuer’s securities on, one or more of the following:
 - (a) the TSX Venture Exchange,
 - (b) the Canadian National Stock Exchange,
 - (c) the Alternative Investment Market of the London Stock Exchange,
 - (d) the PLUS markets operated by PLUS Markets Group plc,

- (e) the Alternative Market of the New Zealand Stock Exchange,
 - (f) the Bolsa de Valores de Lima/Lima Stock Exchange in Peru.
- (2) This Instrument applies to a reporting issuer if its equity securities are publicly traded in Canada.
- (3) Despite subsections (1) and (2) this Instrument does not apply to a reporting issuer if any one or more of the following applies:
- (a) it is an investment fund;
 - (b) a class of its equity securities are listed or quoted on one or more of the following
 - (i) the Toronto Stock Exchange,
 - (ii) an exchange registered as a “national securities exchange” under section 6 of the 1934 Act,
 - (iii) a Marketplace outside of Canada or the United States, other than a Marketplace referred to in subsection (1);
 - (c) BC Instrument 51-509 *Issuers Quoted in the U.S. Over-the-Counter Markets* applies to the issuer.

Guidance:

- (1) *Unless subsection 1.3(3) applies, this Instrument applies to reporting issuers whose securities trade over-the-counter.*
- (2) *For the purpose of subsection 1.3(2), we would not consider securities that are traded under exemptions from the prospectus requirement to be “publicly traded”.*
- (3) *Some examples of exchanges registered as a “national securities exchange” under section 6 of the 1934 Act include:*

- *Chicago Stock Exchange, Inc.,*
- *NASDAQ OMX BX, Inc. (formerly the Boston Stock Exchange),*
- *NASDAQ OMX PHLX, Inc. (formerly the Philadelphia Stock Exchange),*
- *The Nasdaq Stock Market LLC,*
- *NYSE Amex LLC (formerly the American Stock Exchange), and*
- *NYSE Arca, Inc.*

The SEC website provides a list of that identifies each exchange registered as a “national securities exchange”.

- (4) *In determining whether or not a reporting 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 also to the definition of “Marketplace”.*

(5) *The following instruments contain exemptions exempting from their application Venture Issuers subject to this Instrument:*

- *National Instrument 51-102 Continuous Disclosure Obligations;*
- *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings;*
- *National Instrument 52-110 Audit Committees; and*
- *National Instrument 58-101 Disclosure of Corporate Governance Practices.*

Note to Reader: If this proposal proceeds to the rule-making phase, we anticipate that both this Sample Instrument and the instruments referred to in the guidance note above would be revised to clarify precisely the time at which an issuer would be considered a Venture Issuer and when it would not. This would be relevant to an issuer moving between the venture and senior markets and to an issuer that is a new reporting issuer.

PART 2 DISCLOSURE RESPONSIBILITIES

2.1 General Disclosure Standard

- (1) A Venture Issuer must not make or authorize the making of a statement required or permitted by this Instrument, whether oral or written, that in any material respect and at the time and in the light of the circumstances in which it is made, alone, or when taken in conjunction with one or more other statements made or authorized by the Venture Issuer
 - (a) is false or misleading, or
 - (b) does not state a fact that is required to be stated or that is necessary to make the statement not misleading.
- (2) If an Executive Officer or director of a Venture Issuer authorizes, permits or acquiesces to the Venture Issuer contravening subsection (1), the Executive Officer or director also contravenes subsection (1).

2.2 Consistency of Disclosure

A Venture Issuer must take steps reasonably designed to ensure that statements, whether oral or written, made by or on its behalf, including on its website or by other electronic means, are consistent in all material respects with the corresponding statements, if any, contained in the Venture Issuer's most recently filed Annual Report and any subsequently filed Mid-Year Report, except to the extent that the statement has been supplemented or superseded by a subsequently filed document.

2.3 Defences

No person or company is guilty of breaching section 2.1 or section 2.2 if the person or company, as the case may be, did not know, and in the exercise of reasonable diligence would not have known, that the statement, in a material respect, in light of the circumstances in which it was made, alone or when taken in conjunction with one or more other statements made or authorized

by the Venture Issuer was false or misleading or did not state a fact that was required to be stated or that was necessary to make the statement not misleading.

Guidance:

For a Venture Issuer to comply with sections 2.1 or 2.2, it is important that, through its directors and management, it take reasonable steps to ensure that the disclosure made or authorized by it is not misleading. Under subsection 2.1(2) directors and Executive Officers of Venture Issuers may also be liable if they authorize, acquiesce to or permit disclosure that contravenes section 2.1(1). Accordingly, directors and Executive Officers should exercise diligence with respect to the accuracy and completeness of the disclosure made or authorized by the Venture Issuer.

Securities legislation in some jurisdictions also prohibits making misrepresentations and misleading statements and may make a contravention an offence, punishable by significant fines and/or imprisonment.

Further, investors may have the ability to bring a legal action in court if there is a misrepresentation or misleading statement. The securities statutes of some jurisdictions provide investors with statutory rights that may make it easier to sue in court for a misrepresentation.

Note to Reader: If this proposal proceeds to the rule-making phase, the above provisions of Part 2 would likely be pursued as statutory amendments rather than as part of a regulatory instrument. For simplicity, for the purposes of consultation, the provisions have been included in this part of the Sample Instrument.

PART 3 GOVERNANCE RESPONSIBILITIES

3.1 Directors' and Executive Officers' Duties of Honesty and Good Faith

The directors and Executive Officers of a Venture Issuer owe a duty to the Venture Issuer to act honestly and in good faith with a view to the best interests of the Venture Issuer.

3.2 Directors' and Executive Officers' Standard of Care

The directors and Executive Officers of a Venture Issuer owe a duty to the Venture Issuer to exercise the care, diligence and skill that a reasonably prudent person acting for a Venture Issuer would exercise in comparable circumstances.

Guidance:

The duty of honesty and good faith owed by the directors and Executive Officers under this Instrument are intended to be substantially the same as those owed by corporate directors and officers under business corporation law in Canada.

The duty of care owed by the directors and Executive Officers under this Instrument is intended to be very similar to that owed by corporate directors and officers under business corporation law in Canada. However, the standard of care is qualified to clarify that the standard is that expected of a reasonably prudent person acting for a Venture Issuer.

These provisions are not intended to create duties to any person or company other than the Venture Issuer.

Any defences available under similar business corporation law would be expected to apply in this context as well.

Note to Reader: If this proposal proceeds to the rule-making phase, the above provisions of Part 3 might be pursued as statutory amendments rather than as part of a regulatory instrument. However, for ease of reference, for the purposes of consultation, they have been included in this part of the Sample Instrument.

3.3 Conflicts of Interest and Material Related Entity Transactions

- (1) The directors of a Venture Issuer must take steps reasonably designed to ensure that they are made aware of and have an opportunity to discuss and consider in a timely fashion, having regard to the best interests of the Venture Issuer,
 - (a) each conflict of interest between the Venture Issuer and any of its directors or Executive Officers, and
 - (b) each proposed Material Related Entity Transaction and the consideration to be paid or received by the Venture Issuer.
- (2) The directors may delegate its responsibility under subsection (1) to a committee of the Board comprising at least three directors.

Guidance:

We consider a “conflict of interest” to be one which a reasonable person would consider might conflict with the ability of a director or Executive Officer to act honestly and in good faith with a view to the best interests of the Venture Issuer.

The Board of Directors should develop the policies and processes that it thinks are appropriate to accomplish the purposes described in section 3.3.

Boards might wish to consider having policies and processes in place that:

- (a) *are implemented through written corporate policies or by way of conditions of employment or retention included as part of employment and consulting agreements;*
- (b) *describe the circumstances under which directors and Executive Officers of the Venture Issuer would be expected to disclose conflicts of interest to the Board of Directors;*
- (c) *describe the circumstances under which directors and Executive Officers would be expected to disclose proposed Related Entity Transactions to the Board;*
- (d) *assist the Board in determining whether directors and Executive Officers are aware of the Venture Issuer’s policies on conflicts of interest and Related Entity Transactions;*
- (e) *describe what disclosure and reporting to the Board is expected and when it is required in order to ensure the Board of Directors gets sufficient information and has an opportunity to consider the nature, effect and significance of the actual or perceived conflict of interest or Material Related Entity Transaction; and*

(f) *the process the Board would use to review and assess the disclosure and reporting it has received.*

3.4 Audit Committees

- (1) The Board of Directors of a Venture Issuer must appoint an audit committee composed of at least three directors a majority of whom are not Executive Officers or employees of the Venture Issuer or an Affiliated Entity of the Venture Issuer.
- (2) The audit committee of a Venture Issuer must
 - (a) oversee the process of selecting and appointing an auditor,
 - (b) oversee the audit services provided to the Venture Issuer by the auditor and the auditor's relationship with the Venture Issuer's management, including by
 - (i) monitoring any 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 services,
 - (ii) meeting annually with the auditors, independent of the Executive Officers of the Venture Issuer, prior to 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) meeting with the auditor at such other times as reasonably necessary, and
 - (iv) reviewing and approving the hiring policies regarding employees and consultants previously employed by the Venture Issuer's auditor,
 - (c) review the Annual Financial Statements, the auditor's report relating to those Annual Financial Statements and the associated MD&A contained in the Annual Report, and make a recommendation to the Board of Directors regarding whether to approve that disclosure,
 - (d) review the financial statements and associated MD&A contained in the Mid-Year Report and either, if authorized to do so, approve that disclosure or make a recommendation to the Board of Directors regarding whether to approve that disclosure,
 - (e) review each news release containing financial information derived from the Annual Financial Statements or Mid-Year Financial Statements prior to the news release being issued, and
 - (f) establish procedures reasonably designed to ensure each of the following

- (i) they receive and have an opportunity to consider and address each complaint or concern regarding questionable accounting, internal accounting controls and auditing matters,
- (ii) complaints and concerns can be submitted to a non-management member of the audit committee or another individual designated by the audit committee who is not a member of management or a family member of management, and
- (iii) that employees and consultants of the Venture Issuer can submit such complaints or concerns on a confidential and no-names basis.

Guidance:

Section 4.1(2) requires that the Board of Directors approve the Annual Report. Section 4.3(3) requires that either the Board of Directors or the audit committee approve the Mid-Year Report.

3.5 Trading Policies

- (1) A Venture Issuer must take steps reasonably designed to deter persons and companies who are in a special relationship with the Venture Issuer, when they have knowledge of a material fact or material change with respect to the Venture Issuer that has not been generally disclosed, from
 - (a) buying or selling or otherwise entering into a transaction with respect to a prescribed security,
 - (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 prescribed security,
- (2) For the purposes of this section and section 7.2 of Form 51-103F1, a prescribed security means any of the following
 - (a) a security issued by the Venture Issuer,
 - (b) a put, call, option or other right or obligation to buy or sell a security of the Venture Issuer,
 - (c) an instrument, agreement, security or exchange contract, the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security of the Venture Issuer, or
 - (d) any other instrument, agreement or understanding that affects, directly or indirectly, the economic interest of a person or company in respect of a security or an exchange contract of the Venture Issuer.

Guidance:

- (1) *The Board of Directors should develop the policies and processes it thinks necessary and appropriate to comply with section 3.5.*

Establishing certain policies and procedures could significantly assist the Board in complying with section 3.5, for example, policies and procedures that:

- (a) *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;*
- (b) *assist the Board in determining who typically has access to undisclosed material information;*
- (c) *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 two trading days) after filing of the Annual Report, Mid-Year Report or a news release containing Material information;*
- (d) *set out procedures for limiting the persons or companies who have access to Material undisclosed information prior to it being properly disclosed; and*
- (e) *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 appropriate steps can be taken to deal with it.*

Policies and processes 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.

Part 5 of National Policy 51-201 Disclosure Standards provides guidance on establishing corporate disclosure policies and insider trading policies and other useful disclosure practices.

- (2) *Part 3 of National Policy 51-201 Disclosure Standards provides additional guidance on the meanings of "special relationship" and "necessary in the course of business". Part 4 provides guidance on assessing materiality.*

PART 4 PERIODIC FINANCIAL DISCLOSURE

4.1 Approval and Filing of Annual Report

- (1) A Venture Issuer must file an Annual Report for each financial year ended after becoming a Venture Issuer.
- (2) A Venture Issuer must file an Annual Report on or before the 120th day after the end of its 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 3.4(2), the audit committee is required to first make a recommendation to the Board of Directors regarding whether to approve the Annual Financial Statements, applicable auditor's report and associated MD&A forming part of the Annual Report.

4.2 Annual Report and Annual Financial Statements

- (1) A Venture Issuer must prepare an Annual Report in accordance with Form 51-103F1 *Annual and Mid-Year Reports*.
- (2) A Venture Issuer's Annual Financial Statements must be audited.
- (3) If a Venture Issuer has outstanding Restricted Securities, or securities that are directly or indirectly Convertible into 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 National Instrument 51-102 *Continuous Disclosure Obligations* and include the disclosure required by Part 10 of that instrument in the Annual Report.

Guidance:

- (1) *Form 51-103F1 Annual and Mid-Year Reports, requires that the Venture Issuer's Annual Financial Statements and the associated auditor's report be included in the Annual Report. Part 10 of that Form also requires that the Annual Report be certified by the CEO, CFO and two directors (other than the CEO and CFO) or if there are not two other directors, by the entire Board.*
- (2) *Because the definition of Annual Financial Statements in this Instrument includes both the financial statements for the most recently completed financial year and the corresponding statements for the financial year immediately preceding the most recently completed financial year, a Venture Issuer will generally be required to include audited financial statements for the two most recently completed financial years.*

4.3 Approval and Filing of Mid-Year Report

- (1) A Venture Issuer must file a Mid-Year Report for each Mid-Year Period ended after becoming a Venture Issuer.
- (2) A Venture Issuer must file a Mid-Year Report, on or before the 60th day after the end of its most recently completed Mid-Year Period.
- (3) The Board of Directors or the audit committee of the Venture Issuer, must approve the Mid-Year Report before it is filed.

4.4 Contents of Mid-Year Report

A Venture Issuer must prepare its Mid-Year Report in accordance with Form 51-103F1 *Annual and Mid-Year Reports*.

Guidance:

Form 51-103F1 Annual and Mid-Year Report, requires that the Venture Issuer's Mid-Year Financial Statements be included in the Mid-Year Report. Part 10 of that Form also requires that the Mid-Year

Report be certified by the CEO, CFO and two members of the Board of directors (other than the CEO and CFO) or if there are not two other directors, by the entire Board.

4.5 First Financial Statement After Becoming a Reporting Issuer

- (1) Despite any provisions of this Part, a Venture Issuer after becoming a reporting issuer must file the financial statements for the financial year and Mid-Year Period immediately following the periods covered by the financial statements 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 financial statements for a period that ended on or before the Venture Issuer became a reporting issuer, those financial statements 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, and
 - (ii) the filing deadline in section 4.1.
 - (b) in the case of Mid-Year Financial Statements,
 - (i) the 10th day after the Venture Issuer became a reporting issuer, and
 - (ii) the filing deadline in section 4.3.
- (3) A Venture Issuer is not required to provide comparative financial information for Mid-Year Periods that ended before the Venture Issuer became a reporting issuer if
 - (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 Mid-Year Financial Statements,
 - (b) the prior-period information that is available is presented, and
 - (c) the notes to the Mid-Year Financial Statements disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent Mid-Year Financial Statements.
- (4) Annual Financial Statements filed under this Part must be audited.

Guidance:

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 Mid-Year Financial Statements. 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.

4.6 Delivery Options for an Annual Report or Mid-Year Report

A Venture Issuer must send its Annual Report and Mid-Year Report to each Registered Securityholder using one of the methods described in paragraphs (a) to (c), below:

- (a) the procedures set out in section 4.6 of National Instrument 51-102 *Continuous Disclosure Obligations*;
- (b) any delivery method to which the Registered Securityholder consents;
- (c) the notice and access procedures set out below
 - (i) the Venture Issuer must issue a news release disclosing the filing of each Annual Report and Mid-Year Report as soon as reasonably practicable, and in any event within three business days of the filing,
 - (ii) the news release must
 - A. provide the address of the SEDAR website and the specific address and/or a link to the specific page on another website, at which the Annual Report or Mid-Year Report, as applicable, can be viewed electronically,
 - B. disclose that a Registered Securityholder may request from the Venture Issuer a copy of the most recently filed Annual Report or Mid-Year Report, as applicable, free of charge, and
 - C. disclose contact details including at least a toll-free phone number, which may be a number that permits collect calls, through which the request can be made, and
 - (iii) if a Registered Securityholder of the Venture Issuer requests a copy of an Annual Report or Mid-Year Report, the Venture Issuer must send the most recently filed Annual Report or Mid-Year Report, as applicable, to the Registered Securityholder, without charge, as soon as reasonably practicable following the request and, in any event, within three 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 consents.

Guidance:

- (1) *Section 4.6 of this Instrument permits use of a notice and access system as an alternative to mailing the Annual Report and Mid-Year Report. However, applicable corporate law or the legal documents creating or establishing the issuer may impose a requirement that the financial statements be placed before or sent to the securityholders.*
- (2) *This Instrument only addresses the notification and delivery requirements for Registered Securityholders. National Instrument 54-101 Communication with Beneficial Owners of*

Securities of a Reporting Issuer addresses delivery obligations with respect to beneficial securityholders.

- (3) *References to “interim financial statements” and “interim MD&A” as used in section 4.6 of National Instrument 51-102 Continuous Disclosure Obligations mean, in the context of this Instrument, the Mid-Year Report.*

PART 5 PROXY SOLICITATION AND INFORMATION CIRCULARS

5.1 Requirements for Proxy Form and Information Circular

- (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, other than itself, whose proxy is Solicited, an Information Circular.
- (3) A Proxy Form required to be filed or sent under this Part must comply with Form 51-103F3 *Proxy Form*.
- (4) An Information Circular required to be filed or sent under this Part must comply with Form 51-103F4 *Information Circular*.
- (5) A person or company required to send a document under this Part, must promptly file
- (a) a copy of that document, and
 - (b) all other material sent to Registered Securityholders in connection with the applicable meeting.

5.2 Delivery Options for Proxy Form

A person or company required to send a Proxy Form to a Registered Securityholder under this Part must use one of the methods described below:

- (a) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period, or
- (b) in respect of a Registered Securityholder of the Venture Issuer, any delivery method to which that Registered Securityholder consents.

5.3 Delivery Options for Information Circular and Proxy Related Material

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 of the methods below:

- (a) send paper copies by prepaid mail, courier or another method that provides for delivery in an equivalent time period,
- (b) any delivery method to which the Registered Securityholder of the Venture Issuer consents,
- (c) the notice and access procedures as set out below
 - (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 (1)(a) or (b), a document (the “access document”) containing all of the following information:
 - A. the date, time and location of the Venture Issuer’s securityholder meeting,
 - B. a summary of the matters to be voted on,
 - C. an explanation of how to electronically access the Information Circular and other proxy-related materials, including both the SEDAR website and the specific location on another website or a link to the specific page on another website, where the Information Circular and other 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, and
 - F. an explanation of how the Registered Securityholder is to execute and return the Proxy Form, including any deadline for return of proxies, and
 - (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 the following:
 - A. the information required in the access document;
 - B. if management is using the procedures in this paragraph (1)(c) 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 by paragraph (a) 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 toll-free 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 three business days after the request is received; and
 - (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 (a).

Guidance:

- (1) *Section 5.3 of this Instrument 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 Instrument only addresses the notification and delivery requirements for Registered Securityholders. National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer addresses delivery obligations with respect to beneficial securityholders.*

5.4 Dissident Proxy Solicitations

- (1) Despite subsection 5.1(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 Combination Transaction,
 - (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 by sections 2.2 and 6.1(b) and (d) of Form 51-103F4 *Information Circular*,
 - 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, and
 - D. a statement identifying the document referred to in paragraph (b)(ii)A and indicating that it is or will be available at www.sedar.com, and
- (ii) the following documents are filed:
- A. a document containing the information required by subparagraph (b)(i), other than (b)(i)D,
 - B. any information required to be disclosed or sent to securityholders by the laws under which the Venture Issuer is incorporated, organized or continued, and
 - 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 by Part 3 of Form 51-103F4 *Information Circular* 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 section (1) will not be considered to be made to the public unless it is disseminated in a manner calculated to be reasonably effective in reaching the marketplace for the Venture Issuer's voting securities by way of one or more of the following:
- (a) a speech in a public forum that is generally accessible, or
 - (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 Significant Transaction or Combination Transaction involving the Venture Issuer and the person or company, under which the securities of the person or company, or securities of an Affiliated Entity 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 Form 51-103F4 *Information Circular* in respect of either or both of a Significant Transaction and Combination Transaction, as applicable, 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 himself or herself, for election as a director of the reporting issuer, unless
- (a) the person or company has filed an Information Circular or other document containing the information required by of Form 51-103F4 *Information Circular* 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 and Solicitation in this Instrument 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.

5.5 Other Exemptions

- (1) Section 5.1(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 5.1 to 5.4 do not apply to a reporting 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 person or company in connection with the meeting.

PART 6 MATERIAL CHANGES AND DISCLOSABLE EVENTS

6.1 Material Change or Disclosable Event Disclosure

Promptly following either or both of a material change or a Disclosable Event occurring, a Venture Issuer must issue and file a news release disclosing each material change and Disclosable Event.

6.2 Filing Deadline for Report of Material Change or Disclosable Event

As soon as practicable but in any case by the 10th day after either or both of a material change or Disclosable Event occurring, a Venture Issuer must file a Report of Material Change or Disclosable Event, disclosing each material change and Disclosable Event.

6.3 Contents of Report of Material Change or Disclosable Event

A Venture Issuer must prepare a Report of Material Change or Disclosable Event either

- (a) in accordance with Form 51-103F2 *Report of Material Change or Disclosable Event*, or
- (b) as a news release which
 - (i) contains the information required by Form 51-103F2 *Report of Material Change or Disclosable Event*, other than that relating to a prior news release, and
 - (ii) in the title of the news release identifies whether the report is a report of a material change or a Disclosable Event.

Guidance:

If a Report of Material Change or Disclosable Event is prepared in the form of a news release under subsection 6.3(b) and filed in the SEDAR category for reports of material change, it does not need to also be filed as a news release.

6.4 Unduly Detrimental Disclosure

- (1) Despite section 6.1, a Venture Issuer may temporarily delay publicly disclosing a material change or Disclosable Event if,
 - (a) in the opinion of the Board of Directors, acting reasonably, the disclosure required by section 6.1 would be unduly detrimental to the legitimate interests of the Venture Issuer, and
 - (b) senior management has no reason to believe that any person or company with knowledge of the material change or Disclosable Event has made use of that knowledge in buying or selling securities of the Venture Issuer.
- (2) A Venture Issuer can no longer rely on subsection (1) and must promptly comply with sections 6.1, 6.2 and 6.3 if
 - (a) the circumstances in paragraphs 1(a) and 1(b) cease to exist, or

- (b) the Venture Issuer becomes aware, or has reasonable grounds to believe, that any person or company has bought or sold or is buying or selling securities of the Venture Issuer with knowledge of the undisclosed material change or Disclosable Event.

PART 7 OTHER REQUIRED DISCLOSURE

7.1 Disclosure Made in Other Jurisdictions or Sent to Securityholders

- (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 one or more of the following applies, it
 - (a) sends it to its securityholders,
 - (b) files it with a securities regulatory authority or securities regulator, in another province or territory,
 - (c) in the case of an SEC Issuer, files it 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, or
 - (d) files it 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 it is reasonably practicable.

Guidance:

National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency requires that, subject to certain exceptions, all financial statements “filed” be prepared in accordance with Canadian GAAP and all auditors’ reports be prepared in accordance with Canadian GAAS. Accordingly, if a financial statement and/or auditors’ report is required to be filed because of section 7.1, it must comply with National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency.

7.2 Change of Reporting Issuer Status or Name

- (1) A Venture Issuer must file a notice in each of the following circumstances:
 - (a) promptly after it becomes a reporting issuer, other than by filing a prospectus,
 - (b) promptly after it changes its name,
 - (c) promptly after ceasing to be a reporting issuer.
- (2) Disclose in the notice the significant terms of any transaction that occurred in connection with the change of status.

- (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 6 and files a copy of the Report of Material Change or Disclosable Event in the SEDAR category for changes in status.

Guidance:

- (1) *If an issuer that ceases to be a reporting issuer fails to file the applicable notice, securities regulators will not receive notice to update their records and may continue to report the issuer on a list of defaulting issuers.*
- (2) *National Instrument 51-102 Continuous Disclosure Obligations requires a notice to be filed when a Venture Issuer ceases to be a Venture Issuer.*

7.3 Securityholder Documents

A Venture Issuer must file the following documents as soon as practicable after becoming a reporting issuer or in the case of a Venture Issuer that is already a reporting issuer within 10 days of approving or adopting, as applicable, such document or any Material amendment to such document:

- (a) the constating documents establishing the Venture Issuer, including any articles or memorandum of incorporation, association, amalgamation or continuation;
- (b) the Venture Issuer's existing by-laws or similar instruments;
- (c) any Material securityholder or voting trust agreement that the Venture Issuer has access to; and
- (d) any Material 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;

7.4 Change of Auditor

- (1) This section does not apply to a change of auditor required by legislation or resulting from a take-over, reorganization, merger or amalgamation unless one of the principal purposes of that transaction is to avoid making the disclosure required by this section.
- (2) A Venture Issuer that changes its auditor must, as soon as practicable following the change,
 - (a) prepare and deliver to its former and successor auditors a report describing the reasons for and circumstances surrounding the change, including details of any disagreement or reason related to the content or presentation of the Venture Issuer's financial statements, any modified opinion related to the Venture Issuer's financial statements, and the nature and extent of discussions between the Venture Issuer's former auditor and its audit committee or Board of Directors, and
 - (b) file a notice disclosing the change of auditor.

- (3) If a former or successor auditor concludes that the Venture Issuer's report fails to fairly and fully provide the information required by paragraph 7.4(2)(a), it must deliver a letter notifying the securities regulator of the deficiency.

Guidance:

Form 51-103F4 Information Circular requires that the report referred to in paragraph 7.4(2)(a) 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.

7.5 Financial News Release

If a Venture Issuer issues a news release disclosing information about its financial performance or financial condition for any financial period for which the Venture Issuer has prepared financial statements, the Venture Issuer must promptly file that news release.

Guidance:

Section 3.4 requires that the news release be approved by the audit committee prior to public disclosure.

7.6 Forward-Looking Information, FOFI and Financial Outlooks

- (1) This section does not apply to oral statements and subsections (2) and (3) do not apply to disclosure
 - (a) subject to the requirements of either or both of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, or
 - (b) that has previously been exempted from the applicable requirements of paragraph (3)(a) provided that that exemption has not been removed.
- (2) A Venture Issuer that discloses Material forward-looking information ("FLI"), must have a reasonable basis for that FLI, and must, in connection with disclosing the Material FLI,
 - (a) identify the statements that contain the Material FLI,
 - (b) caution users of the Material FLI that actual results may vary from the Material FLI and identify Material known and reasonably foreseeable risk factors that could cause actual results to differ materially from the Material FLI,
 - (c) state the Material factors or assumptions used to develop the Material FLI, and
 - (d) describe any policy of the Venture Issuer for updating Material FLI, beyond that which is required by section 2.8 of Form 51-103F1 *Annual and Mid-Year Reports*.
- (3) A Venture Issuer may only disclose Material FLI 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, as "future oriented financial information" or "FOFI", or presented in some other manner as a "financial outlook") if

- (a) at the time of disclosure, the assumptions 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 financial statements for the period covered by such information.
- (4) A Venture Issuer that discloses information described in subsection (2) must, in addition to making the disclosure required by paragraph (1),
- (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.

Guidance:

In addition to the provisions in this Instrument 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 marking the forecast or project set out in the forward-looking information.

7.7 Change in Year End

- (1) A Venture Issuer that decides to change its financial year-end must promptly file a notice disclosing
- (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 and comparative periods of the Mid-Year and Annual Financial Statements to be filed for its Transition Year and new financial year, and
 - (d) the filing deadlines, respectively, for the Mid-Year Report 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 Mid-Year Period after an old financial year must not exceed seven months.
- (3) Despite section 4.3, a Venture Issuer is not required to file a Mid-Year 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 nine months in length, the Venture Issuer must include 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 explicit and 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.
- (5) If the Mid-Year Period for the Venture Issuer's Transition Year ends six or 12 months after the end of its old financial year, the Venture Issuer must include as comparative financial information in its Mid-Year Financial Statements
 - (a) during its Transition Year, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding Mid-Year Period in the immediately preceding financial year, except if a Mid Year 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; and
 - (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 Mid-Year Period in the new financial year, and
 - (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 Mid-Year Financial Statements a statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* and that
 - (i) applies an accounting policy retrospectively in its annual financial statement,
 - (ii) makes a retrospective restatement of items in its annual financial statement, or
 - (iii) reclassifies items in its annual financial statements.
- (6) If the Mid-Year Period for a Venture Issuer's Transition Year ends six or 12 months before the end of the Transition Year, the Venture Issuer must include
- (a) as comparative financial information in its interim financial reports during its Transition Year
 - (i) a statement of financial position as at the end of its old financial year, and
 - (ii) 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 Mid-Year Period in the Transition Year; and
 - (b) as comparative financial information in its Mid-Year Financial Statements 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 Mid-Year period in the new financial year;
 - (c) in the case of a Venture Issuer that discloses in its Mid-Year Financial Statements a 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 Mid Year Financial Statements,

- (ii) makes a retrospective restatement of items in its Mid-Year Financial Statements, or
- (iii) reclassifies items in its Mid-Year Financial Statements.

7.8 Reverse Takeovers

- (1) If a Venture Issuer's year end will change in connection with a Reverse Takeover to which it is a party, the Venture Issuer must provide the disclosure for the Reverse Takeover Acquirer required by section 7.7 unless
 - (a) the Venture Issuer and the Reverse Takeover Acquirer had the same year end before the transaction, or
 - (b) the Venture Issuer changes its year end to be the same as that of the Reverse Takeover Acquirer.
- (2) A Venture Issuer that completes a Reverse Takeover, must file the following financial statements for the Reverse Takeover Acquirer, unless the financial statements have already been filed:
 - (a) audited Annual Financial Statements for all financial years and Mid-Year Financial Statements for all Mid-Year Periods ending before the date of the Reverse Takeover and after the date of the financial statements included in
 - (i) an Information Circular or similar document, or
 - (ii) under section 2.6 of Form 51-103F2 *Report of Material Change or Disclosable Event*,
prepared in connection with the Reverse Takeover; 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 of the Reverse Takeover Acquirer that would be required to be included in a prospectus, the financial statements that the Reverse Takeover Acquirer would be required to provide in the form of a prospectus the Reverse Takeover Acquirer was eligible to file immediately prior to the Reverse Takeover.
- (3) The Annual Financial Statements required by subsection (2) must be filed by the later of
 - (a) the 20th day after the date of the Reverse Takeover, and
 - (b) the 120th day after the end of the financial year.
- (4) The Mid-Year Financial Statements required by subsection (2) 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 Mid-Year Period, and

- (c) the filing deadline in subsection (3).
- (5) A Venture Issuer is not required to provide comparative Mid-Year Period financial information in the financial statements of the Reverse Takeover Acquirer for periods that ended before the date of a Reverse Takeover if it is impracticable. If applicable, the notes to the Mid-Year Financial Statements must disclose that the prior period information was not prepared on the same basis as the most recent Mid-Year Financial Statements.

Guidance:

See the guidance following subsection 4.5 of this Instrument regarding the meaning of the word “impracticable”.

PART 8 EXEMPTIONS

8.1 Discretionary Exemptions

Note to reader: This section will provide the authority or otherwise indicate the basis on which a discretionary exemption may be granted.

8.2 SEC Issuers

- (1) A Venture Issuer that is an SEC Issuer satisfies the requirements of section 4.2 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 (a), the information required by Item 402 “Executive Compensation” of Regulation S-K under the 1934 Act other than, as a foreign private issuer, by providing the information required by 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 by 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 by the following items of Form 51-103F1 *Annual and Mid-Year Reports*
 - (i) subsections 2.4(3) to (6) (MD&A disclosure for Venture Issuers without significant revenues),
 - (ii) section 2.5 Objectives, Performance Targets and Milestones,
 - (iii) section 2.7 Significant Equity Investees,

- (iv) section 2.8 Forward-Looking Information, FOFI and Financial Outlooks,
 - (v) section 3.1 Outstanding, Escrowed and Fully-Diluted Securities
 - (vi) section 3.2 Trading Price and Volume
 - (vii) section 4.2, Directors' and Executive Officers' Biographical Information and Securityholdings, but only as it relates to securityholdings, and
 - (viii) section 4.3 Summary of Securities Transactions by Reporting Insiders,
- (e) files together or concurrently with the report referred to in paragraph (a) the certificates required by
- (i) paragraph 10.3(2) and 10.4 of Form 51-103F1 *Annual and Mid-Year Report*, and
 - (ii) if the disclosure required by either or both of paragraphs (b) and (d) are not included in the report referred to in (a), the certificates required by paragraph 10.3(1) of Form 51-103F1 *Annual and Mid-Year Report* modified as necessary to indicate that the certification applies to the disclosure required by paragraphs (b) and (d).
- (2) A Venture Issuer that is an SEC Issuer satisfies the requirements of section 4.3 with respect to a Mid-Year Report for a Mid-Year Period if it
- (a) files each Form 6-K required under the 1934 Act that was prepared for an interim period ending during the Mid-Year Period and containing the Venture Issuer's quarterly financial statements and MD&A,
 - (b) is in compliance with the SOX 302 Rules and files the signed certificates required by the SOX 302 Rules relating to the report referred to in paragraph (a) together or concurrently with that report, and
 - (c) discloses in the report referred to in paragraph (a) prepared for an interim period ending at the end of the Venture Issuer's Mid-Year Period, or files together with or concurrently with that report, a document which includes the disclosure required by the following items of Form 51-103F1 *Annual and Mid-Year Reports*
 - (i) subsections 2.4(3) to (6) (MD&A disclosure for Venture Issuers without significant revenues),
 - (ii) section 2.7 Significant Equity Investees,
 - (iii) section 2.8 Forward-Looking Information, FOFI and Financial Outlooks,
 - (iv) section 4.3 Summary of Securities Transactions by Reporting Insiders, and
 - (v) section 8(3) (financial statement requirements for a Mid-Year Report),

- (d) files together or concurrently with the report referred to in paragraph (a) prepared for an interim period ending at the end of the Venture Issuer’s Mid-Year Period, the certificates required by
 - (i) paragraph 10.3(2) and 10.4 of Form 51-103F1 *Annual and Mid-Year Report*, and
 - (ii) if the disclosure required by paragraph (c) is filed separately from the report referred to in (a), the certificates required by paragraph 10.3(1) of Form 51-103F1 *Annual and Mid-Year Report* modified as necessary to indicate that the certification applies to the disclosure required by paragraph (c).
- (3) Section 5.3(c) does not apply to a Venture Issuer that is 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 7.7 if:
 - (a) it complies with the requirements of U.S. federal securities laws relating to a change of fiscal year; and
 - (b) it 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 Mid-Year Reports, no later than the filing deadlines prescribed under sections 4.1 and 4.3.

Guidance:

Section 7.1(1)(c) of this Instrument 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 regulator.

8.3 Exemptions for Exchangeable Security Issuers, Credit Support Issuers and Foreign Issuers

- (1) An Exchangeable Security Issuer satisfies the requirements of this Instrument if it qualifies under and complies with section 13.3 of National Instrument 51-102 *Continuous Disclosure Obligations*.
- (2) A Credit Support Issuer satisfies the requirements of this Instrument if it qualifies under and complies with section 13.4 of National Instrument 51-102 *Continuous Disclosure Obligations*.

Note to Reader: If this proposal proceeds to the rule-making phase, we contemplate that National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* would provide exemptions for Venture Issuers that are “SEC foreign issuers” or “designated foreign issuers” as defined in that instrument.

8.4 Existing Exemptions

- (1) A Venture Issuer that was entitled to rely on an exemption, waiver or approval granted to it by a securities regulator or securities regulatory authority relating to continuous disclosure requirements of securities legislation or securities directions under one of the following instruments, is exempt from each substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval:
 - (a) National Instrument 51-102 *Continuous Disclosure Obligations*;
 - (b) National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;
 - (c) National Instrument 52-110 *Audit Committees*; and
 - (d) National Instrument 58-101 *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 EFFECTIVE DATE AND TRANSITION

9.1 Effective Date

This Instrument comes into force on •

9.2 Transition

Note to Reader: This section intentionally left blank in consultation draft.
--

PART 10 LANGUAGE OF DOCUMENTS

- (1) A document required to be filed under this Instrument must 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 that other version not later than when it is first delivered to securityholders.
- (3) If a person or company files a document under this Instrument 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.

Form 51-103F1
Annual and Mid-Year Reports

Table of Contents

PART 1 INSTRUCTIONS

- 1.1 Overview of Reports
- 1.2 Guidelines for MD&A
- 1.3 Defined Terms
- 1.4 Repetition and Incorporating Information by Reference
- 1.5 Plain Language
- 1.6 Format
- 1.7 Omitting Information
- 1.8 Date of Information
- 1.9 Forward-Looking Information
- 1.10 Reverse Takeover Transactions
- 1.11 Available Prior Period Information
- 1.12 Use of “Financial Condition”
- 1.13 Table of Contents

PART 2 DISCLOSURE OF BUSINESS

- 2.1 Cover Page
- 2.2 Corporate Structure
- 2.3 Description of Business
- 2.4 Two-Year History and MD&A in an Annual Report
- 2.5 Objectives, Performance Targets and Milestones
- 2.6 Off-Balance Sheet Arrangements
- 2.7 Significant Equity Investees
- 2.8 Forward-Looking Information, FOFI and Financial Outlooks
- 2.9 Risk Factors
- 2.10 Legal and Regulatory Proceedings
- 2.11 Material Contracts

PART 3 SECURITIES AND TRADING

- 3.1 Outstanding, Escrowed and Fully-Diluted Securities
- 3.2 Trading Price and Volume

**PART 4 BIOGRAPHICAL AND SECURITY INFORMATION FOR DIRECTORS,
OFFICERS, PROMOTERS AND OTHERS**

- 4.1 Founders, Principal Holders and Control Persons
- 4.2 Directors’ and Executive Officers’ Biographical Information and Securityholdings
- 4.3 Summary of Securities Transactions by Reporting Insiders

PART 5 COMPENSATION, OPTIONS AND INCENTIVE PLANS

- 5.1 Director and Executive Officer Compensation
- 5.2 IFRS Compliance Exemption
- 5.3 Employment, Consulting and Management Agreements
- 5.4 Stock Options, Compensation Securities and Instruments
- 5.5 Stock Option Plans and Other Incentive Plans
- 5.6 Oversight of Director and Executive Officer Compensation

PART 6 RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS

- 6.1 Related Entity Indebtedness
- 6.2 Other Related Entity Transactions

PART 7 BOARD AND GOVERNANCE MATTERS

- 7.1 Board Committees
- 7.2 Governance and Ethical Conduct
- 7.3 Auditor Independence

PART 8 CONTENTS OF A MID-YEAR REPORT

PART 9 FINANCIAL STATEMENTS

- 9.1 Annual Financial Statements
- 9.2 Mid-Year Financial Statements

PART 10 DISCLOSURE AND INTEGRITY CERTIFICATE

- 10.1 Required Certificate
- 10.2 Signing of Certificate
- 10.3 Certificate of CEO and CFO
- 10.4 Certificate of Directors

Form 51-103F1
Annual and Mid-Year Reports

PART 1 INSTRUCTIONS

1.1 Overview of Reports

Financial statements and MD&A are an integral part of a Venture Issuer's Annual and Mid-Year Reports. An Annual Report describes the Venture Issuer's operations, prospects and risks and provides a summary of securities transactions by reporting insiders, (as that term is defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions*) as well as a summary of Material Related Entity Transactions. A Mid-Year Report will primarily consist of the Mid-Year Financial Statements, associated MD&A, a summary of securities transactions by reporting insiders and disclosure of Material Related Entity Transactions. Refer to Part 8 for full details of the contents of the Mid-Year Report.

In preparing a report, focus the disclosure on information that is Material. When a report is read as a whole it must fairly present in all material respects the Venture Issuer's financial condition, financial performance and cash flows for the period covered.

The last section of this Form sets out a Disclosure and Integrity Certificate that is required to be attached to the end of a report and signed by the CEO, CFO and two directors. By signing the Disclosure and Integrity Certificate the CEO, CFO and directors certify both the accuracy of the disclosure in the Report and the acknowledgement of certain duties.

1.2 Guidelines for MD&A

MD&A should 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. MD&A must not be merely 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. MD&A must explain the reasons for material changes in the Venture Issuer's financial performance and financial condition.

The purpose of MD&A 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 should discuss Material 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.

1.3 Defined Terms

For terms used in this Form that are not defined in the Form, refer to Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and if not defined in that Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See the Guidance following Part 1 of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements of Venture Issuers*.

1.4 Repetition and Incorporating Information by Reference

Unless specifically required, it is not necessary to repeat disclosure that the Venture Issuer has previously disclosed in a filed document. Instead 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:

Disclosure filed by another issuer, an insider or other party, is not disclosure of the Venture Issuer and a Venture Issuer cannot incorporate it by reference to satisfy its disclosure requirements.

1.5 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.

1.6 Format

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.

1.7 Omitting Information

It is not necessary to respond to an item in this Form that does not apply to the Venture Issuer.

1.8 Date of Information

Except where this Form otherwise requires, 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 Mid-Year Report as at the last day of the Mid-Year Period. However, if this creates a misleading picture of the Venture Issuer's affairs, the information must also be updated to the date it is filed. Section 10.2 of this Form requires the certificate to be dated the date the report is filed.

1.9 Forward-Looking Information

Any forward-looking information provided in a report must comply with section 7.7 of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements of Venture Issuers*.

1.10 Reverse Takeover Transactions

Subsequent to a Reverse Takeover, the MD&A must be based on the Reverse Takeover Acquirer's financial statements.

1.11 Available Prior Period Information

If comparative financial information is not presented in the Venture Issuer's financial statements, provide in the MD&A the prior period information relating to financial performance that is available.

1.12 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.

1.13 Table of Contents

Include a table of contents with an Annual Report.

PART 2 DISCLOSURE OF BUSINESS

2.1 Cover Page

- (1) On or near the front or back cover of the Annual Report, disclose 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;
 - (c) the Venture Issuer's registered and head office address(es), 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 and address of the Venture Issuer's auditor;
 - (f) the name and address of the Venture Issuer's registrar and transfer agent(s); and
 - (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 text on the cover of the Report:

“[Insert name of Venture Issuer] is complying with the alternative disclosure system available to Venture Issuers by Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and in doing so is exempted from complying with certain disclosure requirements applicable to other reporting issuers and is subject to certain obligations not applicable to other reporting issuers. Accordingly, the disclosure provided by [insert name of Venture Issuer] will not be comparable in some ways to that provided by other reporting issuers. For example, [insert name of Venture Issuer] will prepare an Annual Report, which among other things, summarizes its business and operations but will not be required to prepare 3 and 9 month interim financial reports and associated management’s discussion and analysis.”

- (3) If the Report is a revised report, entitle it as such.

2.2 Corporate Structure

- (1) Disclose the relationship between the Venture Issuer and each Material Subsidiary Entity and each party with whom the Venture Issuer participates in a Material joint venture or partnership. If it would be useful to a reasonable investor in understanding the relationship, include a diagram.
- (2) For each Material Subsidiary Entity and each Material joint venture or partnership disclose:
 - (a) the percentage of votes that the Venture Issuer beneficially owns, controls or directs;
 - (b) the percentage of Restricted Securities that the Venture Issuer beneficially owns, controls or directs, if any; and
 - (c) the laws under which it was incorporated, continued or otherwise created.

2.3 Description of Business

- (1) **General** - State the Venture Issuer’s industry and briefly describe the Material aspects of the Venture Issuer’s current business.
- (2) Disclose the number of employees and the number of consultants of the Venture Issuer.
- (3) Disclose the principal location(s) of the Venture Issuer’s business.

Guidance:

- (1) *Venture Issuers are reminded that all disclosure of mineral exploration, development or production activities on Material projects must comply with National Instrument 43-101 Standards of Disclosure for Mineral Projects, must use the appropriate terms to describe mineral resources and mineral reserves and must be based on a “technical report”, or other information, prepared by or under the supervision of a “qualified person” (as those terms are defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects).*
 - (2) *Venture Issuers with oil and gas activities are reminded that they must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, and disclose reserves and resources using the appropriate terminology and categories as prescribed by the “COGE Handbook” (as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities). Sample Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers requires that the disclosure required by section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities be contained in the Annual Report. It cannot be filed separately.*
- (4) **Mineral Projects and Oil and Gas Activities** - If the Venture Issuer has a mineral project or is engaged in oil and gas activities, or has entered an agreement to acquire a project or property or an interest in one, include the following with respect to each of its Material properties or projects:
- (a) the minerals or resources being explored for, developed or produced;
 - (b) whether the Venture Issuer is in the exploration, development or production phase;
 - (c) the nature of title or interest in the property (e.g., freehold, fee interest, leasehold, royalty) including
 - the acquisition date, as determined in accordance with the Issuer’s GAAP,
 - method acquired,
 - party from whom title or interest acquired, including the nature of the relationship between the Venture Issuer and such party and whether the other party is a Related Entity, and
 - consideration paid or to be paid;
 - (d) Material terms of royalties, overrides, back-in rights, farm-ins/outs, payments or other Material agreements or encumbrances;
 - (e) Material environmental liabilities; and
 - (f) any Material restrictions or limitations on exploration, development or production.
- (5) **Mineral Projects** – A Venture Issuer subject to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* must include in its Annual Report, for each Material

property, the summary section from the applicable technical report required by National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, including

- (a) the mineral resources and mineral reserves, if any, including
 - o the quantity and grade or quality of each category of mineral resource and mineral reserve, including the definition of the category,
 - o key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves,
 - o 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,
 - (b) acres or hectares covered by the interest, including gross and net interest, if applicable,
 - (c) expiry dates of claims, licenses, leases or other significant property tenure rights, and
 - (d) the location of the property.
- (6) Include a statement in bold text indicating that detailed disclosure of the Material project is provided in the applicable technical report, indicating the date of that report, that it can be viewed on SEDAR at www.sedar.com, and that the contents of that technical report are incorporated into the Annual Report.
- (7) ***Oil and Gas Activities*** – A Venture Issuer subject to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* must
- (a) include in its Annual Report the disclosure required by section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ,
 - (b) comply with National Instrument 51-101 *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 National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, disclose the information contemplated by Part 6 of National Instrument 51-102 *Continuous Disclosure Obligations* in respect of material changes that occurred after the Venture Issuer’s most recently completed financial year end.
- (8) ***Products and Services*** – Describe each Material product or service, produced, distributed or provided by the Venture Issuer.
- (9) ***Research and Development*** – Describe each of the Venture Issuer’s products or services that are in the research and development phase and are expected to form a Material 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; and
- (f) whether contracts exist with major suppliers or customers.

2.4 Two Year History and MD&A in an Annual Report

- (1) ***Development of Business*** - Briefly describe how the Venture Issuer's business has developed over the last two completed financial years, including a discussion of Material Changes and Disclosable Events and industry and economic conditions that have influenced the general development of the business whether favourably or unfavourably.
- (2) ***Management's Assessment of Performance*** - Discuss 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) any seasonal aspects that had or are reasonably expected to have a Material effect on the Venture Issuer's financial condition or financial performance,
 - (iv) 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. Examples of such 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. To the extent that any of these statistics are non-GAAP financial measures, the Venture Issuer must

- (i) disclose that the financial measure does not have a standardized meaning under GAAP and should not be used for comparison purposes with other Venture Issuers,
 - (ii) explain how the Venture Issuer defines the term and reconcile it to the most directly comparable financial measure in the Venture Issuer's GAAP financial statements,
 - (iii) explain how management uses the financial measure and why it thinks it is useful, and
 - (iv) if there have been any changes in how management has defined the term (e.g., including or excluding certain non-recurring items) during the two most recently completed financial years, describe those changes.
 - (d) Include the disclosure required by this subsection for each reportable segment or other part of the business that has a disproportionate financial impact or in respect of which there are restrictions on the flow of funds to it or from it.
- (3) ***Issuers without Significant Operating Revenues*** - If the Venture Issuer has not had significant operating revenues,
- (a) disclose in table format, for each of the two most recently completed financial years, (unless already disclosed in the Annual Financial Statements), a breakdown of the significant components of,
 - (i) exploration and evaluation expenditures or assets,
 - (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;
 - (c) unless there is reasonable evidence that a component referred to in paragraph (a) is not Material, disclose all components that exceed the greater of \$25,000 and 20% of the total amount of the class; and
 - (d) for a Venture Issuer in the exploration, research or development stage, for each of the components referred to in paragraph (a), provide a comparison of the amount spent on exploration, research or development to that spent on executive compensation and general and administrative expenses.

- (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** - To the extent Material to the Venture Issuer, disclose the following:
- (a) 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) revenues or profit or loss from continuing operations, or
 - (iii) debt, equity or other available financing resources;
 - (b) 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 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 meet planned growth or development;
 - (c) 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; and
 - (d) defaults or arrears or anticipated defaults or arrears on debt covenants or payments required under contractual commitments such as lease payments and debt.
- (6) **Events since Mid-Year Period** - Discuss and analyze events or items that occurred from the end of the last Mid-Year Period until the end of the financial year, which have affected the Venture Issuer's financial condition, cash flows or financial performance, including year-end and other adjustments, seasonal aspects of the Venture Issuer's business and dispositions of business segments.

Guidance:

Although not required to be disclosed in response to this Part, the adoption of IFRS may require additional disclosure to be included in the Venture Issuer's financial statements including disclosure related to liquidity risks, financial instruments and restrictions on funds transfer.

2.5 Objectives, Performance Targets and Milestones

- (1) Briefly 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:
 - (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; and
 - (d) the anticipated source(s) of funds to accomplish the objective, performance target or milestone.

Guidance:

Examples of performance targets 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) Discuss the Material risks and challenges associated with achieving the objectives and performance targets.
- (3) If the Venture Issuer is developing a significant project or a product or service that has not yet generated significant operating revenues, the development of which will extend beyond 12 months, describe performance targets and milestones, as applicable, for development, the status of development, expenditures made to date relative to those performance targets and milestones and further expenditures required to reach the next stage of the development plan. 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.

2.6 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 *Management's Discussion and Analysis*.
- (2) For the purpose of this section, an off-balance sheet arrangement includes any contractual arrangement (with an entity) that is not reported on a consolidated basis by the Venture Issuer under which the Venture Issuer has
 - (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, or
- (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.

2.7 Significant Equity Investees

Unless already disclosed in the Venture Issuer's financial statements or the Venture Issuer has filed financial statements of the Equity Investee providing the disclosure, if a Venture Issuer has a significant Equity Investee, the Venture Issuer must disclose, for each of the two most recently completed financial years, summarized financial information of the Equity Investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss.

2.8 Forward-Looking Information, FOFI and Financial Outlooks

- (1) If a Venture Issuer previously disclosed Material forward-looking information in any disclosure to the public, other than forward-looking information referred to in section 7.7(4) of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, it must include an update of that disclosure either by
 - (a) disclosing
 - (i) any events or circumstances that have occurred in the period to which the report relates that are reasonably likely to cause actual results in a financial period that is not yet complete, to differ Materially from the previously disclosed forward-looking information and, if so, the expected differences of those events or circumstances, and
 - (ii) if the forward-looking information was a financial outlook, which provided prospective financial performance, financial position or cash flows based on assumptions about future economic conditions or courses of action, any Material differences from actual results for the period to which the report relates, or
 - (b) identifying in the report a news release that has been filed that contains the information in paragraph (a), and stating the date of the news release and that it is available at www.sedar.com.
- (2) A Venture Issuer that is withdrawing previously disclosed forward-looking information must disclose in a report or a filed news release the withdrawal and explain the reasons for the withdrawal.
- (3) For the purpose of subsection (1), disclosure will be considered to be made to the public if it is filed, made in a speech in a public forum, made in a press release or a by broadcast

medium or by a telephonic, electronic or other communication facility, in a newspaper, magazine or other publication generally available to the public or published on a website or in marketing material.

2.9 Risk Factors

Disclose the risk factors of the Venture Issuer that are Material. Identify first the risks that are most significant to the Venture Issuer and those that may not be common to other Venture Issuers in the same industry.

Guidance:

Examples of possible risk factors include lack of specific management or technical experience 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 rights to property 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,*
- *securityholders becoming liable to make additional contributions beyond the price of the security,*
- *cash flow and liquidity problems, including lack of significant revenue sources or 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.*

2.10 Legal and Regulatory Proceedings

- (1) Disclose any Material legal proceedings involving the Venture Issuer or any of its properties that are known or reasonably contemplated. 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 and the status of the claim.

- (2) Disclose any
 - (a) penalties or sanctions relating to securities legislation imposed against the Venture Issuer by a court or securities regulatory authority during the last completed financial year,
 - (b) any other penalties or sanctions imposed by a court or regulatory body against the Venture Issuer that would likely be considered important to a reasonable investor in making an investment decision, and
 - (c) settlement agreements relating to securities legislation entered into by the Venture Issuer with a court or a securities regulatory authority during the last completed financial year.

2.11 Material Contracts

- (1) Identify all contracts referred to in subsections (2) and (3) that were entered into by the Venture Issuer since the start of the last completed financial year or that were entered into previously and that are still in effect.
- (2) Include each contract, other than a contract entered into in the ordinary course, to which the Venture Issuer or any of its Subsidiary Entities is a party if the contract is Material to the Venture Issuer.
- (3) Include each contracts, regardless of whether it was entered into in the ordinary course, if it is one or more of the following
 - (a) a contract with one or more directors, Executive Officers or Founders of the Venture Issuer, other than an employment contract,
 - (b) a continuing contract to sell the majority of the Venture Issuer's products or services or to buy 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 of the Venture Issuer,
 - (e) an external management or external administration agreement,
 - (f) a contract on which the Venture Issuer's business is substantially dependent.
- (4) Disclose the significant particulars of each contract referred to in subsections (2) and (3).

Guidance:

When providing particulars of a contract under section 2.11, refer to section 2.6 of Form 51-103F2 Report of Material Change or Disclosable Event for guidance on what would generally be considered to be significant particulars.

PART 3 SECURITIES AND TRADING

3.1 Outstanding, Escrowed and Fully-Diluted Securities

- (1) Using the following table format, provide as at the latest practicable date, the following information about securities of the Venture Issuer (including Convertible Securities that may be Converted into voting or equity securities):
- (a) the number and type of each security outstanding;
 - (b) the number and type of each 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 as indicated in paragraph (a); and
 - (c) the number of equity securities and voting securities that would be outstanding on a fully-diluted basis if all Convertible Securities that may be Converted into voting or equity securities were Converted.

Description 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) 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 in this Report the disclosure required by Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations*.

3.2 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) if it is reasonably practicable to obtain the information, provide the price ranges (high and low) and volume traded or quoted on that market for the most recently completed financial year.

- (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.

PART 4 BIOGRAPHICAL AND SECURITY INFORMATION FOR DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND OTHERS

4.1 Founders, Principal Holders and Control Persons

To the extent reasonably ascertainable, disclose the number and type of securities of the Venture Issuer that are beneficially owned, directly or indirectly, or over which control or direction is exercised for each

- (a) Founder who was a Founder during any period since the start of the last completed financial year,
- (b) Principal Holder, and
- (c) control person.

4.2 Directors' and Executive Officers' Biographical Information and Securityholdings

- (1) Provide biographical and securityholder 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 Entity and date of first appointment or election	Principal occupation or business for last five years including name and description of business	Number and percentage of securities of Venture Issuer beneficially owned, directly or indirectly or over which control or direction is exercised	Current director or Executive Officer positions with other reporting issuers or issuers with reporting obligations in foreign jurisdictions	Orders, bankruptcies, penalties or sanctions

- (2) Use notes to the table above to provide related Material information including
 - (a) to identify whether securities are held directly, indirectly or whether control or direction is exercised,
 - (b) for Convertible Securities to disclose the Conversion price, the expiry date and any vesting provisions, including the number that have already vested, and

- (c) to 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.
- (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) Disclosure must be made of 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, CEO or CFO 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, CEO or CFO of the entity, or
 - (ii) was subject to an order that was issued after the director or Executive Officer ceased to be a director, CEO or CFO of the entity that resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO, 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 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 or regulatory body 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 they are Material.

4.3 Summary of Securities Transactions by Reporting Insiders

- (1) If to the knowledge of the Board of Directors or Executive Officer of the Venture Issuer, after making reasonable inquiries, any “reporting insider”, as that term is defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions* of the Venture Issuer, since the date of the last Annual Report or Mid-Year Report, has purchased or sold any security of the Venture Issuer or otherwise conducted a transaction requiring the filing of an insider trading report in relation to the Venture Issuer, disclose the transaction using the form of table below.

Name and position of reporting insider	Type of security	Date of Transaction	Nature of transaction (e.g. sale, purchase, exercise, conversion)	Number of securities acquired or disposed of and percentage it represents of total volume of all trading in month	Exercise or sale price per security

- (2) If the disclosure required by this section exceeds one page in length, it may be included as an appendix to the Report but must be included prior to the Disclosure and Integrity Certificate required by Part 10.

PART 5 COMPENSATION, OPTIONS AND INCENTIVE PLANS

5.1 Director and Executive Officer Compensation

- (1) To the extent reasonably practicable, using the following table, disclose **all** compensation in any form (other than compensation disclosed in section 5.3) provided in the last completed financial year directly or indirectly to a director or Executive Officer, including through or by a person or company, other than the Venture Issuer, for services provided to the Venture Issuer or any of its Subsidiary Entities. Include compensation that has been provided as well as that which is payable.
- (a) Disclose separately the compensation paid to each individual to whom, during the last completed financial year, one or more of the following apply,
- (i) he or she served as CEO,
 - (ii) he or she served as CFO,
 - (iii) his or her compensation exceeded that of either the CEO or CFO.
- (b) Compensation paid to all individuals who served as Executive Officers during the last completed financial year, other than the individuals referred to in paragraph

- (a) may be shown on an aggregate basis with notes to identify the number of Executive Officers and each of their names.
- (c) Disclosure of compensation paid to individuals, other than the individuals referred to in paragraph (a), who served as Executive Officers during the last completed financial year, may be limited to the three most highly compensated Executive Officers, other than the individuals referred to in paragraph (a), provided that the Venture Issuer discloses that it is providing disclosure for only three other Executive Officers and states the name of each.
- (d) Compensation paid to individuals who served as directors during the last completed financial year may be shown on an aggregate basis with notes to identify the number of directors and each of their names.
- (e) If a director or Executive Officer has served in that capacity for only part of a year, indicate the number of months he or she has served.

Guidance:

Compensation includes payments, grants, awards, gifts and benefits and would generally include,

- *salaries,*
- *consulting 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,*
 - *investment-related advice and expenses, and*
 - *gifts.*

- (2) 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.

Name and position	Salary, consulting fee, retainer, or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total
CEO						
CFO						
Other Executive Officers						
Directors						

- (3) Use notes to the table to disclose:
- (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 Executive Officer and, in such case, the amount of compensation, to whom it is paid and the relationship between the director or 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 Executive Officer's duties, and how the value of the perquisite was calculated; and
 - (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; and
 - (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 Executive Officer.
- (4) If non-cash compensation was provided or is payable, disclose the fair market value of the compensation at the time it is earned. If it is not possible to calculate the fair market value, disclose that fact and the reasons why.
- (5) If the Venture Issuer provides a pension to a director or an Executive Officer for whom disclosure is provided under section 5.1, provide for each such person the additional disclosure required by Item 5 of Form 51-102F6 *Executive Compensation*. For details and guidance regarding pension disclosure, see Form 51-102F6 *Executive Compensation*.

5.2 IFRS Compliance Exemption

- (1) A Venture Issuer is exempt from section 5.1 if it prepares its Annual Financial Statements in accordance with Canadian GAAP and the requirements of this section.
- (2) To rely on the exemption in subsection (1), a Venture Issuer must provide the compensation disclosure required by Canadian GAAP for key management personnel
 - (a) separately for each of the individuals referred to in paragraph 5.1(1)(a),
 - (b) on an individual basis, or in aggregate, for all other Executive Officers or the

three most highly compensated Executive Officers, other than the individuals referred to in paragraph 5.1(1)(a), naming them,

- (c) on an individual basis, or in aggregate, for all directors, naming them.
- (3) To rely on the exemption in subsection (1), a Venture Issuer must disclose:
- (a) the amount of compensation paid for services provided by an Executive Officer or director to the Venture Issuer, by any person or company other than the Venture Issuer, and identify the person or company providing the compensation;
 - (b) the amount of compensation paid indirectly to a director or Executive Officer and, in such case, to whom it is paid and the relationship between the director or Executive Officer and such other person or company;
 - (c) the nature of each perquisite paid to a director or Executive Officer, that is, any amount the Board of Directors considers to be not integrally and directly related to the performance of the director's or Executive Officer's duties, and how the value of the perquisite was calculated; and
 - (d) 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 Executive Officer.

Guidance:

The disclosure required by subsection 5.2(2) may be provided in the Venture Issuer's Annual Financial Statements.

5.3 Employment, Consulting and Management Agreements

- (1) Disclose the Material terms of each agreement or arrangement under which compensation was provided in the last completed financial year or is payable in respect of services to the Venture Issuer that were
 - (a) performed by a director or Executive Officer, for whom compensation disclosure is provided under section 5.1,
 - (b) performed by any other party but are services typically provided by a director or Executive Officer.
- (2) For each agreement or arrangement referred to in subsection (1), disclose the provisions, if any, with respect to change of control, severance, termination or constructive dismissal.
- (3) For each agreement or arrangement referred to in subsection (1) disclose
 - (a) in respect of the financial year, the total compensation provided or payable by the Venture Issuer or any of its Subsidiary Entities, and
 - (b) any relationship between the other party to the agreement and a director or Executive Officer of the Venture Issuer.

5.4 Stock Options, Compensation Securities and Instruments

- (1) Using the following table, modified as necessary, disclose all securities, Convertible Securities and similar instruments (e.g., shares, options, warrants, rights, stock appreciation rights (“SARs”), deferred share units (“DSUs”), restricted stock units (“RSUs”) and phantom securities) granted or issued by the Venture Issuer or its Subsidiary Entities since the start of the most recently completed financial year.
- Disclose on an individual basis, each grant or issuance made to the individuals referred to in paragraph 5.1(1)(a).
 - Grants or issuances to Executive Officers other than the individuals referred to in paragraph 5.1(1)(a) may be shown together on an aggregate basis.
 - Grants or issuances to directors may be shown together on an aggregate basis.
 - All other persons or companies may be aggregated.
 - If disclosure is provided on an aggregate basis, disclose each issue or grant price (and for Convertible Securities the price at which they Convert) and the number of securities, Convertible Securities or similar instruments issued or granted at each such price.
- (2) Use notes to the table to disclose:
- the Material terms of the class of security, Convertible Security or instrument or a cross-reference to such description provided elsewhere in the Report;
 - any vesting provisions; and
 - any restrictions or conditions with respect to Converting Convertible Securities.

Name and position	Type of security or other instrument	Number of securities or instruments or for Convertible 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	High/low trading price in the period covered	Expiry date
CEO							
CFO							
Other Executive Officers							
Directors							
All Others							

- (3) Use notes to the table to disclose any security, Convertible Security or instrument that has been repriced, cancelled and replaced, had its term extended or otherwise been Materially

modified in the last completed financial year, including the name of the holder, the original and modified terms, the effective date and the reason for the modification.

5.5 Stock Option Plans and Other Incentive Plans

- (1) Briefly describe the Material terms of each stock option plan, stock option agreement (if made outside of a stock option plan), plan providing for the grant of SARs, DSUs, RSUs or phantom securities and any other incentive plan or portion of a plan, including those that fall within the scope of IFRS 2 *Share-based Payment*, under which awards are granted. Indicate for each such plan or agreement whether it has been approved by shareholders.
- (2) Disclosure is not required of plans, such as shareholder rights plans, that involve issuance of securities to all securityholders.

Guidance:

If the current terms of the plan or agreement have been previously disclosed in a filed document, this section can be satisfied by complying with section 1.4.

5.6 Oversight 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 CEO, CFO and other Executive Officers and how and when it is determined.
- (3) For the CEO, CFO and other Executive Officers, disclose whether
 - (a) compensation is tied to any performance criteria and, if so, indicate the performance criteria and the weight assigned to each performance criterion, and
 - (b) a peer group is used to determine compensation and, if so, describe the peer group and why it is considered appropriate.

PART 6 RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS

6.1 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) since the start of the last completed financial year, owed a debt to the Venture Issuer or any of its Subsidiary Entities, 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 Subsidiary Entities to such person or company since the start of the last 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,
 - (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.

6.2 Other Related Entity Transactions

- (1) Except to the extent disclosed previously in Part 5 or section 6.1, disclose the Material terms of each Material Related Entity Transaction that has occurred since the start of the last completed financial year and each Material Related Entity Transaction that senior management has proposed and that it is probable the Board of Directors will approve. Include the disclosure required by section 2.5 of Form 51-103F2 *Report of Material Change or Disclosable Event* for each of the Related Entity Transactions required to be disclosed.
- (2) If the disclosure required by this section in respect of any Material Related Entity Transaction will be disclosed in the notes to the financial statements of the Venture Issuer which form part of the Annual Report or Mid-Year Report, it is not necessary to restate the disclosure here if the Venture Issuer discloses that the disclosure is disclosed in the financial statements and identifies the note or notes to the financial statements where the disclosure is located.

Guidance:

- (1) *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.*
- (2) *If the disclosure required by this section has previously been disclosed by the Venture Issuer in a filed document, it is not necessary to restate the information if the Venture Issuer complies with section 1.4 of this Form.*

PART 7 BOARD AND GOVERNANCE MATTERS

7.1 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 respect of the members of the audit committee, indicate whether or not the Board of Directors considers the director to be financially literate.
- (4) In assessing financial literacy of an audit committee member, the Board of Directors must consider the individual's
 - (a) ability to understand the accounting principles used by the Venture Issuer to prepare its financial statements,
 - (b) ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves,
 - (c) experience preparing, auditing, analyzing or evaluating financial statements 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 financial statements, 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 or employee?	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 judgement in a particular circumstance.
- (6) Disclose the number of Board meetings held since the date of the last Annual Report and indicate for each director the number of meetings attended.

- (7) Disclose for each Board committee, the number of meetings held since the date of the last Annual Report and indicate for each committee member, the number of meetings attended.

7.2 Governance and Ethical Conduct

- (1) Describe the 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 Subsidiary Entities and the directors and Executive Officer of the Venture Issuer.
- (2) Describe the Board of Director's process for identifying Related Entities, Material Related Entity Transactions and for reviewing and approving Material Related Entity Transactions.
- (3) Briefly describe the significant components of the Venture Issuer's review and approval process designed to ensure the disclosure contained in Material news releases, Annual Reports and Mid-Year Reports complies with the disclosure standard in section 2.1(1) of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

Guidance:

When responding to subsection 7.2(3) 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.

- (4) Describe any steps taken by the Venture Issuer (including, for example, educational efforts, confidentiality agreements and the adoption of policies or procedures) 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 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.
- (5) Describe any steps taken to provide an orientation to new directors and to provide continuing education for directors.

7.3 Auditor Independence

- (1) If non-audit services performed during the most recently completed financial year were pre-approved by the audit committee in accordance with a pre-approval policy, describe that policy.
- (2) Disclose whether the audit committee recommended the appointment and compensation of the external auditor for the most recently completed financial year. If not or if the recommendations were not adopted, state that in bold type and explain why not.
- (3) Using the following table, including the associated notes, disclose the fees billed to the Venture Issuer by its external auditor for professional services in each of the two most recently completed financial years. Add an explanation to the notes to the table to provide details of the expenditures, if any, in each of the categories.

Category	[Last financial year] (\$)	[Financial year prior to last] (\$)
Audit Fees		
Audit-Related Fees		
Tax Fees		
All Other Fees		

- (1) “Audit Fees” are the aggregate fees billed by the external auditor in the financial year for audit services.
- (2) “Audit-Related Fees” are the aggregate fees billed by the external auditor in 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 financial statements and are not reported as “Audit Fees”.
- (3) “Tax Fees” are the aggregate fees billed by the external auditor in the financial year for professional services for tax compliance, tax advice and tax planning.
- (4) “All Other Fees” are the aggregate fees billed by the external auditors in the financial year for products and services not described in one of the three other categories.

PART 8 CONTENTS OF A MID-YEAR REPORT

- (1) A Mid-Year Report must include cover page disclosure as specified by paragraphs (1)(a) and (d) and subsections (2) and (3) of section 2.1 – Cover Page, and any other items referenced in section 2.1, if they have changed since the date of the last Annual Report.
- (2) A Mid-Year Report must include MD&A disclosure in accordance with the following provisions, modified as necessary to refer to the most recently completed Mid-Year Period, and where applicable for comparative purposes, the most recent prior Mid-Year Period:
 - (a) subsection 2.4(2) – Management’s Assessment of Performance;
 - (b) subsection 2.4(3) – Issuers without Significant Operating Revenues;
 - (c) subsection 2.4(4) – Actual Use of Financing Proceeds;
 - (d) subsection 2.4(5) – Liquidity and Capital Resources;
 - (e) section 2.6 – Off Balance Sheet Arrangements;

- (f) section 2.7 – Significant Equity Investees;
 - (g) section 4.3 - Summary of Securities Transactions by Reporting Insiders; and
 - (h) section 6.2 - Other Related Entity Transactions.
- (3) A Mid-Year Report must include the financial statements required by Part 9.
- (a) If an auditor was not engaged to review the Mid-Year Financial Statements state that fact.
 - (b) If an auditor was engaged to review the Mid-Year Financial Statements but was unable to complete a review, disclose that fact and the reasons for the inability to complete the review.
 - (c) If there were any reservations in a review report, include the review report.
- (4) A Mid-Year Report must have attached to it the disclosure and integrity certificate required by Part 10.

PART 9 FINANCIAL STATEMENTS

9.1 Annual Financial Statements

The Annual Financial Statements including the accompanying auditor’s report must be attached to and form part of the Annual Report.

Guidance:

Because the definition of Annual Financial Statements in Sample Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers includes both the financial statements for the most recently completed financial year and the corresponding statements for the financial year immediately preceding the most recently completed financial year, a Venture Issuer will generally be required to include audited financial statements for the two most recently completed financial years.

9.2 Mid-Year Financial Statements

The Mid-Year Financial Statements must be attached to and form part of the Mid-Year Report.

PART 10 DISCLOSURE AND INTEGRITY CERTIFICATE

10.1 Required Certificate

The certificate in the form set forth below, modified only as necessary to identify each of the required signatories, must be attached to the report. The certificate must be dated and must be signed by the CEO and the CFO.

10.2 Signing of Certificate

The Disclosure and Integrity Certificate must be signed and dated as of the date that the Annual Report or Mid-Year Report, as applicable, is filed.

10.3 Certificate of CEO and CFO

1. As CEO and/or CFO,
 - (a) I acknowledge my responsibility for the disclosure of information in this Report, including the financial statements and management's discussion and analysis.
 - (b) I confirm I have reviewed the report to which this certificate is attached, and for greater certainty, all documents and information incorporated by reference into the Report and, based on my knowledge, having exercised reasonable diligence, the 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 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 Report.
2. I confirm that each of the Executive Officers of [insert name of the Venture Issuer] has acknowledged his or her responsibilities and obligations as an Executive Officer of [insert name of Venture Issuer] to
 - (a) act honestly and in good faith with a view to the best interests of [insert name of the Venture Issuer]; and
 - (b) to exercise the care, diligence and skill and judgment that a reasonably prudent person acting for a Venture Issuer would exercise in comparable circumstances.

[print name and title of CEO]

[print name and title of CFO]

[signature of CEO]

[signature of CFO]

Date: _____

10.4 Certificate of Directors

I confirm that each of the directors of [insert name of the Venture Issuer] has acknowledged his or her responsibilities and obligations as a director of [insert name of Venture Issuer] to

- (a) act honestly and in good faith with a view to the best interests of [insert name of the Venture Issuer]; and
- (b) to exercise the care, diligence and skill and judgment that a reasonably prudent person acting for a Venture Issuer would exercise in comparable circumstances.

[print name and title of director]

[print name and title of director]

[signature]

[signature]

Date: _____

Form 51-103F2
Report of Material Change or Disclosable Event

PART 1 INSTRUCTIONS

1.1 Title of Form

Modify the title of this Form to indicate whether the report is being filed to report a material change, a Disclosable Event, or both.

- If only a material change is being reported, modify the title to indicate “Report of Material Change”.
- If only a Disclosable Event is being reported, modify the title to indicate “Report of Disclosable Event”.
- If both a material change and a Disclosable Event are being reported modify the title to indicate “Report of Material Change or Disclosable Event”.

1.2 Format

The numbering, headings and ordering of the items included in this Form are guidelines only.

1.3 Defined Terms

Refer to Sample Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers 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 Instrument, refer to securities legislation and National Instrument 14-101 Definitions.

1.4 Plain Language

Use plain, easy to understand language in preparing the Report of Material Change or Disclosable Event. Avoid technical terms but, if necessary, explain them in a clear and concise manner.

PART 2 CONTENTS OF REPORT

2.1 Reason for Filing

Use a mark to indicate whether this report is being filed to report either or both of the following:

- Material Change
- Disclosable Event.

2.2 Name and Address

State the Venture Issuer’s full name and the address of its principal office.

2.3 Date of Material Change or Disclosable Event

State the date of the material change or Disclosable Event being reported.

2.4 News Release

State the date of the news release issued under section 6.1 of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and the news wire or service used to disseminate it.

2.5 Summary of Material Change or Disclosable Event

Briefly summarize the nature and substance of the material change or Disclosable Event being reported including identification of whether the purpose of the report is to disclose a

- material change,
- Significant Transaction,
- Related Entity Transaction,
- Combination Transaction, or
- the re-filing of a document previously filed under Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* or the restatement of financial information in financial statements.

2.6 Full Description of Material Change or Disclosable Event

- (1) Describe the material change or Disclosable Event so that a reader can appreciate senior management's assessment of the reasonably anticipated significance and impact of the material change or Disclosable Event on the Venture Issuer's business, operations and financial position, whether positive or negative.

Specific financial forecasts are not normally required in connection with disclosure of a material change or Disclosable Event.

Guidance:

Canadian GAAP may require pro forma financial information to be included in the notes in the next Mid-Year Financial Statements or Annual Financial Statements required to be filed.

- (2) Disclose the purpose of and reasons for the material change or Disclosable Event.
- (3) If Material, disclose in respect of the material change or Disclosable Event
 - (a) the date(s) of each applicable agreement and the anticipated closing date(s),
 - (b) in respect of an acquisition, the acquisition date, as determined in accordance with the Issuer's GAAP and, in respect of a disposition, the 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 a Related Entity has acquired the asset(s) or Business(es) within the prior three calendar years, the consideration paid by that Related Entity for the asset(s) or Business(es),
 - (e) for each asset, Business or liability acquired, disposed of or leased, a description including its location
 - (f) the consideration paid or to be paid for each asset, business or liability acquired, disposed of or leased, including
 - (i) on-going commitments arising from the event or transaction,
 - (ii) in respect of the completion of a Significant Transaction, an estimate of the percentage the aggregate consideration paid or received for all assets, Businesses or liabilities subject to the transaction (as reasonably anticipated to be recorded in the financial statements of the Venture Issuer) represents of the Market Capitalization of the Venture Issuer,
 - (iii) how the consideration was determined, including whether a valuation was obtained,
 - (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,
 - (v) for acquisitions, where consideration includes a cash payment, the source of funds,
 - (g) risks arising from the event or transaction,
 - (h) any plans or proposals for a significant change in the Venture Issuer's business affairs or those of an acquired business which 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, and
 - (i) the identity of each person or company that has or will become or who has or will cease to be a director, Executive Officer, Principal Holder or control person in connection with the event or transaction.
- (4) If a Report of Disclosable Event is filed for a re-filing of any document previously filed under Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* or the restatement of financial information in financial statements, disclose the document being refiled or restated and the nature and substance of the change or proposed change, the reasons for the re-filing or restatement including the impact on previously filed information, and steps taken before re-filing.

2.7 Additional Disclosure and Financial Statement Requirements for Combination Transactions

- (1) Subject to subsection (4), a Venture Issuer must disclose in the Report of Material

Change or Disclosable Event the information, including financial statements and consents, required under subsection 5.2(2) and section 5.4 of Form 51-103F4 *Information Circular* to be disclosed in an Information Circular prepared for securityholders to vote on a Combination Transaction.

- (2) The exemptions in section 5.3 of Form 51-103F4 *Information Circular* are available to a Venture Issuer complying with subsection (1).
- (3) For the purposes of complying with this section, read each reference to an “Information Circular” in Part 5 of Form 51-103F4 *Information Circular* as referring to a Report of Material Change or Disclosable Event.
- (4) If disclosure required by this section has previously been provided by the Venture Issuer in another filed document, a Venture Issuer may comply with the disclosure requirements of this section by stating the name and date of that other document and that it is available on SEDAR at www.sedar.com. The Venture Issuer must also include a statement that 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.

2.8 Additional Disclosure for Material Changes to Prior Oil and Gas Activity Disclosure

If the report relates to a material change to the disclosure made in the most recently filed Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* made by the Venture Issuer under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the Venture Issuer must

- (a) identify the original disclosure to which the material change relates, and
- (b) discuss how the Venture Issuer reasonably expects the material change would have affected the most recently filed Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* if the material change had occurred before the effective date of such statement.

2.9 Contact Person

State the name, position and telephone number of an Executive Officer of the Venture Issuer who is knowledgeable about the material change or Disclosable Event reported and the contents of the report.

2.10 Date of Report

Date the report.

Form 51-103F3
Proxy Form

1.1 Definitions

Refer to Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* for terms used in this Form that are not defined in the Form. If terms are not defined in that Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

1.2 General Requirements

- (1) A Proxy Form must clearly 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 upon at the meeting.
- (2) A Proxy Form must 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) A Proxy Form must provide a specific blank space for
 - (a) dating it,
 - (b) the printed name of the securityholder and any person authorized to sign on behalf of the securityholder, and
 - (c) the signature of the securityholder or the securityholder's authorized signatory.

1.3 Authority of Securityholder

- (1) A Proxy Form must 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. The Proxy Form must also provide instructions regarding how this right can be exercised.
- (2) A Proxy Form must provide an option 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) A Proxy Form must 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) A Proxy Form must 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, must describe those.
- (5) A Proxy Form may confer discretionary authority but only by way of a specific statement conferring such authority and provided that
 - (a) in the case where a securityholder has not specified a choice with respect to any matter referred to in subsection 2(b) that 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, or
 - (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.
- (6) Despite subsection (5) a Proxy Form must not confer discretionary authority to vote
 - (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, or
 - (b) at a meeting other than the meeting specified in the notice of meeting or any adjournment of that meeting.

1.4 Access to Information Regarding Matters to be Voted Upon

- (1) A Proxy Form must indicate in bold-face type that the Information Circular, Annual Report, Mid-Year 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) A Proxy Form must state whether management of the Venture Issuer is using the notice and access system permitted by section 5.4 of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* for all or only certain securityholders and if it is being used for only certain securityholders, provide an explanation for this decision.

1.5 Securityholder Request for Documents

The Proxy Form must disclose that a Securityholder may request, free of charge, a copy of the most recent Information Circular, Annual Report and Mid-Year Report and must identify how that request can be made, including identifying a contact person with an address, toll-free telephone number and, if applicable, an email address.

Form 51-103F4
Information Circular

PART 1 INSTRUCTIONS

1.1 Defined Terms

Refer to Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* for terms that are used in this Form that are not defined in this Form. If not defined in that Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See the Guidance at the end of Part 1 of Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

1.2 Incorporating Information by Reference

If information required by this Form has already been provided by the Venture Issuer in another filed document, it may be incorporated by reference into an Information Circular by stating the name and date of that other document and that it is available on SEDAR at www.sedar.com. Also include a statement in the Information Circular that the applicable disclosure is incorporated by reference into the Information Circular. If the other disclosure document is lengthy, identify the location of the relevant information in the other document.

1.3 Plain Language

Use plain, easy to understand language in drafting the Information Circular. Avoid technical terms but, if necessary, explain them in a clear and concise manner.

1.4 Format

The numbering, headings and ordering of the items included in this Form are guidelines only. To make the Information Circular easier to understand, present information in tables, where possible. State all amounts in figures.

1.5 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

2.1 Date

Date the Information Circular with a date that is not more than thirty days before the date the Information Circular is first sent to any securityholder of the Venture Issuer. Unless otherwise required by this Form, all information in the Information Circular must be current to that date.

2.2 Solicitation

- (1) Indicate who is making or on whose behalf the Solicitation is being made. 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. If specially engaged employees or soliciting agents will make the Solicitation describe the Material terms of the engagement including the parties and the cost.

2.3 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.

2.4 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.

2.5 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 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 a cross-reference to the disclosure in the Annual Report which complies with Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 3 ELECTION OF DIRECTORS

3.1 Biographies of and Securities Held by Proposed Directors

This section only applies if directors are to be elected at the meeting.

- (1) 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.
- (2) If an individual, 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 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 a director or Executive Officer of another reporting issuer or an entity that is subject to reporting obligations in a foreign jurisdiction, the name of that entity and the position held with that other entity;
 - (e) if the Proposed New Director, alone or together with his or her associates or Affiliated Entities is a Principal Holder of the Venture Issuer's securities,
 - (i) 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 Affiliated Entities, and
 - (ii) state the names of each associate or Affiliated Entities of the Proposed New Director who is a Principal Holder; and
 - (f) if the Proposed New Director owes or since the start of the last completed financial year owed a debt to the Venture Issuer or any of its Subsidiaries 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 6.1 of Form 51-103F1 *Annual and Mid-Year Report*.
- (3) For each proposed director who is not a Proposed New Director, provide a cross-reference to the disclosure in the most recent Annual Report that is comparable to the disclosure required by this section for a Proposed New Director or, if such disclosure has not been made or the information disclosed has changed Materially, provide the disclosure for the proposed director that is required by this section for a Proposed New Director.

3.2 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 have 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. 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.

3.3 Cease Trade Orders, Penalties, Sanctions and Bankruptcies of Proposed New Directors

- (1) If a Proposed New Director of the Venture Issuer is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director or Executive 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 or Executive 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, state the fact.
- (2) If a Proposed New Director 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, state the fact.
- (3) If a Proposed New Director or a personal holding Company of a Proposed New Director has been subject to any penalties or sanctions, other than a late filing fee,

- (a) imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (b) imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a Proposed New Director

describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement.

- (4) Disclosure of settlement agreements entered into before December 31, 2000 are not required unless they are Material.
- (5) For each proposed director, other than a Proposed New Director, provide a cross-reference to the disclosure in the last Annual Report or other filed document that is comparable to the disclosure required by this section for a Proposed New Director. If such disclosure is no longer accurate, provide current disclosure for the proposed director as required by this section for a Proposed New Director.

PART 4 APPOINTMENT OF AUDITOR

4.1 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 4.11 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 5 PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

5.1 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;*
- *Significant Transactions or Combination Transactions related to Material property acquisitions or dispositions;*
- *Reverse Takeovers;*
- *amalgamations, mergers, arrangements or reorganizations; and*
- *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. Also state what management intends to do if securityholders vote against the matter.

5.2 Additional Disclosure for an Entity Involved in a Significant Transaction

- (1) For the purposes of this section:

“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, but excludes transactions that are accounted for by the cost method; and

“Acquisition Date” means the date as determined in accordance with the Issuer’s GAAP.

- (2) If securityholders are asked to vote on a Significant Transaction, include the disclosure, to the extent known or reasonably ascertainable, that would be required for the transaction under Form 51-103F2 Report of Material Change or Disclosable Event.
- (3) Subject to section 5.3, if securityholders are asked to vote on a Significant Transaction that is a Combination Transaction involving the acquisition of a Business or Related Businesses, include the following financial statements for each Business or Related Business:
- (a) an 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

- (iii) the most recently completed Mid-Year Period or other period that started the day after the date of the statement of financial position specified in paragraph (b) and ended
 - A. in the case of a Mid-Year Period, before the Acquisition Date, or
 - B. in the case of a period other than a Mid-Year Period, after the Mid-Year Period referred to in clause A. and on or before the Acquisition Date,
- (iv) the period comparable to the period in subparagraph (iii) in the preceding financial year of the Business or each of the Related Businesses,
- (b) a statement of financial position as at the end of each of the periods specified in subparagraph(a)(i) or the period specified in subparagraph (a)(ii),
- (c) a statement of financial position as at the end of each of the periods specified in subparagraph (a)(iii) and at the financial year end, and
- (d) notes to the financial statements referred to above.
- (4) The most recently completed financial period referred to in subparagraph (3)(a)(i) or (ii) must be audited.

5.3 Financial Statement Exemptions for an Entity Involved in a Significant Transaction that is a Combination Transaction

- (1) For the purposes of this section, “Operating Income” means gross revenue less royalty expenses and production costs
- (2) A Venture Issuer is exempt from the requirements of subsection 5.2(3) if
 - (a) the acquisition is, or will be, of an Equity Investee,
 - (b) the Information Circular includes disclosure for the periods for which financial statements are otherwise required under subsection 5.2(3) that summarizes financial information of the Equity Investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss,
 - (c) the financial information provided under paragraph (b) for the most recently completed financial year has been
 - (i) derived from audited financial statements of the Equity Investee, or
 - (ii) audited, and
 - (d) the Information Circular
 - (i) identifies the financial statements referred to in subparagraph (c)(i) from which 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 audit opinion with respect to the financial statements referred to in subparagraph (i), or the financial information referred to in subparagraph (ii) was issued without a modified opinion.
- (3) If under section 5.2 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, provided that the transition year is at least nine months.
- (4) A Venture Issuer is not required to provide comparative information for Mid-Year Financial Statements required under subparagraph 5.2(3)(a)(iii) for a business acquired if
 - (a) it is reasonably impracticable to present prior-period information on a basis consistent with the most recently completed Mid-Year Period of the acquired Business,
 - (b) the prior-period information that is available is presented, and
 - (c) the notes to the Mid-Year Financial Statements disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent Mid-Year Period financial information.
- (5) A Venture Issuer is exempt from the requirements of section 5.2(3) with respect to an acquisition of a Business that is an interest in an oil and gas property or Related Businesses that are interests in oil and gas properties that are not acquisitions of securities of another issuer if
 - (a) the Venture Issuer is unable to provide the financial statements in respect of the acquisition otherwise required under this Part because those financial statements do not exist or because the Venture Issuer does not have access to those financial statements,
 - (b) the acquisition does not constitute a Reverse Takeover,
 - (c) subject to subsection (5), in respect of the Business or Related Businesses, for each of the financial periods for which financial statements would, but for this section, be required under section 5.2, the Information Circular includes
 - (i) an operating statement presenting for the Business or Related Businesses at least the following
 - A. gross revenue,
 - B. royalty expenses, and

- C. production costs,
- D. operating income,
- (ii) a description of the property or properties and the interest acquired by the Venture Issuer, and
- (iii) disclosure of the annual oil and gas production volumes from the Business or Related Businesses,
- (d) the operating statement for the most recently completed financial period referred to in subparagraph 5.2(3)(a)(i) or (ii) is audited, and
- (e) the Information Circular discloses
 - (i) the estimated reserves and related future net revenues 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 vendor of the person who prepared the estimates, and
 - (ii) the estimated oil and gas production volumes from the Business or Related Businesses for the first year reflected in the estimates disclosed under subparagraph (i).
- (6) A Venture Issuer is exempt from the requirements of subparagraphs (5)(c)(i) and (iii) if
 - (a) production, gross revenue, royalty expenses, production costs and operating income were nil for the Business or Related Businesses for each financial period, and
 - (b) the Information Circular discloses this fact.
- (7) Despite subsection 5.2(3), a Venture Issuer is exempt from the requirements to file financial statements for an acquired Business if the Venture Issuer has made multiple investments in the acquired Business and the acquired Business has been consolidated in the Venture Issuer's most recent annual financial statements that have been filed.

5.4 Additional Disclosure for an Entity Involved in a Combination Transaction

In addition to the requirements of section 5.1, if securityholders are asked to vote on a Combination Transaction, other than one referred to in section 5.2(3), under which securities are to be or have been changed, exchanged, issued or distributed, include for each of the following entities, the disclosure, including financial statements and consents, required by securities legislation for a prospectus involving a distribution of securities that the entity would have been eligible to use immediately prior to the closing of the Combination Transaction:

- (a) the Venture Issuer, if the Venture Issuer has not filed all documents required under Sample Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*,

- (b) each entity, other than the Venture Issuer, whose securities are being or have been changed, exchanged, issued or distributed if the Venture Issuer's securityholders prior to the Combination Transaction will have or have an interest in that other entity after the Combination Transaction is completed, and
- (c) each entity that would result or has resulted from the Combination Transaction, if the Venture Issuer's securityholders will have or have an interest in that entity after the Combination Transaction is completed.

5.5 Other 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 (a "dissident circular"), unless the sender of the dissident circular is proposing a Combination Transaction involving the Venture Issuer and the sender, under which securities of the sender, or an Affiliated Entity of the sender, are to be distributed or transferred to securityholders of the Venture Issuer.
- (2) An Information Circular or filing statement (prepared in accordance with TSX Venture Exchange requirements) prepared in connection with a "Qualifying Transaction" by a "CPC" Venture Issuer, or in connection with a "Reverse Take-Over", is exempt from 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 Take-Over, as applicable.
- (3) For the purpose of subsection 5.5(2) only, the terms "Qualifying Transaction", "CPC" and "Reverse Take-Over" have the meanings provided in the TSX Venture Exchange Corporate Finance Manual.

5.6 Financial Statements for Related Businesses

If a Venture Issuer is required under this Part to include financial statements for more than one business because the 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.

5.7 Restricted Securities

In addition to the disclosure required by this Part, 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, the Information Circular must also include, a description of:

- (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; and
- (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 6 INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE VOTED ON

6.1 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; and
- (d) each associate or Affiliated Entity of any of the persons or companies listed in paragraphs (a) to (c).

6.2 Interpretation

- (1) For the purpose of section 6.1, the following persons and companies are deemed to be persons or companies by whom or on whose behalf the Solicitation is made (collectively, "Solicitors" or individually a "Solicitor"):

- (a) any 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) any person or company who contributes, or joins with another to contribute, more than \$250 to finance the Solicitation of proxies; or
 - (c) any 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) Subject to subsection (1), the following persons and companies are deemed not to be Solicitors:
- (a) any person or company retained or employed by a Solicitor to Solicit proxies or any person or company who merely transmits proxy-Soliciting material or performs ministerial or clerical duties;
 - (b) any 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) any person or company regularly employed as an Executive Officer or employee of the Venture Issuer or any of its Affiliated Entities; or
 - (d) any Executive Officer or director of, or any person or company regularly employed by, any Solicitor.

PART 7 ADDITIONAL INFORMATION

- (1) State that additional information relating to the Venture Issuer is available on SEDAR at www.sedar.com
- (2) State that financial 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 Mid-Year 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) director and Executive Officer compensation,
 - (b) indebtedness of directors and Executive Officers,
 - (c) governance of the Venture Issuer by the Board of Directors, and

(d) fees paid to the auditor,

and state that information relating to each of those matters can be found in the applicable document(s) and that the document(s) is/are available on the SEDAR website at www.sedar.com.

- (4) If a Venture Issuer has not filed an Annual Report for its last completed financial year prior to the date of the Information Circular, the Information Circular must include the disclosure required to be included in an Annual Report under Parts 2, 3, 4, 5, 6 and 7 of Form 51-103F1 *Annual and Mid-Year Reports*.
- (5) Disclose how a securityholder may contact the Venture Issuer to request a copy of its most recent Annual Report and Mid-Year Report.