

Nova Scotia Securities Commission

Rule 51-101(Amendment)

Amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*

- and-

Amendments to Companion Policy 51-101CP *Standards of Disclosure for Oil and Gas Activities*

- and-

**Consequential Amendments to
National Instrument 41-101 *General Prospectus Requirements***

WHEREAS:


1. Pursuant to section 150 of the *Securities Act*, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. Pursuant to section 19 of the Act, the Commission has power to issue and publish policy statements;
3. Amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and Amendments to National Instrument 41-101 *General Prospectus Requirements* (the "Rules") and Amendments to Companion Policy 51-101CP *Standards of Disclosure for Oil and Gas Activities* (the "Companion Policy"), copies of which are attached hereto, have been made a rule by one or more of the Canadian securities regulatory authorities; and
4. The Commission is of the opinion that the attainment of the purpose of the Act is advanced by this Instrument.

NOW THEREFORE the Commission hereby:

- (a) pursuant to the authority contained in section 150 of the Act and subject to compliance with the requirements of section 150A of the Act, approves the Rules and makes the same rules of the Commission;

- (b) pursuant to the authority contained in section 19 of the Act and subject to publication in the Royal Gazette or the Commission's website, issues the Companion Policy as a policy of the Commission; and
- (c) declares that the Rules approved and made pursuant to clause (a) and the Companion Policy issued pursuant to clause (b) shall take effect on **December 30, 2010**, unless the Minister disapproves the Rules or returns them to the Commission in accordance with subsection 150A(3) of the Act in which event the Rules and the Companion Policy shall not become effective until the Rules are approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair of the Commission, being the member of the Commission prescribed by the Chair pursuant to subsection 15(3) of the Act to attend the hearing of this matter and the quorum with respect to this matter, on the 13th day of October, 2010.


H. Leslie O'Brien, Q.C.

Attachments

Although this amending instrument amends section headers in National Instrument 51-101, section headers do not form part of the instrument and are inserted for ease of reference only.

**Amendments to
NATIONAL INSTRUMENT 51-101 *STANDARDS OF DISCLOSURE FOR OIL AND GAS
ACTIVITIES***

- 1. *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.***
- 2. *Paragraph 1.1(c) is repealed.***
- 3. *Paragraph 1.1(d) is repealed.***
- 4. *Paragraph 1.1(e) is repealed.***
- 5. *Paragraph 1.1(i) is repealed.***
- 6. *Section 1.1 is amended***
 - (a) *by adding the following paragraph after paragraph (n):***
 - (n.1) *“Form 51-101F4” means Form 51-101F4 Notice of Filing of 51-101F1 Information;;***
 - (b) *in clause (s)(i)(B), by deleting “further” and by replacing “reservoirs on those properties” with “their natural locations”, and***
 - (c) *in clause (s)(i)(C), by replacing “reservoirs” with “locations”.***
- 7. *Item 3 of section 2.1 is amended by repealing paragraph (e) and substituting the following:***
 - (e) *is executed***
 - (i) *by two officers of the reporting issuer, one of whom is the chief executive officer, and***
 - (ii) *on behalf of the board of directors, by***
 - (A) *any two directors of the reporting issuer, other than the persons referred to in subparagraph (i) above, or***
 - (B) *if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the reporting issuer..***

8. *Section 2.2 is repealed.*
9. *Section 2.3 is amended by renumbering it as subsection 2.3(1) and by adding the following after subsection (1):*
 - (2) A *reporting issuer* that adopts the approach described in subsection (1) must, concurrently with filing its *annual information form*, file with the *securities regulatory authority* a notice of filing in accordance with *Form 51-101F4*..
10. *Section 4.1 is repealed.*
11. *Section 5.3 is replaced with the following:*

5.3 Classification of Reserves and of Resources Other than Reserves

 - (1) *Reserves or resources* other than *reserves* must be disclosed using the applicable terminology and categories set out in the *COGE Handbook* and must be classified in the most specific category of *reserves or resources* other than *reserves* in which the *reserves or resources* other than *reserves* can be classified.
 - (2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of *resources* is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the *reporting issuer* may depart from the applicable terminology by substituting, for the word “*petroleum*”, reference to the specific *product type* of the *resource*..
12. *Section 5.9 is repealed and the following substituted:*

5.9 Disclosure of Resources Other than Reserves

 - (1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:
 - (a) the *reporting issuer's* interest in the *resources*;
 - (b) the location of the *resources*;
 - (c) the *product types* reasonably expected;
 - (d) the risks and the level of uncertainty associated with recovery of the *resources*; and
 - (e) in the case of *unproved property*, if its value is disclosed,
 - (i) the basis of the calculation of its value; and

- (ii) whether the value was prepared by an *independent* party.
- (2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* other than *reserves* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must:
- (a) have been prepared or audited by a *qualified reserves evaluator or auditor*;
 - (b) have been prepared or audited in accordance with the *COGE Handbook*;
 - (c) be classified in the most specific category of *resources* other than *reserves*, as required by section 5.3; and
 - (d) be accompanied by the following information:
 - (i) a definition of the *resources* category used for the estimate;
 - (ii) the *effective date* of the estimate;
 - (iii) the significant positive and negative factors relevant to the estimate;
 - (iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and
 - (v) a cautionary statement that is proximate to the estimate to the effect that:
 - (A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

“There is no certainty that it will be commercially viable to produce any portion of the resources.”; or
 - (B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

“There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.”
- (3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:

- (a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and
- (b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document..

13. **Section 5.10 is amended by replacing “5.2, 5.3 and 5.9” wherever it occurs with “5.2, 5.3, 5.9 and 5.16”.**

14. **Part 5 is amended by adding the following sections after section 5.15:**

5.16 Restricted Disclosure: Summation of Resource Categories

- (1) A *reporting issuer* must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:
 - (a) *reserves*;
 - (b) *contingent resources*;
 - (c) *prospective resources*;
 - (d) the unrecoverable portion of *discovered petroleum initially-in-place*;
 - (e) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
 - (f) *discovered petroleum initially-in-place*; and
 - (g) *undiscovered petroleum initially-in-place*.
- (2) Despite subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* if the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable:
 - (a) *reserves*;
 - (b) *contingent resources*;
 - (c) *prospective resources*;
 - (d) the commercial portion of *discovered petroleum initially-in-place*;

- (e) the sub-commercial portion of *discovered petroleum initially-in-place*;
 - (f) the unrecoverable portion of *discovered petroleum initially-in-place*;
 - (g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
 - (h) *discovered petroleum initially-in-place*; and
 - (i) *undiscovered petroleum initially-in-place*.
- (3) A reporting issuer may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its resources if, proximate to its disclosure, the reporting issuer
- (a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and
 - (b) includes
 - (i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or
 - (ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B)..

5.17 Disclosure of High-Case Estimates of Reserves and of Resources other than Reserves

- (1) If a reporting issuer discloses an estimate of *proved plus probable plus possible reserves*, the reporting issuer must also disclose the corresponding estimates of *proved* and *proved plus probable reserves* or of *proved* and *probable reserves*.
- (2) If a reporting issuer discloses a high-case estimate of *resources* other than *reserves*, the reporting issuer must also disclose the corresponding low and best-case estimates..

15. Subsection 8.2(2) is amended by replacing “in accordance with” with “under”.

16. Section 9.2 is repealed.

17. The General Instructions of Form 51-101F1 are amended by adding the following subsections after subsection (6):

- (7) *A **reporting issuer** disclosing financial information in a currency other than the Canadian dollar must, clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.*
- (8) *The **COGE Handbook** provides guidance about reporting using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents..*

18. Subsection (1) of the Instructions under Item 1.1 of Form 51-101F1 is amended by striking out “the definition of reserves data and” and by striking out “It is the date of the balance sheet for the **reporting issuer's most recent financial year (for example, “as at December 31, 20xx”) and the ending date of the **reporting issuer’s** most recent annual statement of income (for example, “for the year ended December 31, 20xx”).”.**

19. Item 2.2 of Form 51-101F1 is replaced with the following:

Item 2.2 Supplementary Disclosure (Constant Prices and Costs)

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing estimates of *reserves*, *resources* other than *reserves*, or both, together with estimates of associated *future net revenue*, determined using constant prices and costs rather than *forecast prices and costs* for each applicable product type.

INSTRUCTION

For this purpose,

- (a) *a constant price is,*
 - (i) *if the **reporting issuer** is legally bound to supply the product at a particular price, that price; or*
 - (ii) *in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and*
- (b) *the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation..*

20. *Items 2.3 and 2.4 of Form 51-101F1 are amended by replacing “minority interest” wherever it occurs with “non-controlling interest”.*

21. *Subsection (3) of the Instructions under Item 2.4 of Form 51-101F1 is repealed.*

22. *Item 3.1 of Form 51-101F1 is replaced with:*

Item 3.1 Constant Prices Used in Supplementary Estimates

If supplementary disclosure under Item 2.2 is made, the *reporting issuer* must disclose, for each *product type*, the constant price used..

23. *Subsection (2) of the Instructions under Item 3.2 of Form 51-101F1 is amended by striking out “term “constant prices and costs” and the” and by replacing “include” with “includes”.*

24. *The Instructions under Item 4.1 of Form 51-101F1 are amended by adding the following after subsection (4):*

(5) *If the reporting issuer first became engaged in oil and gas activities only after the last day of its preceding financial year and no evaluation report in respect of its reserves as at that date is available to the reporting issuer, so that there is no opening data to be reconciled, the reporting issuer need not provide the reconciliation otherwise required under this Part but must disclose the reason for its absence..*

25. *Item 5.2 of Form 51-101F1 is amended*

(a) *in the title, by adding “Affecting Reserves Data” after “Uncertainties”, and*

(b) *in section 1, by replacing “important” with “significant”.*

26. *The Instruction under Item 5.2 of Form 51-101F1 is amended by striking out “the need to build a major pipeline or other major facility before production of reserves can begin,”.*

27. *Part 6 of Form 51-101F1 is amended by adding the following after section 2 of Item 6.2:*

INSTRUCTION

If the reporting issuer holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the gross and net area. A general description of the method of calculating the disclosed area will suffice.

Item 6.2.1 Significant Factors or Uncertainties Relevant to *Properties* With No Attributed *Reserves*

1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed *reserves*.
2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

EXAMPLES

*Examples of information that could warrant disclosure under this Item include unusually high expected **development costs** or **operating costs**, or the need to build a major pipeline or other major facility before **production** can begin..*

28. Section 2 of Item 6.3 of Form 51-101F1 is replaced with the following:

2. A *reporting issuer* may satisfy the requirement in section 1 by including the information required by that section in its financial statements for the financial year ended on the *effective date*..

29. Paragraph 1(b) of Item 6.7 of Form 51-101F1 is amended by replacing “gas wells and service wells” with “gas wells, service wells and stratigraphic test wells”.

30. Paragraph 1(a) of Item 6.9 of Form 51-101F1 is amended by adding “gross” between “average” and “daily” and by striking out “, before deduction of royalties”.

31. Item 5 of Form 51-101F2 is amended by adding “, consistently applied” after “in accordance with the COGE Handbook”.

32. Section 7 of Form 51-101F2 is amended by striking out “However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.”.

33. Form 51-101F3 is amended by

- (a) **striking out** “However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.”, **and**
- (b) **replacing** “a senior officer” **with** “an officer”.

34. *A new form is added after Form 51-101F3 as follows:*

**FORM 51-101F4
NOTICE OF
FILING OF 51-101F1 INFORMATION**

This is the form referred to in section 2.3 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”).

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of NI 51-101, which can be found [describe where a copy of the filed information can be found for viewing by electronic means (for example, in the company’s *annual information form* under the company’s profile on SEDAR at www.sedar.com)].

35. *This Instrument comes into force on December 30, 2010.*

**Amendments to
National Instrument 41-101 General Prospectus Requirements**

1. *National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.*
2. *Item 5.5 of Form 41-101F1 Information Required in a Prospectus is replaced with the following:*

5.5(1) If the issuer is engaged in oil and gas activities as defined in NI 51-101 and any of the oil and gas information is material as contemplated under NI 51-101 in respect of the issuer, disclose that information in accordance with Form 51-101F1

- (a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,
 - (b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or
 - (c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.
- (2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).
 - (3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).
 - (4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

INSTRUCTION

Disclosure in a prospectus must be consistent with NI 51-101 if the issuer is engaged in oil and gas activities as defined in NI 51-101..

3. *This Instrument comes into force on December 30, 2010.*

**Amendments to
Companion Policy 51-101CP Standards of Disclosure for Oil and Gas Activities**

1. *Companion Policy 51-101CP Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.*
2. *Subsection 1.1(3) is amended by adding “that” after “person would consider” and before “such interest”.*
3. *Subsection 1.1(4) is amended by adding “other than reserves” after “resources” wherever it occurs.*
4. *Paragraphs 1.1(5)(a) and (b) are amended by replacing “August 1, 2007” with “October 12, 2010” wherever it occurs.*
5. *Section 1.2 is replaced by the following:*

1.2 COGE Handbook

Pursuant to section 1.2 of *NI 51-101*, definitions and interpretations in the *COGE Handbook* apply for the purposes of *NI 51-101* if they are not defined in *NI 51-101*, *NI 14-101* or the securities statute in the *jurisdiction* (except to the extent of any conflict or inconsistency with *NI 51-101*, *NI 14-101* or the securities statute).

Section 1.1 of *NI 51-101* and the *NI 51-101 Glossary* set out definitions and interpretations, many of which are derived from the *COGE Handbook*. *Reserves* and *resources* definitions and categories are incorporated in the *COGE Handbook* and are also set out, in part, in the *NI 51-101 Glossary*.

Subparagraph 5.2(a)(iii) of *NI 51-101* requires that all estimates of *reserves* or *future net revenue* have been prepared or audited in accordance with the *COGE Handbook*. Under sections 5.2, 5.3 and 5.9 of *NI 51-101*, all types of public oil and gas disclosure, including disclosure of *reserves* and of *resources* other than *reserves* must be prepared in accordance with the *COGE Handbook*.

6. *Section 1.4 is amended by striking out “This concept of materiality is consistent with the concept of materiality applied in connection with financial reporting pursuant to the CICA Handbook.”.*
7. *Section 2.3 is amended by replacing “The report of management and directors in Form 51-101F3 may be combined with management's report on financial statements, if any, in respect of the same financial year.” with the following:*

A reporting issuer may supplement the annual disclosure required under NI 51-101 with additional information corresponding to that prescribed in Form 51-101F1, Form 51-101F2 and Form 51-101F3, but as at dates, or for periods, subsequent to those for

which annual disclosure is required. However, to avoid confusion, such supplementary disclosure should be clearly identified as being interim disclosure and distinguished from the annual disclosure (for example, if appropriate, by reference to a particular interim period). Supplementary interim disclosure does not satisfy the annual disclosure requirements of section 2.1 of *NI 51-101*.

8. ***Subsection 2.4(2) is amended by replacing*** “A reporting issuer that elects to follow this approach should file its *annual information form* in accordance with usual requirements of *securities legislation*, and at the same time file on *SEDAR*, in the category for *NI 51-101 oil and gas* disclosure, a notification that the information required under section 2.1 of *NI 51-101* is included in the *reporting issuer’s* filed *annual information form*. More specifically, the notification should be filed under *SEDAR* Filing Type: “Oil and Gas Annual Disclosure (NI 51-101)” and Filing Subtype/Document Type: “Oil and Gas Annual Disclosure Filing (Forms 51-101F1, F2 & F3)”. Alternatively, the notification could be a copy of the news release mandated by section 2.2 of *NI 51-101*. If this is the case, the news release should be filed under *SEDAR* Filing Type: “Oil and Gas Annual Disclosure (NI 51-101)” and Filing Subtype/Document Type: “News Release (section 2.2 of NI 51-101).” ***with the following:***

However, a *reporting issuer* that elects to follow this approach must file, at the same time and on *SEDAR*, in the appropriate *SEDAR* category, a notice in accordance with *Form 51-101F4* (see subsection 2.3(2) of *NI 51-101*).

9. ***Section 2.5 is amended by replacing “That Has” with “With” in the title.***

10. ***Section 2.7 is amended by***

(a) ***replacing subsection (4) with the following:***

- (4) ***Supplementary Disclosure of Future Net Revenue Using Constant Prices and Costs*** – *Form 51-101F1* gives *reporting issuers* the option of disclosing *future net revenue*, together with associated estimates of *reserves* or *resources* other than *reserves*, determined using constant prices and costs. Constant prices and costs are assumed not to change throughout the life of a *property*, except to the extent of certain fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product (including those for an extension period of a contract that is likely to be extended).

(b) ***repealing subsection (5),***

(c) ***in subsection (7), striking out*** “Like a “subsequent event” note in a financial statement, the issuer should discuss this type of information even if it pertains to a period subsequent to the *effective date*.”, ***and***

(d) ***replacing the second paragraph in subsection (8) with the following:***

The disclosure prescribed in *Form 51-101F1* is the minimum disclosure required, subject to the *materiality* standard. *Reporting issuers* may provide additional disclosure that is not inconsistent with *NI 51-101* and not misleading..

11. Subsection 2.8(2) is amended by

- (a) **replacing** “*Form 51-101F2* (and *Form 51-101F3*) contains a statement that variations between *reserves data* and actual results may be material but that any variations should be consistent with the fact that *reserves* are categorized according to the probability of their recovery.” **with** “The report prescribed by *Form 51-101F2* contains statements to the effect that variations between *reserves data* and actual results may be material but *reserves* have been determined in accordance with the *COGE Handbook*, consistently applied.”, **and**
- (b) **replacing** “Any variations arising due to technical factors should be consistent” **with** “Any variations arising due to technical factors must be consistent”.

12. Part 2 is amended by adding the following sections after section 2.8:

2.9 Chief Executive Officer

Paragraph 2.1(3)(e) of *NI 51-101* requires a *reporting issuer* to file a report in accordance with *Form 51-101F3* that is executed by the chief executive officer. The term “chief executive officer” should be read to include the individual who has the responsibilities normally associated with this position or the person who acts in a similar capacity. This determination should be made irrespective of an individual’s corporate title and whether that individual is employed directly or acts pursuant to an agreement or understanding.

2.10 Reporting Issuer Not a Corporation

If a *reporting issuer* is not a corporation, a report in accordance with *Form 51-101F3* must be executed by the persons who, in relation to the *reporting issuer*, are in a similar position or perform similar functions to the persons required to execute under paragraph 2.1(3)(e) of *NI 51-101*..

13. Subsection 5.2(5) is amended by adding the following after the second paragraph:

Disclosure of an estimate of *reserves*, *contingent resources* or *prospective resources* in respect of which timely availability of funding for development is not assured may be misleading if that disclosure is not accompanied, proximate to it, by a discussion (or a cross-reference to such a discussion in other disclosure filed by the *reporting issuer* on *SEDAR*) of funding uncertainties and their anticipated effect on the timing or completion of such development (or on any particular stage of multi-stage development such as often observed in oilsands developments)..

14. Section 5.3 is replaced by the following:

5.3 Classification of Reserves and of Resources Other than Reserves

Section 5.3 of *NI 51-101* requires that any disclosure of *reserves* or of *resources* other than *reserves* must apply the applicable categories and terminology set out in the *COGE Handbook*. The definitions of various *resource* categories, derived from the *COGE Handbook*, are provided in the *NI 51-101 Glossary*. In addition, section 5.3 of *NI 51-101* requires that disclosure of *reserves* or of *resources* other than *reserves* must relate to the most specific category of *reserves* or of *resources* other than *reserves* in which the *reserves* or *resources* other than *reserves* can be classified. For instance, there are several subcategories of *discovered resources* including *reserves*, *contingent resources* and *discovered unrecoverable resources*.

Reserves can be characterized as *proved*, *probable* or *possible reserves*, according to the probability that such quantities will actually be produced. As described in the *COGE Handbook*, *proved*, *probable* and *possible reserves* represent conservative, realistic and optimistic estimates of *reserves*, respectively. Therefore, any disclosure of *reserves* must indicate whether they are *proved*, *probable* or *possible reserves*.

Reporting issuers that disclose *resources* other than *reserves* must identify those *resources* as *discovered* or *undiscovered resources* except in exceptional circumstances where the most specific category is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, in which case the reporting issuer must comply with subsection 5.16(3) of *NI 51-101*.

For further guidance on disclosure of *reserves* and of *resources* other than *reserves*, see sections 5.2 and 5.5 of this Companion Policy..

- 15. Section 5.4 is amended by removing “,” after “(filing Form 51-101” and replacing it with “, or” and by removing “; and identifying the report in the news release referred to in section 2.2”.**
- 16. Section 5.5 is amended by adding “Other than Reserves” after “Resources” in the title.**
- 17. Subsection 5.5(1) is replaced by the following:**
- (1) **Disclosure of Resources Generally** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 51-101*, except that a *reporting issuer* must make disclosure concerning its unproved *properties* and *resource* activities in its annual filings as described in Part 6 of *Form 51-101F1*. Additional disclosure beyond this is voluntary and must comply with section 5.9 of *NI 51-101* if *anticipated results* from the *resources* other than *reserves* are voluntarily disclosed.

For prospectuses, the general securities disclosure obligation of “full, true and plain” disclosure of all *material* facts would require the disclosure of *reserves* or of *resources* other than *reserves* that are *material* to the issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.

Disclosure of *resources* other than *reserves* may involve the use of statistical measures that may be unfamiliar to a user. It is the responsibility of the evaluator and the *reporting issuer* to be familiar with these measures and for the *reporting issuer* to be able to explain them to investors. Information on statistical measures may be found in the *COGE Handbook* (section 9 of volume 1 and section 4 of volume 2) and in the extensive technical literature¹ on the subject.

¹ For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0)) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora, Colorado (ISBN 0-9664401-1-0). Rose, P. R., Risk Analysis and Management of Petroleum Exploration Ventures, AAPG Methods in Exploration Series No. 12, AAPG (ISBN 0-89181-062-1).

18. ***Subsection 5.5(2) is amended by replacing “if a reporting issuer discloses an aggregate resource estimate (or associated value) referred to in subsection 5.9(2) of NI 51-101, the issuer must ensure that any aggregation of properties occurs within the most specific category of resource classification as required by paragraph 5.9(2)(b). A reporting issuer cannot aggregate properties across different categories of resources if a resource estimate referenced in subsection 5.9(2) is disclosed.” with the following:***

the convenience of aggregating *properties* will not justify disclosure of *resources* in a category or subcategory less specific than would otherwise be possible, and required to be disclosed by subsection 5.3(1) of *NI 51-101*.

19. ***Paragraph 5.5(3)(a) is amended by***

- (a) ***replacing “In addition, pursuant” with “Pursuant”,***
- (b) ***deleting “and paragraph 5.9(2)(b)”, and***
- (c) ***replacing “paragraph 5.9(2)(b)” with “subsection 5.3(1)”.***

20. ***Paragraph 5.5(3)(b) is replaced by the following:***

A *reporting issuer* may wish to report *reserves* or *resources* other than *reserves* as “in-place volumes”. By definition, *reserves* of any type, *contingent resources* and *prospective resources* are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being “in-place”. Terms such as “potential *reserves*”, “undiscovered *reserves*”, “*reserves* in place”, “in-place *reserves*” or similar terms must not be used because they are incorrect and misleading. The disclosure of *reserves* or of *resources* other than *reserves* must be

consistent with the terminology and categories set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*.

In addition to disclosing the most specific category of *resource*, the *reporting issuer* may disclose *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* estimates provided that the additional disclosure required by subsection 5.16(3) of *NI 51-101* is included..

21. Paragraph 5.5(3)(c) is amended by

- (a) replacing “5.9(2)(c)(v)” with “5.9(2)(d)(v)” wherever it occurs,**
- (b) replacing “5.9(2)(c)(iii)” with “5.9(2)(d)(iii)”,**
- (c) replacing “5.9(2)(c)” with “5.9(2)(d)”.**

22. Part 5 is amended by adding the following section after section 5.9:

5.9.1 Summation of Resource Categories

An estimate of quantity or an estimate of value constitutes a summation, disclosure of which is prohibited by subsection 5.16(1) of *NI 51-101*, if that estimate reflects a combination of estimates, known or available to the *reporting issuer*, for two or more of the subcategories enumerated in that provision. There may be circumstances in which a disclosed estimate was arrived at in accordance with the *COGE Handbook* without combining, and without the *reporting issuer* knowing or having access to, estimates in two or more of those enumerated categories. Disclosure of such an estimate would not generally be considered to constitute a summation for purposes of that provision..

23. Subsection 5.10(2) is amended by replacing “5.9 and 5.10” with “5.9, 5.10 and 5.16”.

24. Appendix 1 is amended by replacing “supplemental” with “supplementary” wherever it occurs.

25. These amendments become effective on December 30, 2010.