

The Ontario Securities Commission

# OSC Bulletin

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The Ontario Securities Commission Administers the Securities Act of Ontario (R.S.O. 1990, c.S.5) and the Commodity Futures Act of Ontario (R.S.O. 1990, c.C.20)

**The Ontario Securities Commission**

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# Chapter 1

## Notices / News Releases

### 1.1 Notices

### SCHEDULED OSC HEARINGS

#### 1.1.1 Current Proceedings Before The Ontario Securities Commission

DATE: TBA **ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub**

JULY 18, 2003

s. 127

#### CURRENT PROCEEDINGS

M. Britton in attendance for Staff

#### BEFORE

Panel: TBA

#### ONTARIO SECURITIES COMMISSION

DATE: TBA **Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.**

s. 127

Unless otherwise indicated in the date column, all hearings will take place at the following location:

Y. Chisholm in attendance for Staff

The Harry S. Bray Hearing Room  
Ontario Securities Commission  
Cadillac Fairview Tower  
Suite 1700, Box 55  
20 Queen Street West  
Toronto, Ontario  
M5H 3S8

Panel: TBA

July 21, 2003 **Robert Davies**

10:00 a.m. s. 127

Telephone: 416-597-0681 Telecopier: 416-593-8348

T. Pratt in attendance for Staff

#### CDS

#### TDX 76

Panel: HLM/RWD

Late Mail depository on the 19th Floor until 6:00 p.m.

July 28, 2003 **Mark Valentine**

10:00 a.m. s.127

K McKinnon in attendance for Staff

#### THE COMMISSIONERS

Panel: TBA

David A. Brown, Q.C., Chair — DAB

Paul M. Moore, Q.C., Vice-Chair — PMM

Kerry D. Adams, FCA — KDA

Paul K. Bates — PKB

Derek Brown — DB

Robert W. Davis, FCA — RWD

Harold P. Hands — HPH

Robert W. Korthals — RWK

Mary Theresa McLeod — MTM

H. Lorne Morphy, Q.C. — HLM

Robert L. Shirriff, Q.C. — RLS

Suresh Thakrar — ST

Wendell S. Wigle, Q. C. — WSW

September 15, 2003 **Brian Anderson, Leslie Brown, Douglas Brown, David Sloan and Flat Electronic Data Interchange (a.k.a. F.E.D.I.)**

10:00 a.m. s. 127

K. Daniels in attendance for Staff

Panel: HLM/WSW/RLS

October 7 to 10, 2003 **Gregory Hyrniw and Walter Hyrniw**

s. 127

Y. Chisholm in attendance for Staff

Panel: TBA

October 20 to 31, 2003 **Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation**

s. 127

E. Cole in attendance for Staff

Panel: TBA

October 20 to November 7, 2003 **M.C.J.C. Holdings Inc. and Michael Cowpland**

10:00 a.m. s. 127

M. Britton in attendance for Staff

Panel: TBA

November 3 to 21, 2003 **Patrick Fraser Kenyon Pierrepont Lett, Milehouse Investment Management Limited, Pierrepont Trading Inc., BMO Nesbitt Burns Inc.\*, John Steven Hawkyard\* and John Craig Dunn**

10:00 a.m. s. 127  
K. Manarin in attendance for Staff

s. 127

K. Manarin in attendance for Staff

Panel: TBA

\* BMO settled Sept. 23/02  
\* April 29, 2003

**ADJOURNED SINE DIE**

**Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust**

**Global Privacy Management Trust and Robert Cranston**

**Philip Services Corporation**

**S. B. McLaughlin**

**Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol**

**1.1.2 OSC Comments to Wise Persons' Committee on Securities Regulation**

July 8, 2003

Mr. Michael Phelps (Chair)  
WPC Committee to review the structure of securities regulation in Canada  
P.O. Box 10026  
700 West Georgia Street  
Vancouver, B.C.  
V7Y 1B3

Dear Mr. Phelps:

The Ontario Securities Commission welcomes the opportunity to comment on the direction of securities regulation in Canada.

The Finance Minister of Canada's decision to appoint a Committee of Wise Persons to consider a national approach to securities regulation is a demonstration of the kind of political will needed to reform our regulatory structure and keep up with the changing nature of financial markets.

Over the past few decades, a number of market participants have advocated a level playing field across Canada, with issuers and dealers subject to the same rules and regulations in each province. Many have stressed the need to keep down the costs of review, enforcement and policy development, by taking advantage of economies of scale and scope – economies that can be maximized by dealing with one, rather than multiple, jurisdictions. A recent study conducted for the Investment Dealers Association of Canada (IDA) found that adopting a single national securities regulator would save the brokerage industry, issuers and investors \$73 million a year directly, not including intangibles and potential indirect costs.

Market participants have emphasized the need to ensure efficiency and reduce costs for issuers, costs that ultimately flow through to investors. The Ontario Teachers' Pension Plan, one of Canada's largest institutional investors, has said: "The discretion of provinces and territories in securities law matters is an example of provincial and territorial jurisdiction getting in the way of common sense, which results in increased costs to investors and the Canadian economy."

The Investment Counsel Association of Canada also argues that Canada's regulatory structure is a competitive disadvantage, stating: "We feel that the current decentralized structure has contributed to the decline in Canada's ability to attract investment and maintain vibrant and competitive capital markets, not to mention the disadvantage it puts us in on the world markets."

Many have cited the need to maintain consistency, so that one jurisdiction cannot be leveraged against another. There is a recognition of the need to offer one common face to investors and companies. The Ontario Teachers' Pension Plan also stated: "The existing Canadian system

of multiple security regulators and inconsistent securities laws is both a puzzle and a deterrent to non-Canadians when they compare our system to single regulators in other countries." There is a growing recognition of the importance for Canada to speak with a common voice – in international regulatory fora and in providing fair and effective regulation within our country. This is increasingly vital as the importance of borders recedes, both within nations and between them. Many have focused attention on Canada's uniquely disparate structure for securities regulation, and asked whether it makes sense for Canada to remain the only country in the G7 not to have a single national securities regulator. Barclays Global Investors told a committee of the Canadian Securities Administrators: "Of all the jurisdictions in which BGI does business globally, Canada is likely the most complicated and costly from a regulatory perspective. The single most problematic aspect of the Canadian securities regulatory regime is the absence of a national or federal regulatory authority charged with enforcing a single or uniform set of securities laws and rules."

In fact, to our knowledge, of the 103 countries (including 20 with federal political structures) represented in the International Organization of Securities Commissions, only two lack a national or supra-national securities regulator: Canada and Bosnia-Herzegovina. (Bosnia-Herzegovina is a federal state consisting of (1) the Federation of Bosnia and Herzegovina and (2) the Republic of Srpska. Each of these regions has its own securities regulator.) The eight members of the West African Economic and Monetary Union have a single supra-national securities regulator.

The issues raised by the Wise Persons' Committee are relevant and timely. Indeed, they are overdue. They require a comprehensive response, one that takes into account the history of the development of securities regulation in Canada, the strengths and weaknesses of the current structure, and the changing issues and emerging needs which securities regulators must address.

The Ontario Securities Commission has been an active participant in and enthusiastic supporter of efforts to more effectively pool regulatory authority and deploy resources. We are convinced the market is no longer prepared to bear the cost of a fractured system, and we recognize that a single regulator would lead to better coordination, significant economies, and greater creativity in the regulatory process.

However, we also recognize political reality. Attempts to create a national securities commission have foundered in the past because of resistance to the notion of a *federal* commission. Such a significant transfer of responsibility from provincial to federal hands may be politically difficult to achieve. For this reason, a *national* commission does not necessarily have to be a *federal* commission. It may be more politically feasible to create a Pan-Canadian Commission, one that is created by the provinces and territories with the support, cooperation and some involvement of the federal government. A Pan-Canadian commission would provide the national focus, coordination and harmonization that is needed – without disturbing the

existing constitutional distribution of powers or aggravating regional concerns that have frustrated progress in this area in the past.

Provinces participating in the Pan-Canadian Commission would delegate to it responsibility for administering securities laws. With substantially harmonized or uniform securities laws, the new agency would result in one regulator administering a single set of securities laws. Regional offices would improve the Commission's national effectiveness and draw upon existing provincial expertise, such as oil and gas in Alberta and derivatives in Quebec. Such offices would also have an important role to play in compliance and enforcement.

Of course, there would be a number of issues for the governments at both levels to address, including governance and accountability issues.

The Ontario Five Year Review Committee has added its voice to the "urgent need to assign the highest priority to this issue on the policy agenda of our respective governments and regulators". The Committee makes no recommendation about how a single Canadian securities regulator should be constituted and points to both a federal regulator and a supra-provincial body as possible options. Although we believe that a Pan-Canadian Commission may be more politically feasible, we concur with the Five Year Review Committee's recommendation that the principal goal is a single national securities regulator.

All of Canada's securities regulators share the same objective – serving the interests of investors and fostering fair and efficient capital markets. Increasingly, these provincial and territorial interests are coming into closer alignment. It is becoming harder to distinguish investment concerns in one region of Canada from another. It is becoming harder to draw a physical line anywhere in Canada and to argue that any industry begins or ends at any specific point on the map. One way or another, because of its impact on spin-off industries, suppliers, customers, or tax revenues, the vitality of an industry in one part of the country is important to all Canadians. A single national securities regulator would be a recognition that we share a national economy and are part of an international one.

### **Securities Reform: One Step Forward, Two Half-Steps Back**

Over the past three decades, there has been considerable activity in the area of securities reform in Canada. Unfortunately, the existence of distinct commissions and separate regulatory structures across the country inevitably causes uniformity to dissolve into multiple sets of rules and regulations administered independently. In the 1970s, the provinces pursued a plan for uniformity, when many adopted a Uniform Act based on Ontario securities law. However, each province retained the option of amending the code when justified by local circumstances. Over time, the exceptions once again became the rule, driving provincial securities laws further apart.

More recently, interprovincial and territorial harmonization has been pursued through the Canadian Securities Administrators (CSA), a largely informal and somewhat ad hoc body voluntarily serving as a national council for the 13 provincial and territorial regulators. The CSA has contributed significantly to harmonizing Canada's securities laws, and their administration and enforcement. Its achievements include the Mutual Reliance and Review Systems (MRRS), which allows all of the securities regulators across Canada to rely on the review of one regulator in assessing applications for discretionary relief and review of prospectuses and annual information forms; the National Registration Database (NRD), a web-based system that allows dealers and advisors to file registration forms electronically; the System for Electronic Document Analysis and Retrieval (SEDAR), which makes available on the Internet public documents filed by reporting issuers; and the System for Electronic Disclosure by Insiders (SEDI), a central electronic system for insider reporting that was launched in May.

The CSA has advanced legislative harmonization in a number of areas important to securities policy, through the development of "National Instruments" – rules and regulations developed through the cooperative efforts of the CSA and subsequently adopted in each of the provinces and territories. There are now approximately twenty-five such "National Instruments", dealing with a wide range of issues.

Regulators serve as the point of contact for Self-Regulatory Organizations (SROs). Reliance on SROs (including exchanges) has been seen by some as a way to achieve a form of national regulation, as well as more timely and efficient regulation. However, the same rules are applied differently in different jurisdictions, and there are differences in how regulators interact with and oversee SROs. For example, the IDA has member firms with clients in every jurisdiction in Canada, but less than half of the jurisdictions recognize it. (Quebec participates but does not recognize the IDA.) Each SRO has a principal regulator, but the process is inefficient given that the principal regulator must spend significant time performing administrative, consolidation and coordination functions that would be obviated by a national regulator.

CSA policies, systems and programs play an important role in ensuring consistency, efficiency and fairness in the development and enforcement of securities regulation across Canada. The CSA contributes to national debate and discussion of regulatory issues. It facilitates the work of securities commissions.

But it cannot substitute for a single national regulator. As the law firm Torys LLP stated to the Five Year Review Committee, which recently completed its legislatively mandated review of Ontario's *Securities Act*: "With respect to the efficiency of our regulatory model, we believe that much work needs to be done to reduce the duplicative and costly system of provincial regulation that exists in Canada. While much effort has been expended in making our current system operate more effectively, it is simply not credible to argue that the involvement of multiple regulators

that exists within the CSA can achieve the efficiency of a national securities regulator."

### The Steep Cost of Incremental Progress

Consider the progress of MRRS. Its development has clearly been an example of progress in Canadian securities regulation, allowing issuers to deal with one principal regulator rather than all 13 for a number of issues. Staff of the principal jurisdiction makes recommendations on behalf of all jurisdictions, and the issuer receives a single decision document rather than 13.

It is easy to see the advantages MRRS offers. It takes the informal cooperation that the CSA has fostered and begins to formalize it. It streamlines the regulatory process in a number of areas. It does this without legislative change and without disrupting the existing balance of regulatory power, or requiring any jurisdiction to cede any existing authority. But the limitations that have made it possible for it to be implemented under the existing structure also severely restrict its benefits. In this respect, the Canadian Association of Insurance and Financial Advisors (CAIFA) has said: "While we have come to appreciate the ability of a lead regulator to coordinate a series of interprovincial applications, we believe the potential for mutual reliance remains to be realized. For example, there can be little justification for the continuing need to file individual paper applications to each regulator and to pay fees for amounts that vary from \$0 to \$750 to each regulator when the lead or coordinating regulator charges \$450 and does most of the work."

As CAIFA points out, MRRS does not reduce costs to industry, as fees generally have remained constant and any jurisdiction, not just the principal jurisdiction, can conduct its own review. It does not ensure uniformity, with each jurisdiction retaining the right to opt out of MRRS decisions. It has not led to uniform securities laws across the country; differences remain in several areas, including prospectus and registration requirements, takeover bids, continuous disclosure and enforcement powers. It does not provide market participants with any relief from the need to comply, be familiar with, and seek advice on 13 separate sets of rules and regulations.

In other words, MRRS does little to solve the principal problems that are caused by the lack of a single national regulator. It does not substitute for the national regulator that exists in every other major competitive nation and all other IOSCO countries except Bosnia-Herzegovina and Canada.

MRRS does take some of the burden off market participants – but even then, it shifts that burden within regulatory bodies. Resources are diverted from other priorities that regulatory bodies could and should be pursuing, such as improvements in registration and the creation of national systems to facilitate the administration of securities laws. It is like sticking your finger in a dike; it just creates a flood of pressure elsewhere. It should be noted that protocols like MRRS do not come into place and cannot be maintained in the absence of significant

allocation of resources. It took the efforts of many staff, from commissions across Canada over many years, to bring it into being. Significant resources were allocated to compensate for the absence of a national regulator, which could have provided a more efficient process.

As noted earlier, a significant investment of resources has been made in other regulatory tools such as NRD, SEDAR and SEDI -- systems that add considerable value to the efforts of regulators across the country. However, our regulatory structure and decision-making processes have resulted in significant delays and increased costs for these systems.

SEDI was established by the CSA to catch up with the shift from paper to electronic communications. Through SEDI, information regarding insider trading will be available across the country virtually as soon as the information is filed. For reporting issuers, SEDI provides ease of use and the ability to file statutory reports electronically on a 24/7 basis. For investors, it provides free, searchable public access to insider trading information. For our market system, it will provide transparency and deter insider trading on confidential information.

SEDAR was established by the CSA in 1997 to facilitate the electronic filing of securities information, allow for its public dissemination, and provide electronic communication between electronic filers, agents, and regulatory agencies.

There are significant benefits to both SEDI and SEDAR. The obvious question is: Why did it take so long to set them up? Five years transpired from the time SEDI was first proposed until the time it was implemented. Five years of debate on the nature of the system and what it would include. Five years of discussion of the legal requirements. The experience was similar with both SEDAR and NRD.

It is also worth considering both the strengths and weaknesses of NRD, which was designed in consultation between securities regulators and supported by industry to harmonize and improve the registration process across Canadian jurisdictions.

Prior to the launch of NRD in March of this year, all individuals involved in trading, underwriting or advising with respect to securities were registered using a paper-based system, with an average approval period of up to four weeks. Registration could take much longer due to simple deficiencies, and prospective registrants could lose significant revenue opportunities while awaiting approval. Under NRD, registrants can submit one application electronically to register in multiple jurisdictions, rather than submitting multiple paper forms separately with each province and territory. In addition, NRD performs a completion check reducing the number of simple deficiencies.

It is interesting to note that a survey of the benefits of NRD found that registrants place at the head of the list "one-stop shopping," the ability to register for all provinces and territories in one place. The results, based on responses from 131 out of 589 firms surveyed, representing over 80%

of assets under management in Canada, provides a useful illustration of the value placed on the ability to file with one commission.

The benefits of a single, more timely process of registration as offered by NRD are clear. Unfortunately, so are the limitations. In particular, in building the NRD system, including the harmonized application form, it was necessary, for political reasons, to take into account all of the existing systems and their differences, rather than seek to harmonize the underlying requirements. This in turn made the process of developing NRD, and the system itself, more complex -- and therefore potentially more costly to applicants -- than it had to be. In that respect, applicants and ultimately investors are paying for the cost of consensus.

These programs, and the time it took to launch them, are graphic reminders of the difficulties that are inherent in attempting to bring together 13 provinces and territories. The creation of SEDI, SEDAR and NRD were systems projects dealing with relatively straightforward issues that transcend political boundaries. Experience has demonstrated that given our regulatory structure, these are difficult issues to deal with on a national basis. It is unacceptable that we cannot deal with ongoing issues that reflect how business is conducted every day in a timely and more efficient way. Under Canada's regulatory structure it seems that the issues that are often easier to deal with quickly on a national basis are problems that threaten to turn into crises. For example, Canada's system of market regulation has been able to respond to the corporate scandals in the United States and the introduction of the Sarbanes-Oxley market reforms with a Canadian solution. We need a market regulator that can address issues on a national basis, make timely decisions that bind all Canadian jurisdictions, and deal with potential crises before they become actual ones.

**Harmonization:  
Would Uniform Securities Legislation  
Provide the Cohesion Canada Needs?**

In the face of duplication of resources, regulators are in the midst of a major effort to streamline and harmonize securities regulations. The Uniform Securities Legislation (USL) project is the task of a CSA committee chaired by Stephen Sibold, chair of the Alberta Securities Commission. The project is aimed at achieving uniformity among the 13 provincial and territorial sets of securities legislation. It has achieved considerable progress, including forging agreement in concept across the jurisdictions on the hundreds of changes necessary to make Canada's securities laws uniform. That includes, for example, a streamlined registration system (passport registration), delegation of decision making, uniform registration and prospectus requirements, and exemptions.

This kind of initiative is valuable, and is a significant improvement toward streamlining and harmonizing our securities legislation. However, it does not go far enough. Barclays Global Investors told the USL Steering Committee: "The USL proposal only addresses half the



problem ... While the USL proposal does offer some improvement over where we are today, we believe that the energy spent in its pursuit would be much better spent working jointly with the Wise Persons' Committee established by the federal government to identify and implement a truly harmonized approach to securities regulation through a single federal or national regulator."

Even if adopted by all provinces and territories, the USL proposal would still leave Canada with a system in which market participants support 13 different securities regulators. It would still leave Canadian market participants with a regulatory structure in which 13 separate regulators have the capacity to apply rules differently in similar situations. Canada would still face a situation where any one jurisdiction can add to the regulatory burden of all participants across the country. Moreover, there is one thing that Uniform Securities Legislation cannot do, and that is provide assurance that Canada will *continue* to maintain a uniform securities code. Provincial legislatures would always have the option of changing their own province's laws and regulations. Even if the current governments committed themselves to maintaining uniformity, newly elected provincial governments could decide to amend their province's own legislative code, perhaps citing unique circumstances. One such action by a provincial government could trigger others, ultimately leading Canada back down the path to 13 separate sets of securities rules and regulations. Achieving a uniform code today would be a significant achievement; unfortunately, no one could guarantee it would be a lasting achievement.

Some market participants have also expressed concern about putting too much faith in harmonization because of the inherent difficulties in obtaining strong, timely action from a decentralized and fragmented structure. It is difficult to shape creative policies when attempting to bring together so many jurisdictions. Some observers have described the process of harmonization as a "race to the bottom" in which jurisdictions hold each other back from pursuing innovative policies in a timely fashion.

#### More Than a Collection of Regions

Some express concern that the unique regional and local characteristics of capital markets would be lost under a national securities regulator. But how distinct are market differences among Canada's provinces? And to what extent do they justify regional regulatory fragmentation?

Some argue that Canada's uniquely decentralized regulatory structure is justified by regional variations in the size of issuing companies, particularly the concentration of small-cap companies in western Canada. In fact, far more small-cap publicly-traded companies are located in Ontario than any other province. As of March 2002, more than 300 TSX companies and almost 100 CDNX companies with market capitalization between \$5 million and \$75 million were registered in Ontario; the second-highest concentration was in British Columbia, with roughly 100 TSX companies and a little over 150 CDNX companies in that range. The combined market value of the small-cap Ontario-based companies on the TSX exceeded \$8 billion,

out of a total value of \$20.52 billion; the combined market value of Ontario companies in that range on the TSX Venture Exchange exceeded \$1 billion, out of a national total of \$6.92 billion.

Alberta and B.C. have more microcap listings (capitalization of \$5 million or less). But small, entrepreneurial companies are not unique to any region. Over 95% of the firms in Newfoundland and Labrador have fewer than 50 employees. Over half of the venture capital raised in Canada last year was invested in Ontario. Small businesses exist in every province, and they all require capital. Policies which encourage small business investment, publicly or privately, should not be concentrated in one region. The fact that some Western provinces have particular experience dealing with the issues related to small business investment is not an argument for separate regulatory structures – it is an argument for consolidating them so all provinces can benefit from the combined expertise.

Some argue that the differing sectoral natures of Canada's regional economies is what distinguishes this country from others, and what explains the absence of a national securities regulator. But is Canada truly that unique in this regard?

The economy of the United Kingdom, for example, is characterized by financial services in the City of London – with 20% of the world's insurance business and 20% of total bank lending as well as a leading derivatives market – and manufacturing in such geographically diverse cities as Greater London, Manchester, Birmingham and Newcastle. Northern England is known for mining, southwestern England and Scotland for fishing. Scotland is characterized by the production of computers, hydroelectricity, and whiskey. The North Sea offers one of the world's largest known reserves of oil and natural gas. Regional economic diversity is obviously not unknown in the U.K.

Nor is it unfamiliar to Australia, which is known for banking in Sydney, manufacturing in New South Wales and Victoria, diamond and gold mining in Western Australia, petroleum in Bass Strait, Barrow Island, and southern Queensland, dairy farming in Victoria and Tasmania, and wool production in New South Wales and Western Australia, which are responsible for about 25% of the world's wool output.

Our neighbour, the United States, is known for financial services and entertainment in New York, dairy and poultry farming in the upper northeast and the Midwest, agriculture and mining in the south, and forestry in the Pacific Northwest. California alone is known for agriculture in the north, high-tech companies in Silicon Valley, financial services in San Francisco, and film production in Los Angeles.

The United Kingdom, Australia, and the United States – based on the variation of regional areas of economic specialization, it is hard to believe we are talking about only three different countries. But each is one country, made up

of one national market, and served by a national securities regulator.

There are, of course, regional economic concerns within Canada, but no longer is anything *just* a regional concern; no economic sector or issue is the exclusive concern of any province, territory or region. The oil industry is of as much potential interest to investors in Ontario or Quebec as it is in Alberta. The auto parts industry is of as much potential interest to investors in Alberta as it is to investors in Ontario; the biotech industry is as important to investors in Prince Edward Island as to investors in Quebec.

Indeed, regional economic distinctions that once seemed fixed and rigid are now evolving and blurring with time. Energy developments in Newfoundland and Labrador, Nova Scotia, and the Northwest Territories are an important and growing feature of each of those economies. Mining is important to almost every province and territory. At the same time, all have legitimate aspirations to increased high-tech investment. The telecommunications sector, for example, is one of the largest employers in both British Columbia and Ontario.

This is truly a situation where the whole is greater than the sum of its parts. In fact, all provinces and territories could benefit from the sectoral expertise that each can bring to the table. For example, Alberta's expertise in the oil and gas industry, built up over many years, would be an asset to a national regulatory process, benefiting all Canadians.

The interests of market participants in all parts of the country depend on the economies of scope and scale that consolidation of the provincial and territorial regulatory functions can provide. By combining the resources of all commissions, it is possible to give increased depth to the service offered the entire country. By combining functions that are currently splintered among the various commissions, increased scale makes it possible to provide specific expertise in emerging economic sectors. It would be possible to pool resources in research, policy development, and all application reviews.

The truth is, fragmentation is a self-fulfilling cycle. The existence of separate markets with unique characteristics is seen to justify a fractured regulatory system, which fosters fragmentation.

The markets are more and more global and our own regulatory issues are increasingly North American, let alone national. In this context, achieving the best regulatory structure for Canada should not be impeded by outdated notions of regional markets and interests.

### **Facilitating Compliance**

In terms of facilitating compliance, the current regulatory structure offers both strengths and weaknesses.

The National Compliance Review is an example of how the provincial securities commissions work together to review either a particular registrant or an issue on a national basis:

We are able to look at an issue across Canada and determine a consistent approach to dealing with it.

Commission compliance departments across the country share information. If another Commission is planning to review a registrant that has a presence in Ontario or register a new firm, for example, they will call the OSC compliance department for information relating to any compliance field reviews conducted in Ontario.

Ontario has sometimes sought the participation of other jurisdictions when conducting reviews. A recent example is the sweep of high-risk market participants in April/May 2003.

However, compliance efforts are sometimes hobbled – or at least slowed – by political borders. Firms are subject to different rules and regulations in each province.

Because each commission has jurisdiction strictly over business activities carried out in its province, the scope of a compliance review is limited. When conducting a compliance review of a company with locations in more than one province, any terms and conditions we apply on the registration of the firm would only apply in Ontario, even though the issues identified may also be present in other provinces.

Capital requirements vary across the country. For example, Ontario requires that advisers calculate their capital requirements using consolidated financial statements. A few registrants have filed unconsolidated financial statements with the OSC on the basis that they were acceptable in another jurisdiction and should, therefore, also be acceptable to the OSC. In these circumstances, the registrant incurred an extra cost of preparing a consolidated set of financial statements to satisfy the OSC requirements.

There is considerable inconsistency from province to province. For example, Ontario imposes terms and conditions on the registration of a registrant if their audited financial statements are filed late. Ontario also requires that capital deficiencies be rectified within 48 hours. In contrast, other jurisdictions may deal with these types of situations differently.

When a firm has a national presence, resolving contentious issues may be more difficult. A registrant may be able to lobby one provincial securities commission for a more favorable interpretation or outcome and then use this in its negotiations with other provincial commissions.

Firms registered in more than one province result in considerable duplication. Although certain filings are consistent in every jurisdiction, legislation requires financial statements to be filed in every jurisdiction as opposed to just one.

Registrants with locations in more than one province could be subjected to compliance reviews from more than one jurisdiction. While this ensures that regional differences

are accounted for, it is inefficient from the registrant's point of view.

### **Facilitating Enforcement**

It is important to consider the potential impact of any change in regulatory structure on our ability to enforce securities laws. The enforcement units of the provincial and territorial commissions work together currently, and provide an effective and cooperative system for the investigation and prosecution of breaches of securities laws across Canada. While the differences in the various acts do create some minor hurdles to the process, enforcement units usually manage to overcome them without unnecessary hindrance.

However, the effectiveness of the current structure depends heavily on cooperation of the individuals involved. Should one of the jurisdictions determine that assisting another jurisdiction is no longer a priority, that would cause a significant impediment. Thus, one advantage of a single national securities regulator would be that it would take the cooperative approach currently employed by the enforcement units of the commissions and carve it into stone.

Assuming that equivalent legislation were to be passed at the federal level, there are a few areas where the enforcement process would obtain significant benefits.

**Evidence-gathering:** There are several ways in which the gathering of evidence would be enhanced. In cases where the evidence is dispersed over more than one province, under current law the investigating jurisdiction must seek and obtain the assistance of the other jurisdictions to utilize their compulsory powers to gather evidence in those jurisdictions. Under a national regulatory system, a single compulsory power could be used by a single regulator to gather evidence across the country. The significance of this should not be overlooked. The increasing complexity of financial transactions means that inter-jurisdictional activity is becoming more the rule than the exception. On occasion, businesses with national scope hide behind the fragmented regulatory system as an excuse not to cooperate with commission investigations. Where some component of information we seek from the entity here is found in one of their offices elsewhere, provincial commission enforcement officials are often told to get the information directly from the out-of-province entity. A national regulator would not face such an obstacle.

**Compelling Testimony:** Similar to the point above, a provincial regulator lacks the ability to compel the attendance of a witness from another jurisdiction. While this can be done at the investigation stage by compelling the witness pursuant to an investigation order in the other jurisdiction, no such authority may be used at the hearing stage. A national system would overcome these hurdles by enacting legislation to provide an effective means of compelling a witness from one jurisdiction to provide evidence to a hearing in another.

**Prohibiting Offenders From Market Activity:** Under current procedures, when an offender is banned after a hearing from participating in the capital markets in that jurisdiction, there is nothing that prohibits the person from simply changing jurisdictions. There is substantial debate as to the extent to which a Commission can rely on an order from another jurisdiction as the basis for prohibiting the person from participation in the local capital markets. At the very least, it would have to issue its own order of prohibition. An order issued by a national commission, on the other hand, would have national effect. Similar issues arise regarding orders prohibiting the trading in the securities of an issuer.

### **A National Commission: Surpassing the Political Hurdles**

Canada's provincial and territorial securities commissions have been working for greater harmonization, both in rules and regulations and in systems and programs. We have seen some successes. But progress is slow, inefficient and costly, and leaves Canada at a competitive disadvantage.

This view reflects the strongly-held opinion of institutional investors, such as the Ontario Teachers' Pension Plan, which flatly warns that "Canada needs to get on one page in securities administration if it hopes to compete globally."

It reflects the views of financial service providers, as expressed by the Canadian Bankers Association, which states that "the only way to create a truly national capital market and achieve the full benefits of regulatory reforms would be to have a single uniform rule administered by a single regulatory body." It also reflects the opinion of such private firms as Canaccord Capital Corporation, which states that "at some point we should move to a national securities commission with effective regional representation and uniform securities legislation." And it encompasses the views of issuers such as Imperial Oil Limited, which describes a single securities regulator as "the real prize."

More than thirty years ago, Australia was in roughly the same position as Canada regarding securities regulation. After a number of failed initiatives aimed at harmonizing securities regulation, the states and territories ultimately agreed to federal legislation dealing with securities law.

The high cost of fragmentation is a cost Canada can no longer bear; the market no longer finds it acceptable. The emphasis on regional differences over a consistent national approach creates perceptions in the international community of a fragmented capital market and ineffective regulatory structure. As noted by the Five Year Review Committee, capital markets are international in character and securities regulation in Canada needs to reflect this reality.

It is time for Canada to speak with one voice. It is time to put in place a regulatory structure that will maximize efficiency, take advantage of scale and scope, ensure a level national playing field, and encourage Canadian competitiveness. It is time to move to a national securities regulatory structure.

Thank you for the opportunity to add our voice to the debate in reforming securities regulation in Canada. I would be pleased to further discuss our comments with you.

Sincerely,



David A. Brown  
Chair

**1.1.3 CSA Staff Notice 33-307 List of Canadian Registrant and Non-Registrant Firms that Completed the CSA STP Readiness Assessment Survey**

**CSA STAFF NOTICE 33-307**

**LIST OF CANADIAN REGISTRANT AND NON-REGISTRANT FIRMS THAT COMPLETED THE CSA STP READINESS ASSESSMENT SURVEY**

The Canadian Securities Administrators (CSA), a council of 13 provincial and territorial securities regulators, believe that straight-through processing (STP) is an extremely important initiative. The CSA provided a STP Readiness Assessment Survey ("Survey") to Canadian registrant and non-registrant firms ("Firms") to assess the preparedness of the industry in Canada for STP.

The Survey was available online from **May 9 to May 30, 2003**. The CSA asked investment dealers; mutual fund dealers; investment counsels and/or portfolio managers; limited market dealers; mutual fund managers; discount brokers (Quebec registrant category); and unrestricted brokers (Quebec registrant category) to complete the Survey. We asked nearly 998 Canadian Firms to participate in the Survey and received 732 responses. The CSA is now in the process of tabulating the results and will publish the aggregate results of the Survey in the fall.

Below is a list of Canadian Firms who have taken the time to complete the voluntary Survey.

ABN AMRO Asset Management Canada Limited  
ABN AMRO Capital Markets Canada Limited  
Abria Financial Products Ltd.  
Acadian Securities Inc.  
Accient Capital Management Inc.  
Accumulus Investment Management Ltd.  
Ackber Financial Corporation  
Acker Finley Asset Management Inc.  
Acker Finley Inc.  
Acquisitions, Investments, Mergers Group Canada Limited  
Action Valeur Ajoutée Inc.  
Acuity Funds Ltd.  
Acuity Investment Management Inc.  
Acumen Capital Finance Partners Limited  
ADA Investments Inc.  
Addenda Capital Inc.  
Adoit Investment Management Ltd.  
Adroit Group Ltd.  
Aegon Canada  
AEGON Capital Management Inc.  
AEGON Dealer Services Canada Inc.  
Aequanimitas Inc.  
AGF Funds Inc.  
AGF Securities (Canada) Limited  
Agilerus Investment Management Limited  
AIC Limited  
AIG Global Investment Corp. (Canada)  
AIM Funds Management Inc.  
Alan W. McFarlane Associates  
All-Canadian Management Inc.

Allianz Education Funds, Inc.  
Altamira Investment Services Inc.  
Altamira Management Ltd.  
Altus Securities Inc.  
AMI Partners Inc.  
ANIX Fund Management Corp.  
Anvest Financial Services Inc.  
ARC Financial Corporation  
Archipelago Canada Inc.  
Argosy Securities Inc.  
Armstrong & Quaille Associates Inc.  
Artech Asset Advisory Services Inc.  
Ascendant Capital Inc.  
Ascendant Capital Management Inc.  
ASG Financial Corp.  
Ashford Capital Canada Inc.  
Aspen Futures & Options Inc.  
Assante Asset Management Ltd.  
Assante Capital Management Ltd.  
Assante Financial Management Ltd.  
Asset Logics Capital Management Inc.  
Assurance Capital Management Corporation  
Aurion Capital Management Inc.  
Avanti Securities Corporation  
Avenue Bancorp Ltd.  
Avenue Wealth Management Inc.  
Axis Capital Corporation  
Baker Gilmore & Associés Inc.  
Bank Julius Baer & Co. Ltd.  
Banwell Financial Inc.  
Barclays Global Investors Canada Limited  
Barclays Global Investors Services Canada Limited  
Barrantagh Investment Management Inc.  
Baskin Financial Services Inc.  
Bedford Capital Corporation  
Benson-Quinn-GMS Inc.  
Berkshire Securities Inc.  
Beutel Goodman Managed Funds Inc.  
Beutel, Goodman & Company Ltd.  
Bick Financial Security Corporation  
Bieber Securities Inc.  
BioCatalyst Yorkton Inc.  
Biremis Corporation  
BLC - Edmond de Rothschild Gestion d'Actifs Inc.  
Bloom Investment Counsel, Inc.  
Bluestone Financial Corporation  
Bluewater Investment Management Inc.  
BluMont Capital Corporation  
BMO Harris Investment Management Inc.  
BMO Investments Inc.  
BMO InvestorLine Inc.  
Bolder Investment Partners  
BonaVista Asset Management Ltd.  
Borealis Securities Inc.  
Boucher & Company Inc.  
Bradley Leonard Jones  
Brant Securities Limited  
Brawley Cathers Limited  
Buckingham Capital Corporation  
Bullion Management Services Inc.  
Bureen Financial Management Corporation  
Burgeonvets Securities  
Burgundy Asset Management Ltd.  
Bush Associés Ltée  
Byron Securities Limited  
C.A. Delaney Capital Management Ltd.  
C.F.G. Heward Investment Management Ltd.  
C.P.M.S. Computerized Portfolio Management Services Inc.  
Caldwell Investment Banking Inc.  
Cale Financial Corporation  
Callum/Jackson Bancorp Inc.  
Campbell & Lee Investment Management Inc.  
Campbell Valuation Partners Limited  
Canaccord Capital Corporation  
Canada Life Mortgage Services Ltd.  
Canadian ShareOwner Investments Inc.  
CanDeal.ca Inc.  
Canfin Magellan Investments Inc.  
Canso Investment Counsel, Ltd.  
CAP Investment Management Inc.  
Capital Alliance Ventures Inc.  
Capital Canada Limited  
Capital Genoa Inc.  
Capital International Asset Management (Canada), Inc.  
Cartier Partners Financial Services Inc.  
Cartier Partners Securities Inc.  
Casgrain & Compagnie Limitée  
Castellum Capital Management Inc.  
CBID Markets Inc.  
CDP Capital Marchés Mondiaux inc.  
Centerfire Capital Management Inc.  
Centurion Investment Advisors Inc.  
Certus Wealth Management Inc.  
CFI Leasing Limited  
CGU Investment Management Canada  
Chiefswood Investment Management Inc.  
Chinook Agri Marketing Inc.  
Chou Associates Management Inc.  
CI Fund Services Inc.  
CI Mutual Funds Inc.  
CIBC Asset Management Inc.  
CIBC Investor Services Inc.  
CIBC Securities Inc.  
CIBC World Markets Inc.  
Cirplus Futures Inc.  
CL Capital Management (Canada) Inc.  
Claremont Advisors Ltd.  
Clarica Investco Inc.  
ClaringtonFunds Inc.  
Clipper Advisors Ltd.  
Closeburn Management Ltd.  
Cluster Asset Management Ltd.  
CMG-Worldsource Financial Services Inc.  
CMS Investment Resources (Canada) Inc.  
Coast Capital Investments  
Cockfield Porretti Cunningham Investment Counsel  
Cogesfonds Inc.  
Coleford Investment Management Ltd.  
Commodity Management Inc.  
Commonfund Canada Inc.  
Confident Financial Services (1969) Limited  
Coniston Investment Corp.  
Connor, Clark & Lunn Arrowstreet Capital Ltd.  
Connor, Clark & Lunn Capital Markets  
Connor, Clark & Lunn Financial Group

Connor, Clark & Lunn Private Capital Management  
Conseillers en Placements Kerr Inc. (Les)  
Conseillers en Valeurs Chabotpage Inc. (Les)  
Conseillers en Valeurs Visavis Inc.  
Conseillers Interinvest Corporation du Canada Ltée  
Co-operators Investment Counselling Limited  
Corporation Gestion de Placements Claret  
Cougar Global Investments Limited Partnership  
Covington Capital Corporation  
Cowans & Company Ltd.  
Coxswain Row Capital Corporation  
CPA Securities Inc.  
Craig & Taylor Financial Services Inc.  
Crane Capital Associates (Canada) Inc.  
Cranston, Gaskin, O'Reilly & Vernon  
Credential Securities Inc.  
Credifinance Securities Limited  
Credit Suisse First Boston Canada Inc.  
Crescent Capital Corp.  
Creststreet Asset Management Limited  
Crosbie & Company Inc.  
Crosbie Capital Management Inc.  
Crystal Wealth Management System Ltd.  
Cumberland Asset Management Corp.  
Cunningham Investment Counsel Inc.  
CWB Canadian Western Financial Ltd.  
CWM Funds Inc.  
CWM Investment Counsel Inc.  
D.A.W. Services Ltd.  
D.W. Good Investment Co. Ltd.  
Danz Financial Corporation  
Dattner Consulting (sole proprietorship)  
Davis-Rea Ltd.  
De Thomas Financial  
Deans Knight Capital Management Ltd.  
Delmar Investments Inc.  
DePutter Publishing Ltd.  
Desjardins Trust Investment Services Inc.  
Deutsche Bank Securities Limited  
DG Walkow, Investment Counsel Inc.  
Di Tomasso Group Inc.  
DNL Money Management Ltd.  
Dominick & Dominick Securities Inc.  
Dominion Equity Resource Fund Inc.  
DONRO Financial Ltd.  
Dorchester Investment Management  
Douglas Capital Inc.  
Drake Goodwin & Co. Canada Limited  
Dundee Securities Corporation  
Dusby Management Corp.  
Dynamic Mutual Fund Services Inc.  
Dynamic Mutual Funds Ltd.  
E\*TRADE Canada  
E.M. Smithies & Associates Investment Management Inc.  
e3m Investments Inc.  
East Asia Securities Inc.  
Echlin Investment Management Limited  
eFunds.ca Securities Limited  
Elliott & Page Limited  
Elmwood Capital Inc.  
Emerging Equities Inc.  
Enterprise Capital Management Inc.  
Epic Capital Management Inc.  
Equilibrium Capital Management Inc.  
Equilife Investment Management Inc.  
Ernst & Young Corporate Finance Inc.  
ETS Equities Trading Services Inc.  
Evan S. Sone Financial Management Inc.  
Exceder Investment Management Inc.  
Excel Financial Growth Inc.  
F.L. Securities Inc.  
Fahnestock Canada Inc.  
Faiz & Associates Inc.  
Faiz Asset Management Inc.  
Family Investment Planning Inc.  
Family Wealth Advisors Ltd.  
Faraday Financial Corporation  
Farm Mutual Financial Services Inc.  
Felcom Management Corp.  
Fidelity Investments  
Fiducie Desjardins Inc.  
Fimat Produits Dérivés Canada Inc.  
Financial Architects Investments Inc.  
Financial Decisions Inc.  
Finch Asset Management Inc.  
Firestar Capital Management Corporation  
First Affiliated Holdings Inc.  
First Asset Advisory Services Inc.  
First Asset Management Inc.  
First Associates Investments Inc.  
First Canadian Property Investments Ltd.  
First Defined Portfolio Management Co.  
First Leaside Finance Inc.  
First Ontario Management Ltd.  
FirstEnergy Capital Corp.  
Fonds des professionnels - Fonds d'investissement  
Forest & Marine Financial Corporation  
Foresters Securities (Canada) Inc.  
Foster & Associates Financial Services  
Fourth Street Capital Ltd.  
Foyston, Gordon & Payne Inc.  
Frank Russell Canada Limited  
Franklin Templeton Investment Corp.  
Freedom International Brokerage Company  
Friedberg Commodity Management Inc.  
Friedberg Mercantile Group  
Front Street Capital Inc.  
Fruchet Asset Management  
Fulton Financial Corporation  
FundEX Investments Inc.  
FundTrade Financial Corp.  
Fusion Capital Partners Inc.  
Galileo Equity Management  
Garmaise Investment Technologies Inc.  
Gary Bean Securities Ltd.  
Gary W. Cox Ltd.  
GBC Asset Management Inc.  
Generation Financial Corp.  
Geneva Merger & Acquisition Services of Canada (Ont.)  
Inc.  
Genus Capital Management Inc.  
Gestion d'Actif Structurée Inc.  
Gestion d'Arbitrage Cristallin Inc.  
Gestion de Capitaux Rothenberg Inc.  
Gestion de Placements Eterna Inc.  
Gestion de Placements Portus Inc.

Gestion de Portefeuille Natcan Inc.  
Gestion Monan Inc.  
Giraffe Capital Corporation  
Global Securities Corporation  
Global Trader 24/7 Canada Inc.  
Global Wealth Builders Ltd.  
GlobelInvest Capital Management Inc.  
Globevest Capital Inc.  
Gluskin Sheff + Associates Inc.  
GMPD Consulting Inc.  
Golden Capital Securities  
Goldman Sachs Canada Inc.  
Goldstein Snider Investments Inc.  
Goodhope Management Ltd.  
Goodreid Investment Counsel Corp.  
Goodwood Inc.  
GP Capital Corporation  
Granite Associates Ltd.  
Graylie Management Limited  
Great Western Financial Corporation  
Greenleaf Group Inc.  
Griffiths McBurney & Partners  
Groundlayer Capital Inc.  
Groupe Option Retraite Inc. (Le)  
GrowthWorks Capital Ltd.  
GTS Securities  
Guardian Capital Inc.  
Guardian Group of Funds Ltd.  
Gundy Inc.  
GWL Investment Management Ltd.  
GWP Wealth Management Inc.  
H&H Securities Limited  
H.O. Financial Services Inc.  
Hahn Investment Stewards & Company Inc.  
Hamblin Watsa Investment Counsel Ltd.  
Hanover Private Client Corporation  
Harrar Capital Partners Inc.  
Harris Partners Limited  
Hartford Investments Canada Corp.  
Hawk Capital Corporation  
Haywood Securities Inc.  
Heathbridge Graham Inc.  
Hemisphere Capital Management  
Hendrickson Financial Inc.  
Henkedan Corp  
Hesperian Capital Management Ltd.  
Heward MacNicol Asset Management Inc.  
Hibernian Capital Management Ltd.  
Highbridge Financial Advisors, Inc.  
Highstreet Asset Management Inc.  
Hill & Crawford Investment Management Group Ltd.  
Hill & Gertner Capital Corp.  
Hillsdale Investment Management Inc.  
Hottinger Asset Management Canada Inc.  
Howell Investment Management Inc.  
Howson Tattersall Investment Counsel Limited  
HSBC Asset Management (Canada) Ltd.  
HSBC Investment Funds (Canada) Inc.  
HSBC Securities (Canada) Inc.  
Hub Capital Inc.  
Hugues Ouimet + Associates Inc.  
Hutton Investment Counsel Inc.  
I.F.S. Securities Inc.  
I.U. Go Capital Inc.  
IBK Capital Corp.  
IMV Strategies Corp  
Independent Accountants' Investment Group Inc.  
Independent Planning Group Inc.  
Independent Trading Group  
INFO Financial Consulting Group Inc.  
ING Direct Funds Limited  
ING Wealth Management Inc.  
Instinet Canada Limited  
Institutional Capital  
Integra Capital  
Integrated Investment Management Inc.  
Interexxim Inc.  
International Capital Management Inc.  
Inverlochy Capital  
Investia Financial Services Inc.  
Investissements en Capital Derek Hirsch Ltée  
Investors Group Inc.  
IOCT Financial Inc.  
IPC Investment Corporation  
IPC Portfolio Management Ltd.  
IPC Securities Corporation  
IPO Capital Corp  
IQON Financial Inc.  
ITG Canada Corp.  
J C Hood Investment Counsel Inc.  
J. Zechner Associates, Inc.  
J.C. Clark Ltd.  
J.F. Mackie & Company  
J.P. Morgan Securities Canada Inc.  
J.R. Senecal & Associates Investment Counsel Corp.  
Jacques Nadeau & Associés Conseillers en Placements Inc.  
Jeffrey D. Stacey & Associates Ltd.  
Jenam Securities Inc.  
JenKriMar Investments Corporation  
Jeremiah Properties Inc.  
JML Portfolio Management Ltd.  
John D. Hillery Investment Counsel Inc.  
John S. Keenlyside & Co. Ltd.  
John To Financial Services Limited  
Jones Collombin Investment Counsel Inc.  
Jones Heward Investment Counsel  
Jones, Gable & Company Limited  
Jory Capital Inc.  
JR/Janus Merchant Brokers Ltd.  
Julius Baer Conseil en Investissements (Canada) Ltée  
Juniper Fund Management Corp.  
JVK Life & Wealth Advisory Group Inc.  
K J Harrison & Partners Inc.  
K2 & Associates Investment Management Inc.  
Kaimor Securities Inc.  
KBSH Capital Management Inc.  
Kernaghan Securities Ltd.  
Kingsdale Capital Markets Inc.  
Kingsdale Capital Partners  
KingsGate Securities Limited  
Kingsway Capital of Canada Inc.  
KPMG Corporate Finance Inc.  
Laketon Investment Management Ltd.  
Lancet Asset Management Inc.  
Latitude Partners Securities Inc.

Lawrence Asset Management Inc.  
Lawrence Capital Partners Inc.  
Lawrence Decter Investment Counsel Inc.  
LBC Financial Services/BLC Services Financiers  
Leesh Investments Inc.  
Leeward Hedge Funds Inc.  
Legacy Investment Management Inc.  
Leon Frazer & Associates Inc.  
Letko, Brosseau & Associés Inc.  
Lighthouse Private Client  
Lightyear Capital Inc.  
LMD Financial Services Corporation  
Loewen, Ondaatje, McCutcheon Limited  
London Life Investment Management Ltd.  
M. Hershberg Capital Limited  
MacDougall, MacDougall & MacTier Inc.  
Mackenzie Financial Corporation  
Magnolia Lane Financial Corp.  
Maison Placements Canada Inc.  
Manitou Investment Management Ltd.  
Manulife Securities International, Ltd.  
Maple Futures Corp.  
Maple Securities Canada Limited  
Mapleridge Capital Corporation  
Marquest Investment Counsel Inc.  
Marret Asset Management Inc.  
Martin, Lucas & Seagram Ltd.  
Mavrix Funds Management Inc.  
Mawer Investment Management  
Maxima Investment Management Ltd.  
MCA Valeurs Mobilières Inc.  
MCAP Securities Inc.  
McFarlane Gordon Inc.  
McKay Financial Management Limited  
McKenna Gale Securities Inc.  
McLean & Partners Wealth Management  
McLean Budden Limited  
McLean Financial Management Inc.  
MD Funds Management Limited  
MD Management Limited  
MD Private Investment Management Inc.  
MDS Health Ventures Management Inc.  
Medallion Capital Corp.  
MediaVentures  
MediaVentures Brokerage  
MediaVentures Corporation  
Mellon Asset Management, Limited  
Merchant Capital Wealth Management Corp.  
Merrill Lynch Canada Inc.  
Merrill Lynch HSBC Canada Inc.  
META Financial Management Ltd.  
MFC Global Investment Management  
Middlefield  
Miikary Investments Ltd.  
Milestone Investment Counsel Inc.  
Milford Capital Management Inc.  
Mirabaud Canada Inc.  
Mitchell, Jenner & Associates Inc.  
Mizrahi & Mizrahi Ltd.  
Monarch Delaney Financial Inc.  
Mondiale Asset Management Ltd.  
MoneyWare Inc.  
Morgan Bay Capital Inc.

Morgan Meighen & Associates Limited  
Morgan Stanley Canada Limited  
Morguard Financial Corp.  
MRS  
MRS Trust  
Murray & Company Investment Services Ltd.  
Mutual Propane Ltd.  
N M Rothschild & Sons Canada Securities Limited  
N.D. Moffat Investment Management Ltd.  
NAPG Equities Inc.  
National Bank Discount Brokerage Inc.  
National Bank Financial Inc.  
National Bank Financial Ltd.  
National Bank Securities Ltd.  
National Bank Trust Inc.  
NBCN  
NBCN Compensation  
NBF Securities USA  
NBG Securities Inc.  
NCI Money Management Ltd.  
Networth Financial Corp.  
New Solutions Capital Partners Ltd.  
Newcourt Securities Inc.  
Newhouse Capital Corporation  
NewPoint Capital Partners  
Nexus Investment Management Inc.  
Nigel Stephens Counsel Inc.  
Nomura Canada Inc.  
Norlyn Financial Group Inc.  
Norstar Securities International Inc.  
Northern Rivers Capital Management Inc.  
Northwest Asset  
Northwest Asset Management  
Northwest Asset Management Inc.  
Northwest Mutual  
Northwest Mutual Funds Inc.  
NT Global Advisors, Inc.  
O.P.M. Ventures Inc.  
Octagon Capital Corporation  
O'Donnell Asset Management Corp.  
Odyssey Capital Corporation  
Ojala Financial Corp.  
Olympian Financial Inc.  
Olympus United Group  
ONE Financial  
Ontario Financial Services Inc.  
Open Access Limited  
Optimal Models and Decisions Inc.  
Opus 2 Financial Inc.  
Opus 2 Securities Inc.  
Orenda Corporate Finance Ltd.  
Orientation Finance Inc.  
Osprey Capital Partners  
OTG Financial Inc.  
P.J. Doherty & Associates Co. Ltd.  
Pacific International Securities Inc.  
PanFin EquiCap Ltd.  
Paradigm Capital Inc.  
PARC Capital Management Limited  
Patient Capital Management Inc.  
PCJ Investment Counsel Ltd.  
PEAK Investment Services Inc.  
PEAK Securities Inc.



Pegasus Ontario Holdings Ltd.  
Pendo Capital Inc.  
Peregrine Financial Group Canada, Inc.  
Performance Capital Limited  
Perigee Investment Counsel Inc.  
Peter Yuile & Co. Ltd.  
Peters & Co. Limited  
PFSL Investments Canada Ltd.  
Phillips, Hager & North  
Placements Elantis Inc.  
Planmar Financial Corp.  
Planning Circle Financial Group Inc.  
Platinum Wealth Management Inc.  
Plum Hollow Investments Inc.  
Polar Securities Inc.  
Pollitt & Co Inc.  
Polyfunds Investment Inc.  
Pope & Company  
Portfolio Management Corporation  
Portfolio Strategies Corp.  
Prebon Marshall Yamane London  
PricewaterhouseCoopers Securities Inc.  
Prime Quadrant LP  
Priority Capital Management Inc.  
Professional Investments (Kingston) Inc.  
Progressive Financial Strategy Capital Group Corp.  
Proxima Capital Management Limited  
Pursuit Financial Services Corp  
QFS Financial Services Ltd.  
Qtrade Investor Inc.  
Quadravest Capital Management Inc.  
Quadrus Investment Services Ltd.  
Quaestor Capital Corporation  
Quant Investment Strategies Inc.  
Queensway Investment Counsel Limited  
Questrade, Inc.  
Quorum Funding SME Corporation  
QVGD Investors Inc.  
R.A.Floyd Capital Management Inc.  
R.E.G.A.R. Gestion Privée Inc.  
R.G. Shoniker & Associates Inc.  
R.N. Croft Financial Group Inc.  
Rae & Lipskie Investment Counsel Inc.  
Rattenbury Financial Management Inc.  
Raymond James Ltd.  
RBC Action Direct Inc./RBC Actions En Direct  
RBC Dominion Securities Inc.  
RBC Global Investment Management Inc.  
RBC Private Counsel Inc.  
RealCap Holdings Limited  
Realty Capital Securities  
Red Barn Capital  
Reel Capital Corporation  
Regent Mercantile Bancorp Inc.  
Renaissance Capital Inc.  
Research Capital Corporation  
Resolute Funds Ltd.  
Retrocom Investment Management Inc.  
RFA Capital Management Inc.  
Rice Financial Group Inc.  
Ridge Hill Capital Management Inc.  
Rimcon Inc.  
RJ Shea & Assoc o/a GIC Financial Services  
RMB Gestion du Patrimoine Inc.  
Robert Evans Investment Counsel Limited  
Rockvale Capital Management Inc.  
Rogan Investment Management  
Rogers Group Investment Advisors Ltd.  
ROI Management  
Rosseau Asset Management Ltd.  
RoyCap Securities Inc.  
Salman Partners Inc.  
Savoy Capital Management Ltd.  
Saxon Mutual Funds Limited  
SBVM Securities Inc.  
Scarthingmoor Asset Management Inc.  
Sceptre Investment Counsel Limited  
Sceptre Mutual Fund Dealer Inc.  
Scheer, Rowlett & Associates Investment Mgmt Ltd.  
Scholarship Consultants of North America Ltd.  
SciVest Alternative Strategies Inc.  
SciVest Capital Management Inc.  
Scotia Cassels Investment Counsel Limited  
Scotia Securities Inc.  
Scotiabank/Scotia Capital Inc.  
Security Financial Services & Investment Corp.  
SEI Investments Canada Company  
Sentry Select Capital Corp.  
Services d'Investissements GGA Inc. (Les)  
Services Financiers Penson Canada Inc.  
Services Financiers Tulett Inc.  
Shah Financial Planning Inc.  
Sharp Asset Management Inc.  
Shaunessy & Company Ltd.  
Shorcan Brokers Limited  
SHSC Financial Inc.  
Sigma Analysis & Management Ltd.  
Silvercreek Management Inc.  
Sionna Investment Managers Inc.  
Skylon Advisors Inc.  
Skylon Funds Management Inc.  
Skypoint Capital Corporation  
Slabe Inc.  
Société de Fiducie Lombard Odier  
Sprott Asset Management Inc.  
Sprott Securities Inc.  
Sprucegrove Investment Management Ltd.  
Standard Life Assurance Company  
Standard Life Investments Inc.  
Standard Securities Capital Corporation  
Starwood Capital Corporation  
State Farm Investor Services (Canada) Co.  
Status Financial Inc.  
Stern Growth Management Inc.  
Stone Co. Ltd.  
Stone Road Investment Management Inc.  
Stonebridge Financial Corporation  
Stonehouse Capital Management Inc.  
Stratagem Investment Counsel Inc.  
Strategic Advisors Corp.  
Strategic Capital Partners Inc.  
Structured Capital Inc.  
Stuart Investment Management Limited  
Successful Investor Wealth Management Inc.  
Superstar Investment Corp.  
Sussman Mortgage Funding Inc.

Swift Trade Securities USA Inc.  
Synergy Asset Management Inc.  
Synergy Services Corporation  
T.E. Investment Counsel  
T.H.A. Bodnar & Co. Investment Management Ltd.  
TAL Global Asset Management  
Target Investment Planners Inc.  
TD Asset Management  
TD Investment Services Inc.  
TD Securities Inc.  
TD Waterhouse Canada Inc.  
TDK Fund Management Inc.  
TEN STAR Financial Inc.  
Tera Capital Corporation  
The Commercial Capital Securities Inc.  
The Glen Ardith Company Ltd.  
The Pallas Athena Corporation  
Thorhild Management Limited  
Thornmark Asset Management Inc.  
Timber Hill Canada Company  
Transatlantic Securities Company  
Tremont Investment Management, Inc.  
Triax Capital Corporation  
Triax Capital Management Inc.  
Triax Investment Management Inc.  
Triax Management Services Inc.  
Triax Mutual Fund Management Inc.  
Triax-Covington Corporation  
Triglobal Capital Management  
Trilon Securities Corporation  
Trinity Wood Capital Corporation  
Tristone Capital Inc.  
Tullett Liberty Limited  
Tuscarora Capital Inc.  
Tuscarora Investment Management Inc.  
TWC Financial Corp.  
Twenty-first Century Funds Inc.  
UBS Bank Canada  
UBS Global Asset Management  
Union Securities Ltd.  
University Avenue Asset Management Inc.  
Valeurs Mobilières Banque Laurentienne Inc.  
Valeurs Mobilières Desjardins Inc.  
Valeurs Mobilières Everest inc.  
Valeurs Mobilières IForum Inc.  
Value Investment Planning Centre Inc.  
Value Sciences Inc.  
Vancouver City Savings Credit Union  
Vengate Capital Partners Company  
VenGrowth Capital Management Inc.  
Venturelink Advisors Inc.  
Veracity Capital Inc.  
Verhaag & Partners Financial Services Inc.  
Verity Investment Counsel Inc.  
Vestcap Investment Management Inc.  
Viking Capital Corp.  
W.D. Latimer Co. Limited  
W.H. Stuart Mutuals Ltd.  
Waterous Securities Inc.  
Watson Investment Counsel Ltd.  
Watt Carmichael Inc.  
Wealth Map Financial Limited  
Wellington West Capital Inc.

Wellington West Financial Services Alberta Inc.  
WFG Securites of Canada Inc.  
Windcroft Financial Counsel Limited  
Windstar Equities Ltd.  
Wirth Associates Inc.  
Wise Capital Management Inc.  
Wolfcrest Capital Advisors Inc.  
Wolverton Securities Ltd.  
Working Ventures Canadian Fund Inc. (Affiliate of  
GrowthWorks Capital Ltd.)  
Worldsource Securities Inc.  
Y.I.S. Financial Inc.  
York Hedge Fund Strategies Inc

For more information on the STP initiative, please visit the OSC website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca) and the Canadian Capital Markets Association (CCMA) website at [www.ccma-acmc.ca](http://www.ccma-acmc.ca).

For further information regarding the STP Survey, please contact:

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Legal Counsel, Market Regulation  
Capital Markets Branch  
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Phone: 416-593-2362  
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**1.1.4 CNQ Request for Comments – Proposed  
Amendments to CNQ Issuer Policies – Out of  
Province Issuers**

**CANADIAN TRADING AND QUOTATION SYSTEM INC.  
PROPOSED AMENDMENTS TO CNQ ISSUER POLICIES  
– OUT OF PROVINCE ISSUERS**

**REQUEST FOR COMMENTS**

A request for comments on proposed amendments to the CNQ Issuer Policies, relating to out of province issuers, is published in Chapter 13 of the Bulletin.

**1.3 News Releases**

**1.3.1 OSC Submits Comments to Wise Persons' Committee**

**FOR IMMEDIATE RELEASE**  
**July 10, 2003**

**OSC SUBMITS COMMENTS TO  
WISE PERSONS' COMMITTEE**

**TORONTO** – The Ontario Securities Commission's submission to the federally-appointed Wise Persons' Committee on Securities Regulation are available on the "What's New" section of the OSC's website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

**For Media Inquiries:** Eric Pelletier  
Manager, Media Relations  
416-595-8913

**For Investor Inquiries:** OSC Contact Centre  
416-593-8314  
1-877-785-1555 (Toll Free)

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## Decisions, Orders and Rulings

### 2.1 Decisions

#### 2.1.1 National Bank Financial Ltd. - MRRS Decision

##### Headnote

MRRS - Relief granted, subject to certain conditions, from the requirement of section 36 of the Act that a registrant deliver trade confirmations to clients of its wrap account program.

##### Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 36.

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA, ONTARIO, NOVA SCOTIA,  
NEWFOUNDLAND AND LABRADOR,  
PRINCE EDWARD ISLAND, YUKON TERRITORY,  
NORTHWEST TERRITORIES AND  
NUNAVUT TERRITORIES**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
NATIONAL BANK FINANCIAL INC.**

##### **MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Yukon Territory, Northwest Territories and Nunavut Territories (the "Jurisdictions") has received an application from National Bank Financial Ltd. ("National Bank") for a decision under the securities legislation of the Jurisdictions (the "Legislation"), that:

- (a) except in Ontario, the requirement contained in the Legislation to be registered as an adviser (the "Registration Requirement") does not apply to certain portfolio managers (the "Advisers") who provide portfolio management services for the benefit of National Bank's clients (the "clients") participating in wrap account programs

created by National Bank, including its Ambassador Portfolio Service (collectively, the "Programs"); and

- (b) the requirement contained in the Legislation that a registered dealer send a written confirmation of the trade setting out certain information specified in the Legislation (the "Confirmation Requirement"), not apply to National Bank for confirmation to clients with respect to transactions conducted under the Programs;

**AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission is the principal regulator for this application;

**AND WHEREAS**, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 or in Quebec Securities Commission Notice 14-101;

**AND WHEREAS** National Bank has represented to the Decision Makers that:

1. it is an investment dealer registered under the Legislation, and is a member of the Investment Dealers Association;
2. it offers its clients a discretionary asset management service through which clients (such participating clients of National Bank, "clients") may invest in a portfolio of securities based on the investment advice of and management by Advisers through arrangements National Bank has made with those Advisers;
3. a client must:
  - (a) open an account (an "Account") that is separate from any other accounts with National Bank;
  - (b) enter into a written portfolio service management agreement or a similar agreement with National Bank (a "PSMA"); and
  - (c) provide National Bank with information regarding the client's investment objectives, preferences and restrictions so that National Bank can develop, along with the client, a written investment policy statement and investor profile;

4. it will assist the client in selecting one or more Advisers to manage all or a portion of the assets in the Account according to:
- (a) the client's investor profile; and
  - (b) the investment style, expertise and track record of the Adviser;
5. under the PSMA:
- (a) the client will grant full discretionary authority to National Bank over the assets in the Account, including the right to delegate management over all or a portion of the assets in the Account to an Adviser;
  - (b) the client will acknowledge and agree that securities transactions in the Account by National Bank or the Advisers will generally be executed through National Bank or one of its affiliates;
  - (c) an affiliate of National Bank or another recognized securities custodian will act as custodian of the securities and other assets in the Account;
  - (d) the client will agree to pay a fee to National Bank based on the market value of the Account at the end of each quarterly period, which fees will include all custodial, transaction and brokerage fees and commissions and professional or other fees of the Advisers; and
  - (e) unless otherwise requested, the client will waive receipt of trade confirmations as required under applicable Legislation;
6. it will provide the client with a statement of account with information required under the applicable Legislation, including a list of all transactions during the period and a statement of portfolio at the end of such period;
7. it will provide trade confirmations as required under the applicable Legislation to the Adviser, unless waived by the client;
8. with respect to any Adviser which is not appropriately registered as a portfolio manager in the Applicable Jurisdiction to provide the services contemplated under the Programs to a client, National Bank will agree under the PSMA to be responsible for any loss that arises out of the failure of an Adviser:
- (a) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of National Bank and the client of National Bank for whose benefit the investment advice is or portfolio management services are to be provided, or
  - (b) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances,
9. it will enter into a written master portfolio management services agreement or similar agreement (the "MPMSA") with each Adviser, setting out the terms and conditions governing the relationship between National Bank, the Adviser and the client and the rights, obligations and duties of the parties;
10. under the MPMSA,:
- (a) the Adviser will assist National Bank by managing the client's assets that are designated to that Adviser, based on the client's investor profile and investment policy statement;
  - (b) the Adviser will communicate appropriate trading instructions to National Bank (including explaining the rationale for the transactions in the Account), maintain records in respect of each Account and otherwise participate or assist National Bank in providing periodic performance reports or other related information to the clients;
11. a client must obtain all advice and information and give all instructions and directions through National Bank;
12. if there is any direct contact between the client and the Adviser, the registered representative of National Bank responsible for the client's account will at all times be present, either in person or by telephone;
13. each Adviser will be licensed, qualified or registered as a portfolio manager or investment counsel in either the United States, the United Kingdom, one of the Jurisdictions or elsewhere to provide discretionary investment counselling and portfolio management services for clients or accounts such as those contemplated under the Programs; and
14. Advisers who are not otherwise registered in Ontario will not be required to register as advisers under the *Securities Act* (Ontario) as they can rely on the exemption from registration in section 7.3 of Ontario Rule 35-502 *Non-Resident Advisers*.

**AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

**THE DECISION** of the Decision Makers under the Legislation is that:

- (a) except in Ontario, the Registration Requirement does not apply to the Advisers who provide investment counselling and portfolio management services for the benefit of clients in connection with the Programs, provided that:
  - (i) the obligations and duties of each of the Advisers is set out in a written agreement with National Bank;
  - (ii) National Bank contractually agrees with each client that it will be responsible for the Assumed Obligations;
  - (iii) National Bank is not relieved of the Assumed Obligations by clients;
  - (iv) National Bank is registered under the Legislation as an investment dealer in the Jurisdictions in which clients are resident; and
  - (v) in Manitoba, the relief is available only to Advisers who are not registered in any Canadian jurisdiction; and
- (b) the Confirmation Requirement shall not apply to National Bank in respect of a client's Account in which National Bank acts as principal or agent in connection with the associated trade.

June 11, 2003.

"Brenda Leong"

**2.1.2 Leng Wilson Ng - Director's Decision**

**IN THE MATTER OF  
THE SECURITIES ACT  
R.S.O. 1990 C.S.5, AS AMENDED**

**AND**

**IN THE MATTER OF  
THE TRANSFER OF REGISTRATION OF  
LENG WILSON NG**

**OPPORTUNITY TO BE HEARD BY THE DIRECTOR  
PURSUANT TO SUBSECTION 26(3) OF THE  
SECURITIES ACT**

Date: July 2, 2003

Director: David M. Gilkes  
Manager, Registrant Regulation  
Capital Markets Branch

Submissions: Ronald Pelletier  
Counsel for the Applicant

Alexandra Clarke  
Counsel for the Commission

**DIRECTOR'S DECISION**

**Overview**

1. This decision relates to the application of Mr. Ng (the **Applicant**) to transfer his registration as a Mutual Fund Salesperson to Portfolio Strategies Corporation. Staff has recommended that the Director deny this application.

**Background**

2. The Applicant was first granted registration in 1992 as a Mutual Fund Salesperson with The Investment Centre. In 1995, he transferred to the Info Financial Group and in December 1998 he transferred to Fundex. Fundex dismissed Mr. Ng for cause on July 31, 2002. On September 5, 2002, Portfolio Strategies Corporation submitted Mr. Ng's application to transfer his registration. In a letter dated January 16, 2003, Staff advised the Applicant that they recommended the Director deny his application based on grounds that he was not suitable for registration as a Mutual Fund Salesperson under the *Securities Act (Ontario)* (the **Act**).
3. After receiving the letter from Staff, Mr. Ng requested the opportunity to be heard by the Director pursuant to subsection 26(3) of the Act that states:

(3) Refusal – The Director shall not refuse to grant, renew, reinstate or amend registration or



impose terms and conditions thereon without giving the applicant an opportunity to be heard.

4. The opportunity to be heard was done through the written submissions. Counsel for Registration Staff of the Ontario Securities Commission (OSC) provided reasons for their recommendation on May 9, 2003. Counsel for the Applicant provided his submission on June 13, 2003 and counsel for Staff replied on June 23, 2003.

#### Staff Submissions

5. The Applicant was dismissed for cause and as a result Staff investigated the circumstances of his dismissal. The reasons for Mr. Ng's termination were provided by Fundex in the termination notice:

Mr. Ng had been on mandatory supervision since pre-signed order entry tickets were found in his office files in August 2001.

Subsequent to that finding, several complaints were lodged with the Ontario Securities Commission against Mr. Ng. Ken Booker and Laurie Toledano from the Enforcement Division are currently investigating those files. An OSC audit in April 2002 revealed additional regulatory concerns. An internal audit was performed in June 2002 which again revealed deficiencies in the way Mr. Ng operated.

6. Staff identified three major concerns with the Applicant's activities based on the results of the investigation, the interviews with complainants and the OSC compliance field review:

- Unsuitable risk level in clients' portfolios based on the risk tolerance disclosed in their KYC forms,
- Leveraged investments recommended for clients where such investments were not suitable, and
- The use of pre-signed order forms to purchase or redeem mutual funds on his clients' behalf, often without consulting his clients of the action he was to take.

7. Staff concluded that Mr. Ng lacked the competence and integrity required of a securities industry professional and was not suitable for registration and recommended that the Director deny his application.

8. The Staff submission provided details of the findings above, which I will not repeat here, however, they support Staff's position that the Applicant had recommended unsuitable investments to his clients.

9. The written submissions of Staff provided a summary of the law in this area. Section 26 of the Act provides that:

**Granting of Registration** – Unless it appears to the Director that the applicant is not suitable for registration, renewal of registration or reinstatement of registration or that proposed registration, renewal of registration, reinstatement of registration or amendment of registration is objectionable, the Director shall grant registration, renewal of registration, reinstatement of registration or amendment of registration to an applicant.

10. Clearly the onus of proof rests with Staff to establish that the registrant is "not suitable for registration" or that the registration is otherwise "objectionable".

11. Staff referred to a number of Commission decisions including the *Mithras* and *Charko* decisions that read in part as follows:

... the role of the Commission is to protect the public interest by removing from the capital markets -- wholly or partially, permanently or temporarily, as the circumstances may warrant -- those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In doing so we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all.

*Re Mithras Management Ltd.*, (1990) 13 OSCB 1600

... the Director must necessarily place a strong reliance on an applicant's past behaviour.

*Re Charko*, (1992) 15 OSCB 3986

12. Staff also referred to various other decisions (listed below) where registrants had demonstrated a lack of understanding of their duties as registrants and whose reinstatement was denied.

13. *Re Vilas-Boas* (200), 25 OSCB 6401  
*Re Ramdhani* (2002) 25 OSCB 1745  
*Re DiCostanzo* (2001) 24 OSCB 5307  
*Re Bushell* (2001) 24 OSCB 5669  
*Re Thatcher* (2001) 24 OSCB 631  
*Re Curia* (2000) 23 OSCB 1745  
*Re Jaynes* (2000) 23 OSCB 1543  
*Re Dornford* (1998), 21 OSCB 7499

14. Staff further noted that in considering an application for registration, it is appropriate to take into account the principle of general deterrence. As expressed in *Re Jaynes*:

In my view, to reinstate Mr. Jaynes at this time despite his inappropriate past conduct and serious breaches of his duties as a registrant, even with conditions or restrictions on his registration would be to send an unequivocal message to the marketplace that such conduct has little consequence. Such a message would be inconsistent with the Director's obligation to act in accordance with the Commission's investor protection mandate. Mr. Jaynes' conduct as a registrant had clear consequences for many of his clients at Marchment. That such conduct should have little or no consequences for Mr. Jaynes, or indeed others who would follow his example and breach their obligations in like fashion, is inconceivable and wholly inconsistent with the important principle of general deterrence...

*Re Jaynes* (2000) 23 OSCB 1543

15. Staff concluded that the Applicant failed to meet the standards set out in the Act in terms of determining the suitability of investments for his clients (OSC rule 31-505, s. 1.5), the heightened standards of duty for leveraged investments (National Instrument 33-102), he had no authority to conduct discretionary trading (Ont. Reg 1015, s. 98) and he did not deal fairly, honestly and in good faith with his clients (OSC rule 31-505, s. 2.1).
16. Staff submitted that Mr. Ng is not suitable for registration as a Mutual Fund Salesperson and as a result, his application should be rejected.

**Applicant's Submissions**

17. The key points made in Applicant's submissions are:
- The burden of proof for determining an applicant is unsuitable under section 26 of the Act is the same as a proceeding under section 127,
  - Some of the complaints should be discounted because they were withdrawn or not acted upon by Fundex,
  - The Applicant had not recommended unsuitable investments rather his clients were the victims of bad timing,
  - The Applicant met the higher standards required when recommending leveraged investments as witnessed by disclosure forms clients signed indicating they

understood the risks of leveraged investments, and

- There has been no action by the Enforcement Branch of the OSC relating to any of the activities described in Staff's submission.

18. The Applicant also noted that the Director decisions relied on in the Staff submission are distinguishable from the case of Mr. Ng.
19. The Applicant concluded that there were relatively few complaints against Mr. Ng when the whole of his business is considered and that the complaints related to bad timing. He noted that the obligation to disclose the risk of leveraged investments is demonstrated through the signed forms. The Applicant also noted there is no clear evidence that Mr. Ng engaged in discretionary trading or that he did not deal with his clients fairly.
20. The Applicant submitted that there is no valid reason to deny Mr. Ng's registration.

**Reply of Staff**

21. Staff's made a reply to the Applicant's submissions. I was interested in the reply to the issues of the burden of proof, and that the Applicant had not recommended unsuitable investments rather his clients were the victims of bad timing.
22. Staff submitted that the standard of proof for determining suitability under section 26 is different than that for proceedings under section 127. The difference in the standard is consistent with difference in the scope of the sections. I agree with Staff that the Director must only find that the applicant appears to be unsuitable and that is a different standard than section 127.
23. In addition to the submissions by Staff and the Applicant, I referred to the 1991 OSC Annual Report. Under the heading of Registration Section, it stated:
- The section administers a registration system which is intended to ensure that all registrants under the Securities Act and the Commodity Futures Act meet appropriate standards of integrity, competence and financial soundness, ...
- Ontario Securities Commission, Annual Report 1991, Page 16
- This is consistent with Staff's description of the burden of proof under section 26.
24. In regard to the suitability of the investments recommended by Mr. Ng, the Applicant had submitted that no expert evidence had been

provided to make this determination. Staff replied that there was clear evidence from the charts and documents supporting their submission and the Director was competent to make this judgement. I agree with Staff on this point. The four cases cited in Staff's reply (p.7, par. 29) clearly represent unsuitable investments recommended by the Applicant.

**Decision**

25. I have reviewed and considered all written submissions provided to me and based on that material, I find the Applicant unsuitable to be granted registration as a Mutual Fund Salesperson.

July 4, 2003.

"David M. Gilkes"

**2.1.3 Hub International Limited - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to certain vice-presidents of a reporting issuer from the insider reporting requirements subject to certain conditions as outlined in CSA Staff Notice 55-306 - Applications for Relief from the Insider Reporting Requirements by Certain Vice Presidents.

**Statutes Cited**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 107, 108, 121(2)(a)(ii).

**Regulations Cited**

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., Part VIII.

**Rules Cited**

National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements.

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ALBERTA, MANITOBA, NOVA SCOTIA, ONTARIO,  
QUEBEC, SASKATCHEWAN AND NEWFOUNDLAND  
AND LABRADOR**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
HUB INTERNATIONAL LIMITED**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Manitoba, Nova Scotia, Ontario, Quebec, Saskatchewan and Newfoundland and Labrador (the "Jurisdictions") has received an application from Hub International Limited ("Hub") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement (the "Insider Reporting Requirements") contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of Hub on the grounds that they are "nominal vice-presidents" (as that term is defined in CSA Staff Notice 55-306 *Applications for Relief from the Insider Reporting Requirements by Certain Vice-Presidents* (the "Staff Notice"));

**AND WHEREAS** pursuant to the Mutual Reliance System for Exemptive Relief Applications (the "System"),

the Ontario Securities Commission (the "Commission") is the Principal Regulator for this application;

**AND WHEREAS** Hub has represented to the Decision Makers that:

1. Hub is a corporation incorporated under the *Business Corporations Act* (Ontario). Through its subsidiaries, Hub is a leading North American insurance brokerage that provides a broad array of property and casualty, life and health, employee benefits, investment and risk management products and services. Hub owns or controls 36 operating and 15 non-operating subsidiaries worldwide. Hub has six major subsidiaries (as that term is defined in National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* ("NI 55-101")) (collectively, the "Major Subsidiaries"), four operating in the U.S. and two in Canada. Hub has approximately 2,500 employees in 156 locations;
2. Hub is a reporting issuer, or the equivalent thereof, in each province and territory of Canada and its common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the symbol "HBG";
3. Hub is not on the list of defaulting reporting issuers maintained pursuant to the Legislation;
4. As of May 29, 2003, Hub has 177 persons who are subject to, and are not exempt from, the Insider Reporting Requirements by reason of being a director or senior officer of Hub or one of its Major Subsidiaries (the "Insiders"). A number of directors and senior officers of Hub's other 45 subsidiaries are currently exempt from the Insider Reporting Requirements by reason of exemptions contained in NI 55-101. Hub has made this application to seek the requested relief with respect to 121 of the Insiders;
5. Hub has developed Policy Statement - No. 1 entitled, "Insider Trading and Code of Ethics" (the "Policy"), that includes a blackout policy and policies and procedures governing insider trading that apply to all of the Insiders;
6. The objective of the Policy is to ensure that Hub's directors, officers and designated employees who are "insiders" under the Legislation are aware of their responsibilities under the Legislation and to assist them in complying with the Legislation;
7. The Policy also applies to other employees of Hub who have knowledge of material undisclosed information;
8. Under the Policy, Insiders and other employees with knowledge of material undisclosed information may not trade in securities of Hub. In addition, Insiders may not trade in securities of

Hub during "blackout" periods around the preparation of financial results or any other "blackout" period as determined by management of Hub;

9. Management of Hub considered the job requirements and principal functions of the Insiders to determine which of them met the definition of "nominal vice-president" contained in the Staff Notice and has compiled a list of those Insiders who meet the criteria set out in the Staff Notice (the "Exempted Vice-Presidents");
10. Each of the Exempted Vice-Presidents:
  - (a) is a vice-president;
  - (b) is not in charge of a principal business unit, division or function of Hub or a Major Subsidiary of Hub;
  - (c) does not in the ordinary course receive or have access to information regarding material facts or material changes concerning Hub before the material facts or material changes are generally disclosed; and
  - (d) is not an insider of Hub in any capacity other than as a vice-president;
11. On an ongoing basis, Hub intends to monitor the eligibility for the exemption available under the Staff Notice of each of the Exempted Vice-Presidents, and that of other employees of Hub and its Major Subsidiaries whose title is vice president who may satisfy the criteria of "nominal vice-president" from time to time, by monitoring such persons' respective job requirements and principal functions and assessing the extent to which in the ordinary course they receive notice of material facts or material changes with respect to Hub prior to such material facts or material changes being generally disclosed.
12. If Hub determines that any of the Exempted Vice Presidents no longer satisfy the criteria of "nominal vice-president", Hub will inform such individuals of their ongoing obligations under the Insider Reporting Requirements.
13. Hub has filed with the Decision Makers in connection with this application a copy of the Policy and a list of Exempted Vice Presidents;

**AND WHEREAS** pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met;

**THE DECISION** of the Decision Makers under the Legislation is that the Insider Reporting Requirements shall not apply to the Exempted Vice Presidents or any other employee of Hub who hereafter is given the title of vice-president provided that:

- (a) they satisfy the definition of "nominal vice-president";
- (b) Hub prepares and maintains a list of all individuals who propose to rely on the exemption granted, submits the list on an annual basis to the board of directors for approval and files the list with the Decision Makers;
- (c) Hub files with the Decision Makers a copy of its internal policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons whose trading activities are restricted by Hub; and,
- (d) the relief granted will cease to be effective on the date when NI 55-101 is amended.

July 2, 2003.

"Paul M. Moore"

"Harold P. Hands"

**2.1.4 Bonavista Petroleum Ltd. et al.  
- MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – relief from registration and prospectus requirements for trades made in connection with an arrangement – relief granted from certain continuous disclosure requirement, subject to conditions – issuer deemed to be a reporting issuer –relief from "current AIF" requirement, subject to certain conditions.

**Applicable Statutory Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53, 74(1), 80(b)(iii), 83.1(1) and 88(2)(b).

**Applicable Instruments**

Multilateral Instrument 45-102 Resale of Securities.

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN,  
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,  
PRINCE EDWARD ISLAND, NOVA SCOTIA,  
NEWFOUNDLAND AND LABRADOR, THE NORTHWEST  
TERRITORIES, THE YUKON TERRITORY AND  
NUNAVUT**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
BONAVISTA PETROLEUM LTD.,  
NUVISTA ENERGY LTD.,  
BONAVISTA ENERGY TRUST,  
BONAVISTA ACQUISITION CORP.,  
BONAVISTA EXCHANGE CO LTD. AND  
BONAVISTA OIL & GAS LTD.**

**MRRS DECISION DOCUMENT**

1. **WHEREAS** the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, the Yukon Territory, the Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Bonavista Energy Trust (the "Trust"), Bonavista Petroleum Ltd. ("Bonavista"), Bonavista Acquisition Corp. ("AcquisitionCo"), NuVista Energy Ltd. ("NuVista"), Bonavista ExchangeCo Ltd. ("ExchangeCo") and Bonavista Oil & Gas Ltd. ("BOGL") for a decision under the

securities legislation of the Jurisdictions (the "Legislation") that:

- 1.1 the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file a preliminary prospectus and a prospectus, and to receive receipts therefor (the "Prospectus Requirement"), in certain of the Jurisdictions, shall not apply to certain trades of securities to be made in connection with a proposed plan of arrangement (the "Arrangement") under section 193 of the *Business Corporations Act* (Alberta) (the "ABCA") involving the Trust, AcquisitionCo, Bonavista, NuVista, ExchangeCo, BOGL and the security holders of Bonavista;
  - 1.2 the requirements contained in the Legislation with respect to AcquisitionCo (or its successor on amalgamation with Bonavista ("AmalgamationCo")), in those Jurisdictions in which it becomes a reporting issuer or the equivalent under the Legislation, to issue a press release and file a report with the Jurisdictions upon the occurrence of a material change, file an annual report, where applicable, file interim financial statements and audited annual financial statements with the Jurisdictions and deliver such statements to the security holders of AmalgamationCo, file and deliver an information circular or make an annual filing with the Jurisdictions in lieu of filing an information circular, file an annual information form and provide management's discussion and analysis of financial condition and results of operations (the "Continuous Disclosure Requirements"), shall not apply to AcquisitionCo or AmalgamationCo;
  - 1.3 NuVista be deemed or declared to be a reporting issuer at the effective date (the "Effective Date") of the Arrangement for the purposes of the Legislation of the Jurisdictions, other than Manitoba, Nova Scotia, Newfoundland, New Brunswick, Prince Edward Island, Yukon, Northwest Territories and Nunavut; and
  - 1.4 the requirement of NuVista to have a "current AIF" filed on SEDAR under Multilateral Instrument 45-102 – Resale of Securities ("MI 45-102") not apply.
2. **AND WHEREAS** pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Alberta Securities Commission is the principal regulator for this application;
- 3: **AND WHEREAS**, unless otherwise defined, the terms herein have the meaning set out in National

Instrument 14-101 Definitions or Quebec Commission Notice 14-101;

4. **AND WHEREAS** the Trust, Bonavista, AcquisitionCo, NuVista, ExchangeCo and BOGL have represented to the Decision Makers that:
- 4.1 Bonavista is a corporation amalgamated and subsisting pursuant to the provisions of the ABCA;
  - 4.2 the head and principal office of Bonavista is located at 1100, 321 – 6th Avenue S.W., Calgary, Alberta, T2P 3H3 and its registered office is located at 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9;
  - 4.3 Bonavista is actively engaged in the exploration for, and the acquisition, development and production of, oil and natural gas in the Provinces of Alberta, Saskatchewan and British Columbia;
  - 4.4 the authorized capital of Bonavista consists of an unlimited number of common shares ("Common Shares"), and an unlimited number of first preferred shares (the "Preferred Shares"), issuable in series;
  - 4.5 as at May 23, 2003, 32,595,712 Common Shares and nil Preferred Shares were issued and outstanding. Bonavista has also reserved a total of 2,249,337 Common Shares for issuance pursuant to outstanding options ("Options") to purchase Common Shares;
  - 4.6 the Common Shares are listed on the Toronto Stock Exchange (the "TSX");
  - 4.7 Bonavista is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec and has been for more than 12 months;
  - 4.8 Bonavista has filed all the information that it has been required to file as a reporting issuer in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Québec and is not in default of the securities legislation in any of these jurisdictions;
  - 4.9 the Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a trust indenture dated May 23, 2003 between Bonavista and Valiant Trust Company, as trustee;
  - 4.10 the Trust was established for the purpose of, among other things:

- 4.10.1 investing in shares of AcquisitionCo and acquiring the Common Shares and the unsecured, subordinate promissory notes issuable by AcquisitionCo (the "Notes") pursuant to the Arrangement;
- 4.10.2 acquiring a net profits interest pursuant to a net profits interest agreement to be entered into between AmalgamationCo and the Trust; and
- 4.10.3 acquiring or investing in other securities of AmalgamationCo and in the securities of any other entity including without limitation bodies corporate, partnerships or trusts, and borrowing funds or otherwise obtaining credit for that purpose;
- 4.11 the head and principal office of the Trust is located at 1100, 321 – 6th Avenue S.W., Calgary, Alberta, T2P 3H3;
- 4.12 the Trust was established with nominal capitalization and currently has only nominal assets and no liabilities. The only activity which will initially be carried on by the Trust will be the holding of securities of AcquisitionCo and AmalgamationCo;
- 4.13 the Trust is authorized to issue an unlimited number of trust units ("Trust Units") and an unlimited number of special voting rights ("Special Voting Rights");
- 4.14 as of the date hereof, there is one Trust Unit issued and outstanding, which is owned by Bonavista, and no Special Voting Rights are outstanding;
- 4.15 the Trust has received conditional approval from the TSX for the listing on the TSX of the Trust Units to be issued in connection with the Arrangement subject to, among other things, completion of the Arrangement. The Trust Units issuable from time to time in exchange for series A exchangeable shares ("Exchangeable Shares") of AcquisitionCo will also be listed on the TSX, subject to receipt of final approval from the TSX;
- 4.16 the Trust is not a reporting issuer in any of the Jurisdictions;
- 4.17 AcquisitionCo is a wholly-owned subsidiary of the Trust and was incorporated pursuant to the ABCA on April 8, 2003. AcquisitionCo was incorporated to participate in the Arrangement by acquiring Common Shares of Bonavista;
- 4.18 the head and principal office of AcquisitionCo is located at 1100, 321 – 6th Avenue S.W., Calgary, Alberta, T2P 3H3 and its registered office will be located at 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9;
- 4.19 the authorized capital of AcquisitionCo currently consists of an unlimited number of common shares and an unlimited number of exchangeable shares, issuable in series. Prior to the Arrangement, the articles of AcquisitionCo will be amended to create the Exchangeable Shares;
- 4.20 as of the date hereof there are one hundred common shares of AcquisitionCo issued and outstanding, which are owned by the Trust. All common shares of AmalgamationCo will be owned beneficially (directly or indirectly) by the Trust, for as long as any outstanding Exchangeable Shares are owned by any person other than the Trust or any of the Trust's subsidiaries and other affiliates;
- 4.21 AcquisitionCo is not a reporting issuer in any of the Jurisdictions;
- 4.22 NuVista was incorporated pursuant to the ABCA on April 7, 2003. NuVista has not carried on any active business since incorporation;
- 4.23 the head and principal office of NuVista is located at 1100, 321 – 6th Avenue S.W., Calgary, Alberta, T2P 3H3, and its registered office is located at 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9;
- 4.24 pursuant to the Arrangement, NuVista will acquire, directly and indirectly, certain oil and gas assets from Bonavista. Upon completion of the Arrangement, NuVista will be engaged in the exploration for, and acquisition, development and production of, oil and natural gas reserves, primarily in the Province of Alberta;
- 4.25 the authorized capital of NuVista consists of an unlimited number of common shares ("NuVista Shares") and an unlimited number of class B performance shares;
- 4.26 as of the date hereof, one (1) NuVista Share and nil class B performance shares are issued and outstanding;
- 4.27 NuVista has received conditional approval from the TSX for the listing on the TSX of the NuVista Shares to be issued in connection with the Arrangement subject to, among other things, completion of the Arrangement. The NuVista Shares issuable from time to time will

- also be listed on the TSX, subject to receipt of final approval from the TSX;
- 4.28 NuVista is not a reporting issuer in any of the Jurisdictions;
- 4.29 ExchangeCo was incorporated pursuant to the ABCA on April 7, 2003. ExchangeCo has not carried on any active business since incorporation;
- 4.30 the head and principal office of ExchangeCo is located at 1100, 321 – 6th Avenue S.W., Calgary, Alberta, T2P 3H3, and its registered office is located at 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9;
- 4.31 the authorized capital of ExchangeCo consists of an unlimited number of common shares;
- 4.32 as of the date hereof, one hundred common shares were issued and outstanding and owned by the Trust;
- 4.33 BOGL was incorporated pursuant to the ABCA. BOGL is a wholly-owned subsidiary of Bonavista and is engaged in the oil and natural gas business;
- 4.34 the head and principal office of BOGL is located at 1100, 321 – 6th Avenue S.W., Calgary, Alberta, T2P 3H3, and its registered office is located at 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9;
- 4.35 the Arrangement will be effected by way of plan of arrangement (the "Plan") pursuant to section 193 of the ABCA. The Arrangement will require: (i) approval by not less than two-thirds of the votes cast by the shareholders (the "Shareholders") and the optionholders of Bonavista (collectively, the "Securityholders") (present in person or represented by proxy), voting together as a single class, at the special meeting (the "Meeting") of Securityholders to be held for the purpose of approving the Arrangement, and thereafter; (ii) approval of the Court of Queen's Bench of Alberta;
- 4.36 Bonavista's information circular dated May 23, 2003 (the "Information Circular") contains prospectus-level disclosure concerning the respective business and affairs of Bonavista, NuVista, the Trust and AmalgamationCo and a detailed description of the Arrangement, and has been mailed to Securityholders in connection with the Meeting. The Information Circular has been prepared in conformity with the provisions of the ABCA and applicable securities laws and policies;
- 4.37 the assets that will make up the business of NuVista have been the subject of continuous disclosure on an ongoing basis for more than 12 months, in accordance with Bonavista's responsibilities as a reporting issuer subject to the Continuous Disclosure Requirements;
- 4.38 the Arrangement provides for a transaction where, commencing at the time the Arrangement takes effect (the "Effective Time"), the events set out below shall be deemed to occur in the following order:
- 4.38.1 the Common Shares and Options held by dissenting Securityholders who have exercised dissent rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Bonavista and be cancelled and cease to be outstanding, and as of the Effective Time, such dissenting Securityholders shall cease to have any rights as securityholders of Bonavista other than the right to be paid the fair value of their Common Shares or Options;
- 4.38.2 each Option (whether vested or unvested) may, at the election of the holder, be transferred to Bonavista in consideration of a cash payment, less statutory withholdings, equal to the Exercise Price Differential (as defined in the Plan);
- 4.38.3 NuVista will grant to Bonavista one right to purchase a NuVista Share (the "NuVista Exchange Right") for each outstanding Common Share for the purpose of their distribution to Shareholders under the Arrangement;
- 4.38.4 the class A shares (the "Class A Shares") of Bonavista shall be created as a new class of shares of Bonavista and each Common Share will be exchanged pursuant to a reorganization of the capital of Bonavista for one (1) Class A Share and one (1) NuVista Exchange Right;
- 4.38.5 subject to the Plan, each Class A Share held by a Shareholder (other than Class A Shares held by non-resident Shareholders and tax-exempt Shareholders) who has elected to exercise NuVista Exchange Rights for cash will be transferred to AcquisitionCo in



accordance with the election or deemed election of the holder of such Class A Share in exchange for two (2) Notes or two (2) Exchangeable Shares plus for each Note or Exchangeable Share, as the case may be, a fraction of a Note or an Exchangeable Share equal to \$2.00 divided by the Weighted Average Trading Price (as defined in the Plan), less \$2.00;

4.38.6 the class B shares (the "Class B Shares") of Bonavista and the class C shares (the "Class C Shares") of Bonavista shall be created as a new class of shares of Bonavista and each Class A Share, other than Class A Shares held by AcquisitionCo, will be exchanged pursuant to a reorganization of the capital of Bonavista for one (1) Class B Share and one (1) unsecured promissory note (a "NuVista Share Note") of Bonavista, and each Class A Share held by AcquisitionCo will be exchanged pursuant to a reorganization of the capital of Bonavista for one (1) Class C Share;

4.38.7 subject to the Plan, each Class B Share, other than Class B Shares held by non-resident Shareholders and tax-exempt Shareholders, will be transferred to AcquisitionCo in accordance with the election or deemed election of the holder of such Class B Share for two (2) Notes or two (2) Exchangeable Shares;

4.38.8 each Class B Share held by non-resident Shareholders and tax-exempt Shareholders will be transferred to AcquisitionCo in exchange for two (2) Notes;

4.38.9 each Note shall be transferred by the holder thereof to the Trust in exchange for one (1) Trust Unit;

4.38.10 Bonavista and AcquisitionCo shall be amalgamated and continued as one corporation, AmalgamationCo;

4.38.11 subject to the Plan, each NuVista Exchange Right held by a Shareholder who has elected to exercise such NuVista Exchange Right for cash and who has deposited payment in accordance with the instruction set forth in the letter of transmittal and election form

will be deemed to be exercised and the depositary shall transfer the purchase price to NuVista and NuVista shall issue one (1) NuVista Share for each NuVista Exchange Right deemed to be exercised;

4.38.12 each remaining NuVista Exchange Right and NuVista Share Note held by a Shareholder will be exchanged with NuVista on the basis of one (1) NuVista Share for each NuVista Exchange Right and NuVista Share Note so exchanged;

4.38.13 any remaining outstanding Options shall cease to represent the right to acquire Common Shares and shall only entitle the holder to acquire two (2) Trust Units for each Common Share which the holder was previously entitled to acquire under the Option at a price per Trust Unit calculated in accordance with the following formula:

Trust Unit Exercise Price =

$$\frac{\text{Option Exercise Price} - \$2.00}{2}$$

4.38.14 Bonavista Petroleum, a general partnership, the partners of which are Bonavista and BOGL (the "Bonavista Partnership") will convey: (A) Bonavista's one hundred percent undivided interest in substantially all of the undeveloped land in Bonavista's eastern region to NuVista for a cash purchase price; and (B) Bonavista's one hundred percent undivided interest in substantially all of the producing assets in Bonavista's eastern region to NuVista Energy, a general partnership, the partners of which will be, after the completion of the Arrangement, NuVista and the Bonavista Partnership (the "NuVista Partnership"), in consideration of partnership units and a promissory note (the "NuVista Promissory Note");

4.38.15 NuVista will convey all of the NuVista Share Notes and cash to the NuVista Partnership in consideration of 70% of the partnership units of the NuVista Partnership and BOGL's partnership interest will be redeemed for a cash payment of \$1,000;

- 4.38.16 the NuVista Partnership will exchange all of the NuVista Share Notes and cash for the NuVista Promissory Note to the Bonavista Partnership;
- 4.38.17 the Bonavista Partnership will convey: (A) that portion of all of the Canadian resource properties of the Bonavista Partnership as is equal to the equity interest of AmalgamationCo in the Bonavista Partnership at the time the step set forth in this subparagraph is carried out (the "AmalgamationCo Carried Working Interest") to AmalgamationCo; and (B) that portion of all of the Canadian resource properties of the Bonavista Partnership as is equal to the equity interest of BOGL in the Bonavista Partnership at the time the step set forth in this subparagraph is carried out (the "BOGL Carried Working Interest") to BOGL as a return of capital;
- 4.38.18 BOGL will dividend the BOGL Carried Working Interest to AmalgamationCo;
- 4.38.19 AmalgamationCo will grant a net profits interest (the "NPI") pursuant to a net profits interest agreement to be entered into between AmalgamationCo and the Trust on: (A) the AmalgamationCo Carried Working Interest; and (B) the BOGL Carried Working Interest, to the Trust in consideration of the return of Notes in an amount equal to the fair market value of the NPI as determined by AmalgamationCo;
- 4.38.20 AmalgamationCo will convey: (A) the AmalgamationCo Carried Working Interest (which is subject to the NPI) to the Bonavista Partnership in return for a promissory note; and (B) the BOGL Carried Working Interest (which is subject to the NPI) to BOGL in return for a promissory note; and
- 4.38.21 BOGL will convey the BOGL Carried Working Interest (which is subject to the NPI) to the Bonavista Partnership in return for a promissory note;
- 4.39 AmalgamationCo will become a reporting issuer under the Legislation in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec, and will be subject to the Continuous Disclosure Requirements in such Jurisdictions;
- 4.40 the Trust will become a reporting issuer under the Legislation in British Columbia, Alberta, Saskatchewan, Ontario, and Québec and will be subject to the Continuous Disclosure Requirements in such Jurisdictions;
- 4.41 NuVista will not be a reporting issuer within the definitions of all of the applicable Jurisdictions at the Effective Time;
- 4.42 following the completion of the Arrangement, NuVista anticipates the need to carry out one or more private placements of NuVista Shares in order to fund its exploration and production activities;
- 4.43 the Exchangeable Shares provide a holder with a security having economic and voting rights which are, as nearly as practicable, equivalent to those of the Trust Units;
- 4.44 under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, holders of Exchangeable Shares will be able to exchange them at their option for Trust Units;
- 4.45 under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, the Trust, ExchangeCo or AmalgamationCo will redeem, retract or otherwise acquire Exchangeable Shares in exchange for Trust Units in certain circumstances;
- 4.46 in order to ensure that the Exchangeable Shares remain the voting and economic equivalent of the Trust Units prior to their exchange, the Arrangement provides for:
- 4.46.1 a voting and exchange trust agreement to be entered into among the Trust, AcquisitionCo, ExchangeCo and Valiant Trust Company (the "Voting and Exchange Agreement Trustee") which will, among other things, (i) grant to the Voting and Exchange Agreement Trustee, for the benefit of holders of Exchangeable Shares, the right to require the Trust or ExchangeCo to exchange the Exchangeable Shares for Trust Units, and (ii) trigger automatically the exchange of the Exchangeable Shares for Trust Units upon the occurrence of certain specified events;

- 4.46.2 the deposit by the Trust of a Special Voting Right with the Voting and Exchange Agreement Trustee which will effectively provide the holders of Exchangeable Shares with voting rights equivalent to those attached to the Trust Units; and
- 4.46.3 a support agreement to be entered into between the Trust, AcquisitionCo, ExchangeCo and the Voting and Exchange Agreement Trustee which will, among other things, restrict the Trust from issuing or distributing to the holders of all or substantially all of the outstanding Trust Units:
- 4.46.3.1 additional Trust Units or securities convertible into Trust Units;
- 4.46.3.2 rights, options or warrants for the purchase of Trust Units; or
- 4.46.3.3 units or securities of the Trust other than Trust Units, evidence of indebtedness of the Trust or other assets of the Trust;
- unless the same or an equivalent distribution is made to holders of Exchangeable Shares, an equivalent change is made to the Exchangeable Shares, such issuance or distribution is made in connection with a distribution reinvestment plan instituted for holders of Trust Units or a unitholder rights protection plan approved for holders of Trust Units by the board of directors of AcquisitionCo, or the approval of holders of Exchangeable Shares has been obtained;
- 4.47 the steps under the Arrangement, the terms of the Exchangeable Shares and the NuVista Exchange Rights, and the exercise of certain rights provided for in connection with the Arrangement, the Exchangeable Shares and the NuVista Exchange Rights involve a number of trades or potential trades of securities, including Common Shares, Class A Shares, Class B Shares, Class C Shares, NuVista Shares, Trust Units, Exchangeable Shares, NuVista Exchange Rights, Notes, NuVista Share Notes, NuVista Promissory Notes, NuVista partnership units, Options, the Special Voting Right, certain rights to acquire Trust Units, Exchangeable Shares and NuVista Shares under the Arrangement, and rights to otherwise make a trade of a security that was derived from the Arrangement (collectively, the "Trades");
- 4.48 there are no exemptions from the Registration Requirement or the Prospectus Requirement available under the Legislation of the Jurisdictions for certain of the Trades;
- 4.49 the Information Circular discloses that the securities that are the subject of the Trades will be issued in reliance on exemptions, including discretionary exemptions, from the Registration Requirement and the Prospectus Requirement and discloses that application will be made to relieve AmalgamationCo from the Continuous Disclosure Requirements; and
- 4.50 the Trust will concurrently send to holders of Exchangeable Shares resident in the Jurisdictions all disclosure material it sends to holders of Trust Units pursuant to the Legislation;
5. **AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
6. **AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
7. **THE DECISION** of the Decision Makers under the Legislation is that:
- 7.1 the Registration Requirement and the Prospectus Requirement contained in the Legislation of the Jurisdictions (excluding British Columbia, Nova Scotia, Prince Edward Island and Newfoundland and Labrador) shall not apply to the Trades, provided that the first trade in securities acquired pursuant to the Arrangement shall be deemed to be a distribution or a primary distribution to the public;
- 7.2 the Prospectus Requirement contained in the Legislation of the Jurisdictions (excluding British Columbia) shall not apply to the first trade in securities acquired by Shareholders under the Arrangement and the first trade of securities acquired on the exercise of all rights, automatic or otherwise, under such securities, provided that:
- 7.2.1 except in Québec, the conditions in subsections (3) or (4) of section 2.6 of MI 45-102 are satisfied and, for the purposes of determining the period of time that the Trust or NuVista has been a reporting issuer under section 2.6 of

MI 45-102, the period of time that Bonavista was a reporting issuer in at least one of the jurisdictions listed in Appendix B of MI 45-102 immediately before the Arrangement may be included; and

7.2.2 in Québec:

7.2.2.1 the Trust is and has been a reporting issuer in Québec for the 12 months immediately preceding the trade, including the period of time that Bonavista was a reporting issuer in Québec immediately before the Arrangement;

7.2.2.2 no unusual effort is made to prepare the market or create a demand for the securities that are the subject of the trade;

7.2.2.3 no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

7.2.2.4 if the selling securityholder is an insider or officer of the Trust, the selling securityholder has no reasonable grounds to believe that the Trust is in default of securities legislation;

7.3 the Continuous Disclosure Requirements of those Jurisdictions in which AmalgamationCo becomes a reporting issuer or the equivalent under the Legislation shall not apply to AmalgamationCo for so long as:

7.3.1 the Trust is a reporting issuer in Québec and at least one of the jurisdictions listed in Appendix B of MI 45-102 and is an electronic filer under National Instrument 13-101;

7.3.2 the Trust sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of Trust Units under the Continuous Disclosure Requirements;

7.3.3 the Trust complies with the requirements of the TSX, or such other market or exchange on which the Trust Units may be quoted or listed, in respect of making public disclosure of material information on a timely basis;

7.3.4 AmalgamationCo is in compliance with the requirements of the Legislation to issue a press release and file a report with the Jurisdictions upon the occurrence of a material change in respect of the affairs of AmalgamationCo that is not also a material change in the affairs of the Trust;

7.3.5 the Trust includes in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to the Trust and not to AmalgamationCo, such insert to include a reference to the economic equivalency between the Exchangeable Shares and Trust Units and the right to direct voting at meetings of holders of Trust Units;

7.3.6 the Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of AmalgamationCo; and

7.3.7 AmalgamationCo does not issue any preferred shares or debt obligations other than debt obligations issued to its affiliates or to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions;

7.4 upon the effectiveness of the Arrangement:

7.4.1 in British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador the requirement contained in the Legislation to have a "current AIF" filed on SEDAR in order to be a "Qualifying Issuer" under MI 45-102 shall not apply to NuVista provided that:

7.4.1.1 NuVista files:

7.4.1.1.1 a notice on SEDAR advising that the Information Circular has been filed as an alternate form of annual information form and identifying the SEDAR Project Number under which the Information

Circular was filed and Appendix H to the Information Circular as the portion of the Information Circular containing disclosure specific to NuVista; and

7.4.1.1.2 a copy of Appendix H of the Information Circular under NuVista's SEDAR profile; and

7.4.1.2 NuVista files a Form 45-102F2 on or before the tenth day after the distribution day of any securities certifying that it is a Qualifying Issuer except for the requirement to have a current AIF;

such order to expire 140 days after NuVista's financial year ended December 31, 2003; and

7.4.2 in Québec, NuVista will be exempt from the requirements of subparagraph 1(e) of decision no. 2003-C-0016 of the Commission des valeurs mobilières du Québec given that the Information Circular in connection with the Arrangement contains prospectus level disclosure including financial statements for the year ended December 31, 2002, for the purpose of NuVista qualifying for the shortened hold period. This exemption will expire 140 days after NuVista's financial year ended December 31, 2003; and

7.5 NuVista shall be deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, Nova Scotia, Newfoundland, New Brunswick, Prince Edward Island, Yukon, Northwest Territories and Nunavut.

July 2, 2003.

"Glenda A. Campbell"

"Stephen R. Murison"

## 2.1.5 IQON Financial Inc. - MRRS Decision

### Headnote

Representatives of mutual fund dealer exempted from the prohibition against payment of commission/fee rebates to clients who switch investments from third party mutual funds to mutual funds managed by affiliate of mutual fund dealer.

### Rules Cited

National Instrument 81-105 Mutual Fund Sales Practices, subsection 7.1(1), section 9.1.

### IN THE MATTER OF NATIONAL INSTRUMENT 81-105 MUTUAL FUND SALES PRACTICES ("NI 81-105")

AND

### IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

### IN THE MATTER OF IQON FINANCIAL INC.

### MRRS DECISION DOCUMENT

**WHEREAS** the Canadian securities regulatory authorities or regulators (the "Decision Makers") in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island have received an application from IQON Financial Inc. ("IQON") on behalf of itself and its current and future representatives (the "Representatives") from time to time for a decision pursuant to section 9.1 of NI 81-105 that the prohibitions on certain rebates ("Rebates") of redemption commission or fees contained in paragraph 7.1(1)(b) of NI 81-105 shall not apply to Rebates paid by Representatives to clients who are switching from Third Party Funds (defined below) to MB Funds and CI Funds (defined below) (the "Proprietary Rebates");

**AND WHEREAS** pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Manitoba Securities Commission is the principal regulator for this application;

**AND WHEREAS**, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

**AND WHEREAS** IQON has represented to the Decision Makers as follows:

1. IQON is registered as a mutual fund dealer in each of the provinces of Canada, other than Quebec;

2. Sun Life Assurance Company of Canada ("Sun Life") owns or controls approximately 56% of McLean Budden Limited ("MB") and 34% of CI Fund Management Inc. ("CI"), the managers of the McLean Budden family of mutual funds (the "MB Funds") and the CI family of mutual funds (the "CI Funds") respectively;
3. Sun Life indirectly owns 51% of the voting shares of IQON. As a result, Sun Life is a member of the organization of the MB Funds and the CI Funds;
4. IQON is a participating dealer of the MB Funds and the CI Funds as well as a participating dealer of other mutual funds not managed by MB or CI ("Third Party Funds");
5. Paragraph 7.1(1)(b) of NI 81-105 prohibits Representatives from paying Proprietary Rebates to clients who are switching from Third Party Funds to MB Funds and CI Funds;
6. The relief is being applied for in order to facilitate the Proprietary Rebates;
7. The decision to pay such Proprietary Rebates will be made by the Representatives based on the best interests of the particular client; and
8. Representatives are not required by IQON or any of its affiliates to sell MB Funds or CI Funds to clients and accordingly have no quotas in respect of selling MB Funds or CI Funds and are not provided with incentives by IQON (other than as permitted by NI 81-105 or any of its affiliates to sell MB Funds or CI Funds).

**AND WHEREAS** pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in NI 81-105 that provides the Decision Maker with the jurisdiction to make the decision has been met;

**THE DECISION** of the Decision Makers pursuant to section 9.1 of NI 81-105 is that IQON shall be exempt from the prohibitions on payment of Rebates contained in paragraph 7.1(1)(b) of NI 81-105 to the extent necessary to allow Representatives to pay Proprietary Rebates;

**PROVIDED** that in respect of each such payment:

1. IQON, and the relevant Representative, as the case may be, complies with the informed written consent provisions of paragraph 7.1(1)(a) and the disclosure and consent provisions of Part 8 of NI 81-105;
2. The Representative advises each client in advance that any Rebate proposed to be made available by a Representative in connection with

the purchase of securities of MB Funds or CI Funds (a) will be available to the client regardless of whether the redemption proceeds are invested in an MB Fund or CI Fund or a Third Party Fund (to a maximum of the commission earned by the Representative on the purchase), and (b) will not be conditional on a purchase of securities of the MB Funds or CI Funds;

3. Representatives are not and shall not in the future be subject to quotas (either express or implied) in respect of the distribution of the MB Funds or CI Funds and shall continue to be entitled to offer competing Third Party Funds to their clients;
4. Except as permitted by NI 81-105, neither IQON nor any of its affiliates shall provide an incentive (monetary or non-monetary) to any Representative to recommend the MB Funds or CI Funds over Third Party Funds;
5. The amount of the Proprietary Rebate that is borne by a Representative is determined by the Representative and the client; and
6. The Representatives that pay the Proprietary Rebates are not and will not be reimbursed directly or indirectly for such payment by IQON or any of its affiliates.

**AND PROVIDED FURTHER** that this Decision Document shall cease to be operative with respect to a Decision Maker following the entry into force of a rule of that Decision Maker that replaces or amends section 7.1 of NI 81-105.

June 4, 2003.

"R.B. Bouchard"

**2.1.6 InterTAN, Inc. and InterTan Canada Ltd. -  
MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - issuer bid made through the facilities of the NYSE by U.S. offeror (or its wholly-owned Canadian subsidiary) with in excess of 1,475 registered holders in Canada holding less than 2% of the total outstanding securities subject to the bid - Offeror exempt from formal issuer bid requirements, provided that the issuer bid is made in compliance with the applicable U.S. securities laws and all materials relating to the issuer bid sent to U.S. offerees is also sent to all offerees in the Jurisdictions and filed with the Decision Maker in each Jurisdiction.

**Applicable Ontario Statutory Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 95, 96, 97, 98, 100 and 104(2)(c).

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, NOVA SCOTIA,  
ONTARIO AND QUEBEC**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE SYSTEM FOR  
EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
INTERTAN, INC.**

**AND**

**INTERTAN CANADA LTD.  
MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority (the "Decision Makers") in each of the provinces of British Columbia, Alberta, Nova Scotia, Ontario and Quebec, (collectively, the "Jurisdictions") has received an application (the "Application") from InterTAN, Inc. ("InterTAN") and its wholly-owned subsidiary, InterTan Canada Ltd. (together, the "Applicants"), for a decision, under the securities legislation of each of the Jurisdictions (the "Legislation") that, in connection with a proposed issuer bid to be made to holders of shares of common stock of InterTAN US\$1 par value per share (the "Common Shares"), InterTAN be exempt from the provisions in the Legislation relating to delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, take-up of and payment for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, identical consideration and collateral benefits (collectively, the "Issuer Bid Requirements");

**AND WHEREAS** under the Mutual Reliance System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this Application;

**AND WHEREAS**, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 or in Quebec Commission Notice 14-101;

**AND WHEREAS** the Applicants have represented to the Decision Makers that:

1. InterTAN is a corporation incorporated under the laws of the State of Delaware with its principal office in Barrie, Ontario.
2. InterTAN is a reporting issuer in Ontario, Nova Scotia and Saskatchewan, but is not a reporting issuer or the equivalent in any other Jurisdiction. It is not in default as a reporting issuer in Ontario, Nova Scotia or Saskatchewan. InterTAN is also a registrant under and is subject to the requirements of the United States Securities Act of 1933 (the "1933 Act") and the United States Securities and Exchange Act of 1934 (the "1934 Act"), including the reporting requirements thereof.
3. As at March 31, 2003, a total of 20,503,073 Common Shares were issued and outstanding (the "Outstanding Common Shares").
4. As at March 31, 2003, there were in excess of 1,475 registered holders of record of the Common Shares having addresses in Canada (collectively, the "Canadian Registered Holders") holding in aggregate, 516,710 Common Shares. As at March 31, 2003, there were 50 or more Canadian Registered Holders resident in each of British Columbia, Alberta, Nova Scotia, Ontario and Quebec. Canadian Registered Holders in each of the Jurisdictions hold less than 2% of the Outstanding Common Shares.
5. The Common Shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol ITA and are also listed on the New York Stock Exchange ("NYSE") under the symbol ITN. Based on publicly available information, only 243 Common Shares were traded on the TSX during all of 2002 and, during the current year, there have been no trades of Common Shares on the TSX up to April 23, 2003. All other trading activity in Common Shares in 2002 and up to April 23, 2003 occurred through the facilities of the NYSE. Based on information provided by the NYSE, approximately 26.305 million Common Shares were traded through the facilities of the NYSE in 2002 and approximately 4.86 million Common Shares have been traded on the NYSE up to April 23, 2003 (representing in each case in excess of 99% of the total volume of shares of Common

Shares traded on both the TSX and NYSE in the relevant time period).

6. InterTAN Canada is a corporation continued under the laws of British Columbia. It is not a reporting issuer in any of the Jurisdictions and is a wholly-owned subsidiary of InterTAN.
7. InterTAN proposes to offer to repurchase, directly or indirectly through InterTAN Canada, through one or more separate and discrete programs, up to 1,025,000 Common Shares, either in the open market on the NYSE or through privately negotiated transactions at prices equal to market prices on the NYSE, during the period commencing on the date of this MRRS Decision Document and ending on March 31, 2004 (the "2003 Repurchase Program").
8. As the majority of holders of Common Shares are resident in the United States, InterTAN anticipates that Common Shares repurchased pursuant to the 2003 Repurchase Program will be purchased largely from holders of Common Shares resident in the United States (collectively, the "U.S. Shareholders").
9. The 2003 Repurchase Program will be completed in compliance with the 1934 Act, the 1933 Act and the rules of the Securities and Exchange Commission made pursuant to such statutes including, without limitation, Rule 10b-18 promulgated under the 1934 Act (collectively, the "Applicable U.S. Securities Laws"). All purchases made through the NYSE will be made through only one broker in any one day, will not be made at the opening of the market or within one half hour of the close, will not be made at prices higher than the highest published independent bid or last reported independent sale price on the NYSE (whichever is higher) and will be in the amount that does not exceed, in any one day, 25% of the average daily trading volume over the past four weeks.
10. All material relating to the 2003 Repurchase Program and any amendment thereto required to be sent by or on behalf of InterTAN to the U.S. Shareholders under Applicable U.S. Securities Laws will also be sent concurrently to all Canadian Registered Holders whose last address, as shown on InterTAN's books, is in any Jurisdiction, and will be concurrently filed with each of the Decision Makers.
11. InterTAN cannot rely on the "normal course issuer bid" exemption from the Issuer Bid Requirements that exists in some Jurisdictions because, in the 12 month period preceding the date hereof, InterTAN has purchased approximately 1.065 million Common Shares (representing approximately 5% of the issued and outstanding

Common Shares) pursuant to an issuer bid commenced by InterTAN on October 11, 2002.

12. For practical reasons, InterTAN is unable to rely on the "recognized stock exchange" exemption from the Issuer Bid Requirements that exists in some Jurisdictions because (i) the NYSE is not recognized for the purposes of such exemptions; and (ii) due to the lack of a market for the Common Shares on the TSX.
13. Although the laws of the United States of America have been recognized for the purposes of the "de minimis" exemption from the Issuer Bid Requirements that exists in some Jurisdictions, InterTAN cannot rely upon such exemptions because there are 50 or more Canadian Registered Holders whose last address as shown on InterTAN's books is in each of the Provinces of British Columbia, Alberta, Nova Scotia, Ontario and Quebec.
14. All material changes in the affairs of InterTAN have been generally disclosed as at the date hereof and InterTAN will not purchase Common Shares at any time when it has knowledge of any material fact or material change which has not been generally disclosed.
15. The 2003 Repurchase Program will be made available to the holders of the Common Shares, whose last address as shown on InterTAN's books is in any Jurisdiction on the same basis, including extending to those holders identical rights and consideration, as to the holders of the Common Shares resident in the United States.

**AND WHEREAS** pursuant to the System this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides each of the Decision Makers with the jurisdiction to make the Decision has been met;

**THE DECISION** of the Decision Makers under the Legislation is that the 2003 Repurchase Program is exempt from the Issuer Bid Requirements, so long as:

- (a) the 2003 Repurchase Program and any amendment thereto is made in compliance with the requirements of the Applicable U.S. Securities Laws; and
- (b) all material relating to the 2003 Repurchase Program and any amendment thereto that is required to be sent by or on behalf of InterTAN to U.S. Shareholders under Applicable U.S. Securities Laws, will be concurrently sent to all Canadian Registered Holders whose last address, as shown on



InterTAN's books, is in any Jurisdiction and filed with each of the Decision Makers.

July 9, 2003.

"Paul M. Moore"

"Lorne Morphy"

**2.1.7 Axcan Pharma Inc. and Saule Holdings Inc.  
- MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – cash take-over bid made in accordance with the laws of the United States - *de minimis* exemption unavailable - more than 50 shareholders in Ontario - bid exempted from the take-over bid requirements of Part XX, subject to certain conditions, including provision of U.S. tender offer documents to Ontario shareholders.

**Applicable Ontario Statute**

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 93(1)(e), 95 to 100, and 104(2)(c).

(Translation)

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
THE PROVINCES OF  
QUEBEC, ONTARIO AND BRITISH COLUMBIA**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE SYSTEM FOR  
EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
SAULE HOLDINGS INC.  
AND  
AXCAN PHARMA INC.**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of Quebec, Ontario and British Columbia (the "Jurisdictions") has received an application from Axcan Pharma Inc. and Saule Holdings Inc. (together, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") exempting the cash tender offer (the "Tender Offer") of the Filer from the take-over bid rules contained in the Legislation;

**AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the *Commission des valeurs mobilières du Québec* is the principal regulator for this application;

**AND WHEREAS**, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 - *Definitions* or in Quebec Securities Commission Notice 14-101;

**AND WHEREAS** the Filer has represented to the Decisions Makers that:

- a) the head office of Axcan Pharma Inc. and of Saule Holdings inc. are located in St. Hilaire, Quebec and Birmingham, Alabama, respectively;
- b) Saule Holdings Inc. is a wholly-owned Delaware subsidiary of Axcan Pharma Inc. ("Axcan");
- c) the common shares of Axcan are listed on The Toronto Stock Exchange and the NASDAQ National Market;
- d) the Filer has commenced on April 10, 2003 an unsolicited Tender Offer to purchase all the outstanding common shares of Salix Pharmaceuticals, Ltd. ("Salix"), a company incorporated under the laws of the British Virgin Islands and continued under the laws of Delaware, whose head office is located in Raleigh, North Carolina;
- e) Salix's common shares trade through the facilities of the NASDAQ National Market under the ticker symbol "SLXP" and Salix is a reporting issuer in all 10 Canadian provinces but its shares are not traded through any Canadian stock exchange;
- f) as of April 18, 2003, there are 21,402,963 common shares of Salix outstanding;
- g) the Tender Offer is currently scheduled to expire on June 27, 2003;
- h) of the Canadian shareholders, 86 (holding approximately 0.334% of Salix outstanding common shares) are resident in the Province of Quebec, 162 (holding approximately 0.709% of Salix outstanding common shares) are resident in the Province of Ontario and 61 (holding approximately 0.015% of Salix outstanding common shares) are resident in the Province of British Columbia;
- i) the Tender Offer is made in compliance with the federal laws of the United States of America, including Section 14(d) of the Securities Exchange Act of 1934;
- j) following successful completion of the Tender Offer, Axcan intends to consummate a second step merger in which remaining Salix shareholders will receive the same cash price paid in the Tender Offer, without interest; and

- k) the Tender Offer is a take-over bid under the Legislation for which an exemption is not available.

**AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

**THE DECISION** of the Decision Makers under the Legislation is that the requirement contained in the Legislation to comply with the take-over bid rules set forth therein shall not apply to the Filer in connection with the Tender Offer.

**THE DECISION** is conditional on satisfaction of the following conditions:

- a) the Tender Offer and all amendments thereto are made in compliance with the laws of the United States, including Section 14(d) of the Securities Exchange Act of 1934;
- b) all material relating to the Tender Offer that has been sent by the Filer to shareholders of Salix be sent as soon as reasonably possible after the date hereof to all holders of Salix common shares whose last address as shown on the books of Salix is in one of the Jurisdictions and be filed with the Decision Makers;
- c) any other material relating to the Tender Offer which is sent by the Filer to shareholders of Salix be sent concurrently to all holders of Salix common shares whose last address as shown on the books of Salix is in one of the Jurisdictions and be filed with the Decision Makers;
- d) in the case of shareholders of Salix whose last address as shown on the books of Salix is in Quebec, a summary in French of the terms of the Offer to Purchase under which the Tender Offer is made be sent to such shareholders as well as a summary in French of any supplement or amendment to the Offer to Purchase distributed to other shareholders in accordance with the laws of the United States be sent to such shareholders at the same time as such material is distributed to such other shareholders.

June 12, 2003.

"Jean Meloche"

"Jean-Marie Gagnon"

**2.1.8 RBC Dominion Securities Inc. - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Registered dealer exempted from the requirements of section 36 of the Act to send trade confirmations for trades that the dealer executes on behalf of customer accounts that are fully managed by the dealer, where: the customer has informed the dealer that they do not want to receive the trade confirmation for such managed account trades, the managed account trades are included in the services for which the customer pays a "wrap fee", and the dealer sends to the customer a statement of account (not less than once a month) that includes certain of the information that would be otherwise be required to be included in the trade confirmation.

**Applicable Ontario Statutory Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 36 and 147.

**Applicable Ontario Regulation**

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as amended, s. 123.

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA, QUEBEC, ONTARIO, NEW BRUNSWICK,  
NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR,  
YUKON TERRITORY, NORTHWEST TERRITORIES,  
AND NUNAVUT**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
RBC DOMINION SECURITIES INC. AND  
RBC INVESTMENTS PRIVATE INVESTMENT  
MANAGEMENT PROGRAM**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker"), in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, the Yukon Territory, Northwest Territories and Nunavut (collectively, the "Jurisdictions") has received an application (the "Application") from RBC Dominion Securities Inc. ("RDC DS") for a decision under the securities legislation (the "Legislation") of each Jurisdiction that the provisions (the "Trade Confirmation Requirement") contained in the Legislation that require a registered dealer, who has acted as principal or agent in connection with a trade in a

security, to promptly send or deliver to the customer a written confirmation (a "Trade Confirmation") of the transaction, setting forth certain information specified in the Legislation, shall not apply to RBC DS in respect of trades (a "Managed Account Trade") where the customer (a "Customer") has a Managed Account (as defined below) with RBC DS under a portfolio management program (the "Program") operated by RBC DS and known as the "RBC Investments Private Investment Management Program" and the trade is made for the Managed Account;

**AND WHEREAS** pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

**AND WHEREAS** RBC DS has represented to the Decision Makers that:

1. RBC DS is a corporation incorporated under the laws of Canada and has its head office in Toronto, Ontario.
2. RBC DS is registered under the legislation of each Jurisdiction as a dealer in the category of "investment dealer" (or the equivalent), and is authorized to act as an adviser, pursuant to an exemption from the "adviser registration requirement" (as defined in National Instrument 14-101 – Definitions) that is made available under the Legislation of each Jurisdiction to dealers who are members of the Investment Dealers Association of Canada (the "IDA").
3. RBC DS provides both discretionary managed and non-discretionary advisory services to individuals, corporations and other entities seeking wealth management or related services.
4. RBC DS intends to offer the Program through its network of branches across Canada. Under the Program, RBC DS will act as portfolio manager for Customers who desire certain discretionary managed services ("Managed Services") from RBC DS through an investment portfolio account ("a Managed Account") under which RBC DS, pursuant to a written agreement ("Customer Agreement") made between RBC DS and the Customer, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the specific consent of the Customer to the trade.
5. The Program is subject to Investment Dealers Association Regulation 1300 "Supervision of Accounts" and, in each Jurisdiction, all adviser activities in respect of the Managed Account will be provided by employees of RBC DS who meet the proficiency requirements of a portfolio manager or associate portfolio manager under the Legislation of the Jurisdiction.
6. For each Customer, the Managed Services will be described in the Customer Agreement and will include the following services (the "Wrap Services") for which the Customer will pay to RBC DS a fixed percentage "wrap" fee (the "Wrap Fee"): investment research, portfolio selection and management with respect to all securities or other assets in the Managed Account, custody, reporting, and, except as described in paragraph 7, below, trade execution. The Wrap Fee will be calculated on the basis of assets under administration in the Managed Account and will not depend upon the number of transactions effected on behalf the Managed Account (i.e., except as described in paragraph 7, below, no trading commission will be charged to the Managed Account). The Customer may, in addition to being charged the Wrap Fee for Wrap Services also be charged by RBC DS for other Managed Services of a minor nature, such as: wire transfer requests, account transfers, withdrawals, de-registration and other administrative services.
7. Under the Program, a Customer may be charged commissions for the sale of securities that the Customer transferred into the Managed Account at the time the Customer entered the Program, where the securities are subsequently sold in circumstances where an arm's-length third-party broker is required to settle the trade because the principal market for the securities is outside of North America and such arm's length third party broker charges a fee to RBC DS. In these cases, the fee will be passed on to the Customer on a cost-recovery basis only and the Customer will receive a Trade Confirmation.
8. Under the Program, RBC DS will send to the Customer of each Managed Account:
  - (a) not less than once every three months, a performance report for the Managed Account; and
  - (b) not less than once a month, a statement of account (a "Statement of Account") for the Managed Account which identifies the assets of the Customer being managed on behalf of the Customer through the Managed Account, and includes, for each Managed Account Trade made during the period, the information which RBC DS would otherwise have been required to include in a written confirmation of the Managed Account Trade that was sent or delivered in accordance with the Trade Confirmation Requirement, except for the following information (which will be maintained by RBC DS in its books and records and made available to the Customer upon request):

- (i) where RBC DS acted as agent, the name of the person or company from, to or through whom the security was bought or sold;
- (ii) the date name of the stock exchange, if any, upon which the transaction took place; and
- (iii) the name of the salesperson, if any, in the transaction.

9. Customers paying a fixed percentage fee for a discretionary managed service, such as the RBC Investments Private Investment Management Program, have advised RBC DS that they would prefer not to receive Trade Confirmations for Managed Account Trades.

10. There will be no impact on fees or expenses to be paid by a Customer resulting from the Customer instructing RBC DS that the Customer does not wish to receive Trade Confirmations for Managed Account Trades.

**AND WHEREAS** pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

**THE DECISION** of the Decision Makers pursuant to the Legislation is that RBC DS shall not be subject to the Trade Confirmation Requirement for any Managed Account Trade, other than a Managed Account Trade referred to in paragraph 7, above, provided that:

- (A) the Customer has previously informed RBC DS that the Customer does not wish to receive Trade Confirmations for Managed Account Trades; and
- (B) in the case of each such Managed Account Trade, RBC DS sends to the Customer the corresponding Statement of Account, that includes the information for the Managed Account Trade, referred to in paragraph 8(b), above.

May 14, 2003.

"Paul M. Moore"

"Harold P. Hands"

**2.1.9 Laidlaw Inc. and Laidlaw Investments Ltd.  
- MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - Issuer has no securities outstanding, after a Plan of Arrangement - issuer deemed to have ceased to be a reporting issuer.

**Applicable Ontario Statutory Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am. s. 83.

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
THE PROVINCES OF  
ALBERTA, SASKATCHEWAN, ONTARIO, QUÉBEC,  
NOVA SCOTIA AND NEWFOUNDLAND AND  
LABRADOR**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
LAIDLAW INC. AND LAIDLAW INVESTMENTS LTD.**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Laidlaw Inc. ("Laidlaw") and Laidlaw Investments Ltd. ("New Laidlaw") for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that Laidlaw be deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation;

**AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief Applications (the "MRRS"), the Ontario Securities Commission is the principal regulator for this Application;

**AND WHEREAS** unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

**AND WHEREAS** Laidlaw has represented to the Decision Makers as follows:

- 1. Laidlaw is a corporation incorporated under the Canada Business Corporations Act pursuant to articles of amalgamation dated July 28, 1997.

2. The registered and principal offices of Laidlaw are located in the City of Burlington, in the Province of Ontario.
3. Laidlaw is and has been a reporting issuer (or the equivalent) for a period in excess of 12 months in each of the Jurisdictions and is not in default of any of its obligations as a reporting issuer under the Legislation. Laidlaw is no longer a reporting issuer or the equivalent in any jurisdiction in Canada other than the Jurisdictions.
4. New Laidlaw was a direct subsidiary of Laidlaw and was continued into the State of Delaware and is subject to Delaware General Corporation Law.
5. In accordance with a plan of arrangement (the "Plan") made under the U.S. Bankruptcy Code, all of the issued and outstanding common shares in the capital of New Laidlaw held by Laidlaw immediately prior to June 23, 2003, the effective date of the Plan (the "Effective Date"), were, on the Effective Date, transferred to certain of Laidlaw's creditors.
6. New Laidlaw became a reporting issuer or its equivalent in each of the Jurisdictions and as such is subject to compliance with the continuous disclosure obligations of the Legislation.
7. The business carried on by New Laidlaw is substantially the same as the business carried on by Laidlaw.
8. Holders of Laidlaw common shares and Laidlaw preferred shares did not receive any distributions under the Plan.
9. Pursuant to Articles of Reorganization filed pursuant to the Plan, effective June 23, 2003 all of the shares of Laidlaw have been cancelled. Laidlaw does not intend to seek public financing by way of an offering of its securities.
10. The shares of Laidlaw were delisted from the TSX on June 20, 2003. No securities of Laidlaw are traded on a marketplace as defined in National Instrument 21-101.
11. Laidlaw does not have any securities, including debt securities, issued or outstanding.

**AND WHEREAS** under MRRS, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

**THE DECISION** of the Decision Makers under the Legislation is that Laidlaw is deemed to have ceased to be a reporting issuer or the equivalent under the Legislation.

July 15, 2003.

"Charlie MacCready"

**2.2 Orders**

**2.2.1 MVision Private Equity Advisers USA LLC  
- s. 211 of Reg. 1015**

**Headnote**

Applicant for registration as an international dealer exempted from the requirement in subsection 208(2) of the Regulation that it carry on the business of an underwriter in a country other than Canada where applicant carries on the business of a dealer in another country and will not act as an underwriter in Ontario.

**Statutes Cited**

Securities Act, R.S.O. 1990, c. S.5, as am.

**Regulations Cited**

Regulation made under the Securities Act, R.R.O., Reg. 1015, as am., ss. 100(3), 208(2) and 211.

**IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")**

**AND**

**IN THE MATTER OF  
R.R.O. 1990, REGULATION 1015,  
AS AMENDED (the "Regulation")**

**AND**

**IN THE MATTER OF  
MVISION PRIVATE EQUITY ADVISERS USA LLC**

**ORDER  
(Section 211 of the Regulation)**

**UPON** the application (the "Application") of MVision Private Equity Advisers USA LLC (the "Applicant") to the Ontario Securities Commission (the "Commission") for an order, pursuant to section 211 of the Regulation, exempting the Applicant from the requirement in subsection 208(2) of the Regulation that the Applicant carry on the business of an underwriter in a country other than Canada, in order for the Applicant to be registered under the Act as a dealer in the category of "international dealer";

**AND UPON** considering the Application and the recommendation of staff of the Commission;

**AND UPON** the Applicant having represented to the Commission that:

1. The Applicant is not currently registered in any capacity under the Act and has filed an application for registration under the Act as a dealer in the category of "international dealer".

2. The Applicant is a corporation incorporated under the laws of the state of Delaware in the United States of America (the "USA"). The applicant's registered office is in the United Kingdom.

3. The Applicant is registered as a broker-dealer in USA with the Securities and Exchange Commission and carries on the business of a broker-dealer in the USA. The Applicant is a member of the National Association of Securities Dealers and is registered in good standing as a broker-dealer in 27 jurisdictions of the United States.

4. The Applicant does not currently act as an underwriter in the USA or in any jurisdiction in the world.

5. Subsection 208(2) of the Regulation provides that "no person or company may register as an international dealer unless the person or company carries on the business of a dealer and underwriter in a country other than Canada".

6. The Applicant will not act as an underwriter in Ontario if it is registered under the Act as an "international dealer", despite the fact that subsection 100(3) of the Regulation deems an "international dealer" to have been granted registration as an underwriter for the purposes of a distribution which it is authorized to make by section 208 of the Regulation.

7. In the absence of this Order, the Applicant would not meet the requirements of the Regulation for registration as a dealer in the category of "international dealer" as it does not carry on the business of an underwriter in a country other than Canada.

**AND UPON** the Commission being satisfied that to do so would not be prejudicial to the public interest;

**IT IS ORDERED**, pursuant to section 211 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of "international dealer", the Applicant is exempt from the provisions of subsection 208(2) of the Regulation requiring that the Applicant carry on the business of an underwriter in a country other than Canada, provided that, so long as the Applicant is registered under the Act as an "international dealer":

- (1) the Applicant carries on the business of a dealer in a country other than Canada; and

- (2) despite subsection 100(3) of the Regulation, the Applicant does not act as an underwriter in Ontario.

July 8, 2003.

"Paul M. Moore"

"Paul K. Bates"

## 2.2.2 Burgundy Asset Management Ltd. - s. 147

### Headnote

Exemption for pooled funds from the requirement to file with the Commission interim financial statements under section 77(2) of the Act and comparative financial statements under section 78(1) of the Act, subject to conditions.

### Statutes Cited

Securities Act, R.S.O. 1990, c. S.5 as am., ss.74(1).  
Ontario Securities Commission Rule 45-501 – Exemption Distributions, s. 1.1 and s. 2.12.  
National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR), s. 2.1(1)1.

### Regulation Cited

Regulation made under the Securities Act, R.S.O. 1990, Reg. 1015, as am.

**IN THE MATTER OF  
THE SECURITIES ACT  
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")**

**AND**

**IN THE MATTER OF  
BURGUNDY ASSET MANAGEMENT LTD.**

**AND**

**BURGUNDY JAPAN FUND,  
BURGUNDY SMALL CAP VALUE FUND,  
BURGUNDY SMALLER COMPANIES FUND,  
BURGUNDY RCA FUND AND  
BURGUNDY SPECIAL EQUITY FUND  
(HIGH CONVICTION PORTFOLIO)  
(the "Existing Pooled Funds")**

**ORDER  
(Section 147 of the Act)**

**UPON** the application (the "Application") of Burgundy Asset Management Ltd. ("Burgundy"), the manager of the Existing Pooled Funds and other mutual funds managed by Burgundy and distributed on substantially the same basis as the Existing Pooled Funds (collectively the "Pooled Funds"), to the Ontario Securities Commission (the "Commission") for an order pursuant to section 147 of the Act exempting the Pooled Funds from filing with the Commission the interim and annual financial statements prescribed by subsections 77(2) and 78(1), respectively, of the Act;

**AND UPON** considering the Application and the recommendation of the staff of the Commission;

**AND UPON** Burgundy having represented to the Commission as follows:



1. Burgundy is a corporation incorporated under the *Business Corporations Act* (Ontario). Burgundy is in the business of investment counselling and portfolio management. Burgundy is, or will be, the manager of the Pooled Funds.
  2. Each of the Pooled Funds is, or will be, an open-end mutual fund trust established under the laws of the Province of Ontario. The Pooled Funds are not and will not be reporting issuers in Ontario. Units of the Pooled Funds are, or will be, distributed in Ontario without a prospectus pursuant to exemptions from the prospectus delivery requirements of the Act.
  3. The Pooled Funds are an administratively efficient construction that is designed to permit Burgundy to build larger investment models rather than reproduce those same models in individual segregated accounts.
  4. Each of the Pooled Funds is considered to be a "mutual fund in Ontario" as defined in section 1(1) of the Act and is thus required to file interim financial statements under section 77(2) of the Act and comparative financial statements under section 78(1) of the Act (collectively, the "Financial Statements").
  5. Unitholders of the Pooled Funds receive Financial Statements for the Pooled Funds they hold. The Financial Statements are prepared and delivered to unitholders in the form and for the periods required under the Act and the regulations or rules made thereunder (the "Regulations").
  6. Section 2.1(1)1 of National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR) requires that every issuer required to file a document under securities legislation makes its filing through SEDAR. The Financial Statements filed with the Commission thus become publicly available.
- (c) Burgundy will provide the Financial Statements to the Commission or any member, employee or agent of the Commission immediately upon request of the Commission or any member, employee or agent of the Commission;
  - (d) Burgundy will provide a list of the Pooled Funds relying on this Order to the Investment Funds Branch of the Commission on an annual basis;
  - (e) Unitholders of the Funds will be notified that the Funds are exempted from the requirements in sections 77(2) and 78(1) of the Act to file the Financial Statements with the Commission; and
  - (f) In all other aspects, the Pooled Funds will comply with the requirements of Ontario securities law for financial statements.

July 8, 2003.

"Paul M. Moore"

"Paul K. Bates"

**AND UPON** the Commission being satisfied that to do so would not be prejudicial to the public interest;

**IT IS ORDERED** by the Commission pursuant to subsection 147 of the Act that the Pooled Funds be exempted from the requirements in subsection 77(2) and 78(1) of the Act to file the Financial Statements to the Commission, provided:

- (a) The Pooled Funds will prepare and deliver to the unitholders of the Pooled Funds the Financial Statements, in the form and for the periods required under the Act and the Regulations, as if the Financial Statements are required to be filed with the Commission;
- (b) Burgundy will retain the Financial Statements indefinitely;

2.2.3 MedX Health Corp. - s. 144

Headnote

Cease-trade order revoked where the issuer has remedied its default in respect of disclosure requirements under the Act.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127(1)2, 127(5), 127(8), 144.

IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF  
MEDX HEALTH CORP.

ORDER  
(Section 144)

**WHEREAS** the securities of **MedX Health Corp. (the Corporation)** currently are subject to a Temporary Order made by the Director on behalf of the Ontario Securities Commission (the Commission) dated May 23, 2003 pursuant to paragraph 2 of subsections 127(1) and 127(5) of the Act and extended by a further Order of the Director dated June 4, 2003 made under subsection 127(8) of the Act (collectively, the Cease Trade Order) directing that trading in the securities of the Corporation cease until the Cease Trade Order is revoked by a further order of revocation;

**AND WHEREAS** the Cease Trade Order was made by reason of the Corporation's failure to file with the Commission its audited annual statements for the year ended December 31, 2002 (the Annual Financial Statements);

**AND WHEREAS** the Corporation has made an application to the Director pursuant to section 144 of the Act for a revocation of the Cease Trade Order;

**AND WHEREAS** the Corporation has represented to the Director that:

1. The Corporation was incorporated under the *Business Corporations Act* (Ontario) on April 15, 1999 and is a reporting issuer in the Provinces of Ontario, British Columbia, Alberta, Saskatchewan and Nova Scotia.
2. The Cease Trade Order was issued by reason of the failure of the Corporation to file with the Commission its Annual Financial Statements, as required by the Act.
3. The common shares of the Corporation were halted from trading on June 4, 2003 for failure to

meet its continuous disclosure requirements.

4. On June 20, 2003, the Corporation filed the Annual Financial Statements and its interim financial statements for the period ended March 31, 2003 with the Commission through SEDAR. The Corporation has now brought its continuous disclosure filings up-to-date.
5. The Corporation was subject to a cease trade order issued by the British Columbia Securities Commission on June 3, 2003, which has been revoked.

**AND UPON** considering the application and the recommendation of the staff of the Commission;

**AND UPON** the Commission being of the opinion that to do so would not be prejudicial to the public interest;

**IT IS ORDERED** pursuant to section 144 of the Act that the Cease Trade Order is revoked.

July 9, 2003.

"Charlie MacCreedy"

2.2.4 Honeywell International Inc. - s. 83

Headnote

Section 83 of the Securities Act – Issuer has 391 security holders in Ontario holding a de minimis number of securities – issuer subject to securities legislation of the United States – issuer not listed or quoted on an exchange or market in Canada – issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am. s. 83.

IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF  
HONEYWELL INTERNATIONAL INC.

ORDER  
(Section 83)

UPON the application of Honeywell International Inc. (the Company) to the Ontario Securities Commission (the Commission) for an order pursuant to Section 83 of the Act that the Company be deemed to have ceased to be a reporting issuer for the purposes of the Act;

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON it being represented by the Company to the Commission that:

1. The Company is incorporated under the laws of the State of Delaware and its head office is located in Morristown, New Jersey.
2. The Company was formed pursuant to a merger between AlliedSignal Inc. and Honeywell Inc. Under the terms of the merger, the former Honeywell Inc. merged into a wholly-owned subsidiary of AlliedSignal Inc. and AlliedSignal Inc. changed its name to "Honeywell International Inc."
3. In 1973, the Company became listed on The Toronto Stock Exchange (the TSX). The sole purpose of the listing was to permit Allied Chemical Corporation, a predecessor of the Company, to take to lease, through a subsidiary, certain mining claims in the Northwest Territories as the Canada Mining Regulations, as they existed at that time, permitted non-Canadian controlled entities to take mining claims to lease if the shares of the parent company were listed on a stock exchange in Canada.

4. In connection with such listing, the Company obtained an order from the Commission dated September 13, 1973 exempting the Company from compliance with various requirements of the *Securities Act* (Ontario), R.S.O. 1970, Chapter 426 as amended.
5. The Company voluntarily delisted its shares from the TSX on September 13, 1988. The principal reason for delisting the shares was the fact that the listing was no longer needed for Canadian Mining Regulation purposes, as the Company no longer had any mineral properties in the Northwest Territories, as well as the lack of any trading activity in the Company's shares on the TSX.
6. The authorized capital of the Company consists of 2,000,000,000 common shares, with a par value of one dollar, and 40,000,000 preferred shares, without par value. As of February 21, 2003, an aggregate of 855,585,367 common shares were issued and outstanding. No preferred shares are issued or outstanding. The common shares are listed and traded on the New York Stock Exchange, the Chicago Stock Exchange, the Pacific Exchange and the London Stock Exchange.
7. Based on the shareholder registers of the Company, an aggregate of 4,478,333 shares of common stock are held by persons with addresses in Ontario and an aggregate of 8,904,964 shares of common stock are held by persons with addresses in Canada, representing approximately 0.5% and approximately 1.0% of all outstanding common shares respectively. As of June 30, 2003 there were approximately 391 registered shareholders with addresses in Ontario.
8. The Company is not a reporting issuer in any province in Canada other than Ontario and is not in default of any of its obligations as a reporting issuer. There are no securities of the Company listed or posted for trading on any stock exchange or market in Canada. The Company has no intention of seeking public financing by way of an offering of its securities in Ontario.
9. The Company maintains reporting issuer status in the United States and delivers all disclosure material required by U.S. securities law to its shareholders located in Ontario and Canada. This information is also available to shareholders on the Internet at [www.honeywell.com](http://www.honeywell.com) and through the U.S. Securities and Exchange Commission website at <http://www.sec.gov/>.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

**IT IS HEREBY ORDERED** pursuant to Section 83 of the Act that the Company is deemed to have ceased to be a reporting issuer for the purposes of the Act.

July 11, 2003.

"Paul M. Moore"

"H. Lorne Morphy"

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## Chapter 4

# Cease Trading Orders

### 4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Revoke
CA-Network Inc.	09 Jul 03	21 Jul 03		
Cardinal Factor Corporation	27 Jun 03	09 Jul 03	09 Jul 03	
Crystallex International Corporation	09 Jul 03	21 Jul 03		
Goran Capital Inc.	08 Jul 03	18 Jul 03		
Mobile Knowledge Inc.	03 Jul 03	15 Jul 03	15 Jul 03	
Perial Ltd.	30 Jun 03	11 Jul 03		14 Jul 03
Spyn Corporation	09 Jul 03	21 Jul 03		
Westfort Energy Ltd.	08 Jul 03	18 Jul 03		
Zamora Gold Corp.	07 Jul 03	18 Jul 03		

### 4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Expire	Date of Issuer Temporary Order
Afton Food Group Ltd.	21 May 03	03 Jun 03	03 Jun 03		
Aspen Group Resources Corporation	21 May 03	03 Jun 03	03 Jun 03		
Devine Entertainment Corporation	22 May 03	04 Jun 03	04 Jun 03		
Finline Technologies Ltd.	21 May 03	03 Jun 03	03 Jun 03		
Hydromet Environmental Recovery Ltd.	21 May 03	03 Jun 03	03 Jun 03		
Polyphalt Inc.	21 May 03	03 Jun 03	03 Jun 03		
Ivernia West Inc.	22 May 03	04 Jun 03	04 Jun 03		

### 4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
Medx Health Corp.	09 Jul 03

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## Chapter 5

# Rules and Policies

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### 5.1.1 OSC Notice - Approval of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and Repeal of National Policy Statement No. 2-B and Other Consequential Amendments

#### ONTARIO SECURITIES COMMISSION NOTICE

#### APPROVAL OF NATIONAL INSTRUMENT 51-101 STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES AND REPEAL OF NATIONAL POLICY STATEMENT NO. 2-B AND OTHER CONSEQUENTIAL AMENDMENTS

#### 1. Introduction

The Ontario Securities Commission (the "Commission") has, under section 143 of the *Securities Act* (Ontario) (the "Act"), made National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (the "National Instrument" or "NI51-101") as a rule under the Act, and has adopted Companion Policy 51-101CP (the "Companion Policy") as a policy under the Act. The National Instrument contains Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* ("Form 1"), Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor* ("Form 2"), and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* ("Form 3" and together with Form 1 and Form 2, the "Forms"). The National Instrument, Forms and the Companion Policy are collectively referred to as the "Instrument".

The Instrument is an initiative of the Canadian Securities Administrators (the "CSA"). The Instrument has been adopted as a rule in each of British Columbia (except Form 3), Alberta, Ontario and Manitoba and as a Commission regulation in Saskatchewan, and is expected to be considered for adoption as a rule, Commission regulation or policy in all other jurisdictions. The Companion Policy has been, or is expected to be, implemented as a policy in all jurisdictions where the Instrument is adopted.

The Instrument and the material required by the Act to be delivered to the Minister of Finance were delivered on July 11, 2003. The Minister may approve or reject the Instrument or return it for further consideration. If the Minister approves the Instrument, it will come into force, pursuant to section 9.1 therein, on September 30, 2003. The Companion Policy will be adopted on the date that the National Instrument comes into force.

#### 2. Substance and Purpose

NI 51-101 establishes a regime of continuous disclosure for reporting issuers engaged in exploring for, developing or producing oil or gas.

The purpose of the Instrument is to enhance the quality, consistency, timeliness and comparability of public disclosure by reporting issuers concerning their upstream oil and gas activities.

The new disclosure standards are designed to enhance investor confidence in Canadian capital markets and facilitate the raising of new capital by oil and gas reporting issuers. The CSA are of the view that information about oil and gas reserves and activities is essential to enable investors to make informed investment decisions concerning securities of upstream oil and gas issuers. We believe that investors and capital markets are entitled to information that:

- reflects the conclusions of qualified professionals applying consistent standards;
- is given appropriate attention by management and directors;
- is provided on a regular basis; and
- is presented in a manner that facilitates comparison among reporting issuers and over time.

To accomplish these objectives, the Instrument establishes disclosure standards and procedures somewhat akin to those long applied to financial disclosure. It prescribes standards for the preparation and disclosure of oil and gas reserves and related estimates, requires the annual public filing of certain of those estimates and other information pertaining to oil and gas activities,

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and specifies responsibilities of corporate directors.

The first public filings applying the new standards will be required in 2004, containing information as at the end of the financial year that ends on, or includes, December 31, 2003. See "Timing and Transition" below.

The Instrument supplements disclosure requirements that apply to reporting issuers generally. It will replace National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* ("NP 2-B").

The Instrument is being published concurrently with this Notice and can be found on the OSC website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

### **3. Implementation of NI 51-101 and Repeal of NP 2-B**

In Ontario and most other CSA jurisdictions, NI 51-101 is expected to be implemented as a rule or commission regulation, effective on September 30, 2003.

In conjunction with the implementation of the Instrument, NP 2-B is being repealed and consequential amendments are being made to other national, multilateral and local securities legislation and policies. See "Consequential Amendments to Other Instruments" below.

### **4. Summary of the Instrument**

Mandatory elements of the Instrument are set out in NI 51-101 and in the Forms. Form 1 prescribes the reserves data and other information to be filed by a reporting issuer each year (as a free-standing filing or in its annual information form ("AIF"), pursuant to sections 2.1 and 2.3 of NI 51-101). Form 1 also contains instructions to assist preparers. Forms 2 and 3 prescribe the content of the accompanying reports of the independent qualified reserves evaluator or auditor and of management and directors. Form 3, the report of management and directors, is not required in British Columbia.

The Companion Policy provides explanation and guidance, an extensive Glossary, and sample tables that illustrate how certain of the information required in Form 1 might be presented.

All terms defined or explained in the Glossary are printed in italics (or using bold-face type in Form instructions) each time the term is used in the Instrument.

An outline of key aspects of the Instrument and consequential amendments follows, with the source indicated in italics:

#### Annual disclosure

- statement of reserves data (reserves and future net revenue estimates) and other oil and gas information (*Form 1*)
- report of independent qualified reserves evaluator or auditor (*Form 2*)
- report of management and directors (*Form 3*)

#### Reserves evaluations or audits by independent qualified professionals

- "qualified reserves evaluator or auditor" (*definitions*)
- appointed annually to report to directors (*NI 51-101 – section 3.2*)

#### Prescribed role for directors (does not apply in British Columbia)

- direct contact with reserves evaluators or auditors (*NI 51-101 – section 3.4*)
- review and approve filings (*NI 51-101 – section 3.4*)
- majority-independent "reserves committee" encouraged (*NI 51-101 – section 3.5*)

#### General requirements and restrictions apply to all public disclosure

- consistency with the reporting issuer's annual filings (*NI 51-101 – section 5.2*)

- application of Canadian Oil and Gas Evaluation ("COGE") Handbook reserves evaluation standards and definitions (*NI 51-101 – sections 4.2(1)(ii), 5.3*)
- prescribed basis for specific types of voluntary disclosure (*NI 51-101 – Part 5*)

Material change disclosure

- must include discussion of the effect of the material change on filed reserves data (*NI 51-101 – Part 6*)

Materiality standard

- NI 51-101 applies only in respect of information likely to affect an investment decision (*NI 51-101 – section 1.4*)

Possible exemptions, on application

- SEC filers could use US standards in their oil and gas disclosure
  - annual filing still required
  - differences from NI 51-101 explained for Canadian investors (*Companion Policy – sections 8.3 and 8.4*)
- senior producing issuers with demonstrated competence could use in-house rather than independent evaluations (*Companion Policy – section 8.2*)

Changes in Filing Procedure

- unlike the lengthy NP 2-B engineering reports, the disclosure required under NI 51-101 is filed electronically on "SEDAR", not in paper form (*consequential amendment to National Instrument 13-101*)
- full engineering or evaluation reports need no longer be provided to securities regulatory authorities unless requested (*NI 51-101 – Part 7*)

Prospectuses and other offering documents

- prospectus, rights offering and other distribution disclosure requirements will also include the oil and gas disclosure required under NI 51-101 (*consequential amendments*)

## 5. Background

### (a) Traditional Oil and Gas Disclosure Requirements

Before NI 51-101, disclosure requirements for disclosure concerning upstream oil and gas activities applied principally in connection with prospectus filings.

- NP 2-B deals with the preparation and content of engineering reports submitted with a prospectus, and sets out information relating to oil and gas reserves that is to be included in a prospectus.
- Current prospectus forms require disclosure of specified information about an issuer's oil and gas properties, wells, production, estimated reserves and related cash flow, and plans for exploration and development.

Current oil and gas continuous disclosure requirements are largely limited to AIFs, which are not filed by all reporting issuers. AIF oil and gas disclosure requirements are drawn from the prospectus requirements.

### (b) Shortcomings of the Current Oil and Gas Disclosure Regime

The CSA no longer consider the reserves definitions and the specific disclosure requirements set out in NP 2-B to be sufficiently clear or comprehensive to meet the needs of market participants. We do not believe that the prospectus focus of the current requirements adequately serves the secondary capital markets in which the vast majority of securities trading activity takes place.

The CSA share the concern expressed by some market participants that the shortcomings of current oil and gas disclosure standards could impair public confidence in our capital markets, to the detriment of all oil and gas issuers and investors.

**(c) Consultative Process**

The Instrument reflects extensive public and industry consultation and advice.

The Instrument responds to the recommendations of an oil and gas taskforce, established by the Alberta Securities Commission (the "ASC") in 1998 and comprised of representatives from a wide variety of professions and sectors of the oil and gas industry and capital markets. The work of the taskforce coincided with the development of new oil and gas reserves definitions by the Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum (the "CIM"), following the CIM's own consultative process, and the development of reserves evaluation standards by the Calgary Chapter of the Society of Petroleum Evaluation Engineers ("SPEE"). Those standards, and the CIM reserves definitions, are set out in the COGE Handbook, which was prepared by SPEE and the CIM and can be obtained from the CIM at [www.petsoc.org](http://www.petsoc.org).

The taskforce recommendations, issued in January 2001, called for:

- annual reporting of reserves and related estimates and other oil and gas information;
- disclosure to be based on the work of independent reserves evaluators applying the new CIM reserves definitions; and
- specific responsibilities for company management and directors.

**(d) 2002 Proposal**

The CSA responded favourably to the taskforce recommendations, taking into account industry and public comment on those recommendations. The ASC assumed primary responsibility for developing the Instrument. We published the first version of the Instrument on January 25, 2002 (the "2002 Proposal").

The 2002 Proposal generally adopted the recommendations of the taskforce, with some departures designed largely to ameliorate compliance burdens that could result for reporting issuers active in both Canadian and United States capital markets where differing standards apply. It substituted, verbatim, certain requirements derived from the United States Financial Accounting Standards Board ("FASB") for substantially similar requirements suggested by the taskforce. The Companion Policy also discussed the possibility of discretionary relief, on strict conditions, that could permit senior producing issuers to continue the practice under NP 2-B of relying on in-house rather than independent evaluations, and could enable cross-border reporting issuers to follow certain FASB and SEC disclosure requirements in their public disclosure.

Public comment on the 2002 Proposal was generally supportive of its principles. Many of the commenters were, however, uncomfortable with the mandatory application of FASB standards. Larger cross-border reporting issuers were critical of the limitations and restrictions suggested for discretionary relief that, they felt, would unduly restrict their ability to provide disclosure consistent with the practice of their competitors in US capital markets. Some commenters urged more lenient requirements for smaller issuers.

The public comments on the 2002 Proposal and our responses were discussed more fully in the CSA notice accompanying the revised version of the Instrument published early in 2003, discussed immediately below.

**(e) 2003 Proposal**

The CSA published a revised version of the Instrument (the "2003 Proposal") on January 24, 2003 (March 21, 2003 in Québec) in response to the comments on the 2002 Proposal.

The 2003 Proposal remained largely consistent in outline and in substance with the original version and with the taskforce recommendations. Changes included:

- considerable rewriting, particularly of Form 1, for clarity;
- the elimination of the FASB-derived requirements and substitution of substantially similar requirements presented in a manner more consistent with Canadian usage, together with new discussion in the Companion Policy of possible discretionary relief to preserve for cross-border reporting issuers the option of applying those FASB requirements; and
- easing of some of the restrictions and conditions originally suggested for discretionary relief, to give more scope for US-style disclosure by cross-border issuers.

We received 16 comment letters on the 2003 Proposal. As was the case with public comment on the original proposal, the commenters were thorough and their comments very helpful. We thank them.

The majority of commenters expressed support for the 2003 Proposal or its objectives. In general, the changes made in response to comments on the original version were well received. There was criticism of the extent and detail of certain reserves data disclosure requirements, and a number of suggestions for clarifying amendments. While some representatives of larger reporting issuers firmly supported the proposal, others suggested that the changes did not go far enough to address their concerns. By contrast, some commenters expressed strong opposition to the discretionary relief contemplated for senior or cross-border reporting issuers.

The comments on the 2003 Proposal, and CSA staff responses, are summarized in more detail in Appendix A to this Notice.

**(f) Changes from the 2003 Proposal**

The Instrument incorporates a limited number of changes from the 2003 Proposal.

Most of the changes were made to enhance clarity:

- Additional explanation in the Companion Policy and expanded definitions in the Glossary are meant to resolve ambiguities.
- We have clarified that a reporting issuer is responsible for disclosing in its annual NI 51-101 filing its estimated total abandonment and reclamation costs, but that the reserves-related future net revenue estimates themselves need reflect only those abandonment and reclamation costs that relate specifically to well abandonment.

We have streamlined some of the annual disclosure by scaling back:

- the list of "product types" for which separate disclosure is required; and
- the multi-year annual breakdowns of elements of estimated future net revenue.

To make the required disclosure more meaningful, while at the same time avoiding the need for some problematic and potentially misleading cost allocations, disclosure of future net revenue estimates is to be provided for the reporting issuer as a whole and by "production group" -- the aggregate of products produced together from a single well or reservoir -- rather than separately for each of the products.

A more detailed discussion of the changes from the 2003 Proposal is set out in Appendix B to this Notice.

**6. Consequential Amendments to Other Instruments**

In consequence of the implementation of the Instrument and the repeal of NP 2-B, amendments are being made to other securities legislation and securities directions. These amendments eliminate current references to NP 2-B. In some cases those references are replaced by references to the Instrument. In other cases, the conversion to a continuous disclosure regime under NI 51-101 eliminates the need to make specific reference to oil and gas disclosure in the amended document.

The amendments come into force at the same time as the Instrument, on September 30, 2003, but their effect is in most cases phased in issuer-by-issuer, as each reporting issuer becomes subject to the Instrument (see "Timing and Transition" below). Transitional provisions are incorporated, where necessary, in the specific consequential amendments. In all cases, the transition is completed not later than June 30, 2005.

**(a) National and Multilateral Instruments**

The texts of the consequential amendments to the following national and multilateral instruments are set out in Appendix C to this Notice. The amendments are substantially identical to those published with the 2003 Proposal.

- NP 2-B (phased repeal)
- National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*
- National Instrument 44-101 *Short Form Prospectus Distributions*
  - Form 44-101F1 *AIF*

- Form 44-101F3 *Short Form Prospectus*
- National Instrument 45-101 *Rights Offerings*
- Companion Policy 45-101CP
- Multilateral Instrument 45-102 *Resale of Securities*

**(b) Local Instruments**

Consequential amendments to Ontario securities legislation and policies are set out in Appendix D to this Notice.

**7. Timing and Transition**

Application of the Instrument, the repeal of NP 2-B, and the other consequential amendments are being phased in. Most reporting issuers will become subject to NI 51-101 in 2004, and the process will be completed by June 30, 2005.

Timing of the transition for a particular reporting issuer will depend on:

- its financial year-end;
- when it first files certain types of disclosure documents; and
- whether it opts voluntarily to become subject to the Instrument earlier than required.

A reporting issuer's transition to NI 51-101 will generally occur when it files, or is required to file, its audited financial statements for its first financial year that ends on, or includes, December 31, 2003. At that time the reporting issuer must file its annual NI 51-101 disclosure. From that time, the reporting issuer also becomes subject to the other provisions of NI 51-101 and (by the operation of transitional measures built into consequential amendments to other securities legislation and policies) to amended prospectus and other distribution disclosure requirements that substitute references to NI 51-101 disclosure for current references to NP 2-B.

Because prospectus disclosure requirements include information relating to oil and gas activities, and because the filing of a prospectus more than 90 days after the end of a reporting issuer's financial year can trigger an accelerated filing of its annual financial statements, the filing of a prospectus could itself similarly accelerate a reporting issuer's first filing obligations under NI 51-101.

*Examples of Timing*

Taking as an example the current typical 140-day filing deadline for audited annual financial statements, and a reporting issuer with a calendar financial year, the transition to NI 51-101 would apply in or before May 2004. The reporting issuer would make its first annual NI 51-101 filing at the same time as it files its annual financial statements for 2003. After that, it would be fully subject to NI 51-101 and to the consequential changes to prospectus and other rules, and it would cease to be subject to NP 2-B.

If, however, the same reporting issuer files a prospectus during the first 90 to 140 days of 2004, it would have to include in its prospectus annual financial statements for 2003, even though the normal financial statement filing deadline has not yet occurred. The reporting issuer's transition to NI 51-101 would be similarly accelerated: its first annual NI 51-101 filing would be due at the same time, the prospectus would include the same information from that filing, and NP 2-B would not apply.

If the shorter financial statement filing deadlines contemplated in proposed National Instrument 51-102 Continuous Disclosure Obligations (the "CD Rule") are implemented for financial years ending on December 31, 2003, those shorter deadlines (90 days after year-end, or 120 days for "venture issuers") would also apply to NI 51-101 filings. In that case, the transition to NI 51-101 for non-"venture" reporting issuers with calendar financial years, including their first annual NI 51-101 filing, would occur by the end of March 2004. (See the CSA notice published concurrently with the proposed CD Rule. Consult the OSC website for future developments concerning the CD Rule.)

**8. Interim Use of CIM Reserves Definitions**

Pending the application of NI 51-101 to a particular reporting issuer, NP 2-B will continue to apply to that issuer.

During that interval, the securities regulatory authorities or regulators will accept and encourage the use of the CIM reserves definitions set out in the COGE Handbook for purposes of NP 2-B, rather than the reserves definitions set out in NP 2-B. An

issuer that wishes to exercise this option should advise the regulator in a covering letter accompanying each preliminary prospectus or other document being filed for which NP 2-B is relevant. Each such document in which the CIM definitions are used should also identify and describe the relevant reserves classifications.

Because the CIM definitions incorporate target certainty levels, securities regulatory authorities or regulators would not require an issuer using the CIM definitions to reduce reasonably estimated "probable reserves" by applying an allowance for risk as currently specified under NP 2-B, but the absence of such a reduction should be stated. When estimating reserves and related future net revenue using constant prices and costs, an issuer that uses the CIM definitions should use prices as at the end of its financial year.

## **9. Costs and Benefits**

The CSA developed the Instrument in part as a response to concerns expressed by market participants about the quality and consistency of public oil and gas disclosure, and the resulting potential for harm to investors and Canadian oil and gas issuers generally.

The CSA expect that any incremental costs of compliance with NI 51-101 would likely comprise (i) one-time costs attributable to developing satisfactory internal information systems, (ii) for reporting issuers that do not already do so, costs of retaining independent reserves evaluators or auditors to report on reserves data, or (iii) modest incremental costs reflecting the evaluators' adherence to the standards set out in the COGE Handbook and consideration of certain specific factors prescribed in the Instrument.

We understand that most oil and gas reporting issuers already retain independent qualified evaluators to satisfy regulatory requirements or demands from their lenders, investors, auditors or directors. We expect that most reporting issuers will find that they do not need to generate new types of information to satisfy the requirements of the Instrument. Accordingly, we do not anticipate that implementation of NI 51-101 will impose a significant new financial burden on reporting issuers.

Some reporting issuers could see a reduction in effort and costs, because NI 51-101 recognizes a reserves "audit" as a satisfactory alternative to a full "evaluation".

For senior producing issuers with a demonstrated capability to generate their own satisfactory reserves evaluations, the Companion Policy indicates our willingness to consider granting a discretionary exemption to permit them to rely on in-house rather than independent evaluations. The Companion Policy also discusses the possibility of discretionary relief to enable cross-border reporting issuers to provide disclosure more consistent with US practice, to address concerns about potentially duplicative or confusing public disclosure.

We believe that the Instrument will result in improved disclosure and enhanced market confidence, and expect that the resulting benefits to all market participants, including reporting issuers, will justify any incremental costs.

## **10. Unpublished Materials**

In considering the Instrument, we did not rely on any significant unpublished study, report or other written materials.

## **11. Further Information**

You can obtain further information from any of the following:

Deborah McCombe  
Chief Mining Consultant  
Ontario Securities Commission  
Telephone: (416) 593-8151  
Fax: (416) 593-8177  
e-mail: [dmccombe@osc.gov.on.ca](mailto:dmccombe@osc.gov.on.ca)

Glenn Robinson, P.Eng.  
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Telephone: (403) 297-4846  
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**12. Appendices**

Appendix A – Summary of Public Comments on the 2003 Proposal and CSA Staff Responses  
Appendix B – Summary of Changes from the 2003 Proposal  
Appendix C – Consequential Amendments to National and Multilateral Instruments  
Appendix D – Consequential Amendments to Ontario Securities Instruments

**APPENDIX A  
TO  
ONTARIO SECURITIES COMMISSION NOTICE  
  
IMPLEMENTATION OF NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES  
  
SUMMARY OF PUBLIC COMMENTS ON THE 2003 PROPOSAL  
AND CSA STAFF RESPONSES**

The CSA received written comments on the version of the National Instrument 51-101 ("NI 51-101") and the related Forms and Companion Policy (together, the "Instrument") published on January 24 (on March 21 in Québec), 2003 (the "2003 Proposal") from the following 16 commenters:

1. AIM Trimark Investments – April 1, 2003
2. APA Petroleum Engineering Inc. – March 31, 2003
3. Canadian Institute of Mining, Metallurgy and Petroleum, Standards Operating Group – March 10, 2003
4. Carscallen Lockwood LLP – March 31, 2003
5. EnCana Corporation – April 4, 2003
6. Fraser Milner Casgrain LLP – March 31, 2003
7. Imperial Oil Limited – March 31, 2003
8. Kozowyk & Associates – March 31, 2003
9. Henry R. Lawrie, FCA – March 19, 2003
10. Nexen Inc. – March 31, 2003
11. OMERS – March 31, 2003
12. Petro-Canada – March 27, 2003
13. Society of Petroleum Evaluation Engineers (Calgary Chapter) – March 28, 2003
14. Standard Life Investments – March 20, 2003
15. Prospectors & Developers Association of Canada – March 24, 2003
16. Toronto Stock Exchange and TSX Venture Exchange – March 31, 2003

Comments were provided by a range of participants in the capital markets and the oil and gas industry: institutional investors, oil and gas producing issuers, reserves evaluation firms and associations, individual professionals and exchanges. Nine commenters had previously commented on the first version of the Instrument that was published on January 25, 2002 (the "2002 Proposal").

We thank the commenters. We appreciate their time and effort. We have considered carefully each of the commenter's suggestions or views.

Commenters were generally supportive of the key principles of the Instrument. A number of commenters stated that the 2003 Proposal was easier to follow and believed that it met the needs of the CSA, investors and industry better than the 2002 Proposal. One senior producer said that the Instrument "will improve overall disclosure while at the same time recognizing the oil and gas industry's need to maintain effective cross-border financial activity", and urged the CSA to implement the Instrument as soon as practicable so that industry could respond in a timely and appropriate manner to the new requirements.

The most frequently mentioned areas of concerns were:

- the scope and application of the discretionary exemptions set out sections 8.2 and 8.4 of the Companion Policy; and



- the level of detail required by certain Items of Form 51-101F1 ("Form 1").

We have adopted a number of technical comments and suggestions. Other comments and CSA staff responses are summarized below; the CSA members that have approved the Instrument have adopted these responses. The comments and responses are grouped by subject matter as follows:

- terminology and application of the Instrument;
- specific provisions of the Instrument;
- the four issues on which we had invited comment in the 2003 Proposal; and
- matters of general application.

## 1. Terminology and Application of the Instrument

### (a) Application to Non-Conventional Activities

#### *Public Comment*

Two commenters suggested that conventionally mined oil sands should be dealt with as mineral projects under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") and excluded from NI 51-101, and that NI 51-101 should make clearer whether it deals with either or both coal or coal bed methane. One commenter noted that a CIM committee is considering whether to propose the inclusion in NI 43-101 of new definitions relating to oil sands similar to those used for mineral projects.

#### *CSA Staff Response*

The intended product of both conventional and non-conventional oil projects is essentially the same – a liquid hydrocarbon. We believe that investors are likely to consider a reporting issuer focused on oil sands to be more comparable to a conventional oil producer than to a hard rock mining issuer. Accordingly, NI 51-101 applies to activities directed at the extraction or production of hydrocarbons from either conventional or non-conventional sources (such as surface mines and in situ projects).

We believe that the definition of "oil and gas activities" makes clear that such activities include the search for and extraction of hydrocarbons and by-products, which would include coal bed methane (a hydrocarbon) but not coal.

We recognize that the process of mining oil sands differs from conventional oil production from wells, and has similarities to other mineral projects. As discussed in section 1.6 of the Companion Policy, oil sands mining issuers may find useful guidance in NI 43-101 concerning disclosure about mine development and operation that could supplement their disclosure of reserves data and other information under NI 51-101.

There may be circumstances in which a reporting issuer's non-conventional oil and gas activities also involve exploration, development or production activities in respect of non-hydrocarbon minerals, such as coal. If those non-hydrocarbon activities are also material to the reporting issuer, that aspect of its business is likely to be subject to the disclosure standards under NI 43-101, while the oil and gas activities remain subject to NI 51-101.

In the event that market and industry participants and professionals active in the oil sands or other non-conventional oil and gas sectors develop new definitions for those sectors, the CSA will consider whether the Instrument should be modified or supplemented.

### (b) Interaction with the COGE Handbook

#### *Public Comment*

One commenter noted that some of the terms identified in the Glossary (Appendix 1 to the Companion Policy) as deriving from the COGE Handbook do not appear in the glossary in the COGE Handbook. More generally, the commenter urged that effort be made to conform the COGE Handbook to the Instrument and eliminate any contradictions.

**CSA Staff Response**

The Glossary is meant to assist users by directing them to original source documents, if any, for definitive or expanded explanation in a glossary or in the body of the source document. We have modified slightly some of the definitions in the Glossary to match the corresponding discussion in the COGE Handbook.

**(c) Contractual Prices**

**Public Comment**

Two commenters suggested that we clarify that the contractually fixed prices used in determining both "constant prices and costs" and "forecast prices and costs" exclude contracts that are, for accounting purposes, "financial instruments" or "financial hedges".

**CSA Staff Response**

We have revised the definitions to clarify that contractual prices are used if the reporting issuer is obligated to supply a physical product (typically, oil or gas). If the reporting issuer can satisfy its obligation in cash rather than by supplying physical product, the contractual prices are not used for this purpose. In that case, as new section 4.3 of the Companion Policy explains, the obligation may be a "financial instrument" for which the CICA Handbook discusses financial statement disclosure.

**(d) Qualified Evaluators and Auditors/Qualified Persons**

**Public Comment**

One commenter suggested that NI 51-101 use the NI 43-101 term "qualified person" instead of the two terms "qualified reserves evaluator" and "qualified reserves auditor".

**CSA Staff Response**

NI 51-101 and NI 43-101 were developed for different industries. NI 51-101 (and the COGE Handbook) deliberately distinguish between the reserves evaluation and reserves audit functions.

**(e) Supporting Filing**

**Public Comment**

One commenter questioned the deletion, from the definition of "supporting filing", of the proviso that post-filing events have not rendered the document inaccurate or misleading.

**CSA Staff Response**

We had deleted this proviso because it could have been interpreted as creating a requirement to update original filings. With or without the proviso, reporting issuers are responsible for ensuring that their disclosure record as a whole is not misleading.

**2. Specific Provisions of NI 51-101**

**(a) Part 3 – Directors**

**Public Comment**

An institutional investor expressed a wish that each board of directors establish a reserves review committee that has two or three independent members with background or experience in reserves evaluation.

**CSA Staff Response**

The CSA encourage the formation of reserves committees, which are discussed in Section 3.5 of NI 51-101. The Instrument does not prescribe particular background or experience for board or reserves committee membership. We expect that shareholders and directors will give due attention to the background and experience appropriate for members of their company's board or reserves committee.

(b) **Part 4 – Measurement**

(i) **Subsection 4.2(1) – Requirements for Disclosed Reserves Data**

**Public Comment**

One commenter stated that paragraph 4.2(1)(d) of NI 51-101 is hard to follow and seems to mix two issues.

**CSA Staff Response**

We have reorganized subsection 4.2(1) to make it clearer:

- Paragraph (a) specifies conditions that apply in general to filed reserves and future net revenue estimates: qualification of the preparer of the estimates, adherence to the COGE Handbook, and assumption that development funding will be available.
- Paragraph (b) (formerly paragraph (d)) requires that abandonment and reclamation costs be considered before attributing reserves to an undrilled property.
- Paragraph (c) (formerly paragraph (e)) requires that future net revenue estimates include deductions of future well abandonment costs (see the following comment) and, unless otherwise specified in the Instrument, future income tax expenses.

(ii) **Future Net Revenue and Abandonment and Reclamation Costs**

**Public Comment**

One commenter asked that we define "abandonment and reclamation costs" and "salvage value". Some commenters expressed uncertainty as to whether total abandonment and reclamation costs are to be considered by the reserves evaluator in estimating future net revenue (disclosed under Part 2 of Form 1) or only by the reporting issuer in its additional disclosure (Part 6 of Form 1). The commenters noted that reclamation costs, and salvage value, cannot be accurately estimated by evaluators without site visits and formal evaluation by experts in that area.

**CSA Staff Response**

We have made clarifying changes. We did not define "abandonment and reclamation" and "salvage value". Instead, the newly-defined term "well abandonment costs" (that subset of total abandonment and reclamation costs relating specifically to the cost of abandoning a well and disconnecting it from the surface gathering system) is used in place of former references to total abandonment and reclamation costs in:

- the definition of "future net revenue";
- paragraph 4.2(1)(c) (formerly paragraph 4.2(1)(e)) of NI 51-101 concerning the estimation of future net revenue; and
- Part 2 of Form 1, where new Instruction 3 explains that the abandonment and reclamation costs deducted in the estimation of future net revenue must include, at minimum, well abandonment costs.

Whether or not the reserves evaluator considers more than well abandonment costs in estimating future net revenue, Item 6.4 of Form 1 requires that the reporting issuer (not the evaluator) disclose its total abandonment and reclamation costs (for surface leases, wells, facilities and pipelines) and state what portion, if any, of that total is not already reflected in the reserves data.

(c) **Part 5 – All Disclosure**

(i) **Section 5.3**

**Public Comment**

One commenter questioned whether section 5.3 of NI 51-101 should be expressly subject to section 1.2.

**CSA Staff Response**

Section 5.3 is not subject to section 1.2. Section 1.2 applies only in the case of conflicting definitions of the same term in (i) NI 51-101 or other securities legislation, and (ii) the COGE Handbook. Section 5.3 requires, in effect, that disclosure of reserves use the COGE Handbook reserves definitions. The COGE Handbook reserves definitions therefore prevail (they are repeated in the Glossary simply for ease of reference).

**(ii) Disclosure of Natural Gas**

**Public Comment**

One commenter suggested that volumetric description of natural gas does not reflect its value and that quantities of natural gas should instead be reported on the basis of standard heat content, gigajoules or MMBtus. The commenter also questioned the requirement in section 5.4 for disclosure of marketable quantities reflecting prices for natural gas in the condition in which it is sold, suggesting that producers may not know the eventual condition of gas sold, in their name, outside Alberta.

**CSA Staff Response**

We have not adopted the comments. The CSA's objective is to ensure consistency and reliability in the disclosure of information that capital markets are accustomed to. The commenter raises interesting points but we believe that it would exceed the purpose of the Instrument to impose, without thorough industry and public debate, this change in what we understand to be widespread industry usage. The commenter might wish to pursue with petroleum industry associations these ideas for a change in industry practice.

Section 5.4 emphasizes consistency of disclosure concerning products in their saleable rather than raw condition. Reporting issuers should interpret the provision reasonably in this light.

**(iii) Paragraph 5.8(b) – Disclosure for all Properties**

**Public Comment**

One commenter criticized, as excessively onerous, the requirement under paragraph 5.8(b) to supplement any disclosure of property-specific reserves with disclosure of total reserves for all properties. The commenter suggested that, when it applies, the provision could be satisfied using earlier reserves data updated only for production.

**CSA Staff Response**

We do not consider the provision onerous. It is meant to ensure that disclosure by a reporting issuer of estimates for a particular property does not mislead readers in light of the different confidence levels that might apply to a single property as compared to estimates for the reporting issuer as a whole, owing to the effects of aggregation. We do not prescribe any particular computations or adjustments. As with all public disclosure, a reporting issuer is responsible for taking the steps necessary in the circumstances to ensure that its disclosure is not misleading.

**(iv) Prospects**

**Public Comment**

Two commenters requested clarification about what is meant by anticipated results from prospects.

**CSA Staff Response**

Section 5.9 is meant to give investors specific information to add context to a reporting issuer's disclosure of its expectations for an oil and gas play not yet beyond the exploration stage. The CSA consider such contextual information particularly important where the disclosure suggests actual volumes or cash flows. We have made no substantive change to section 5.9 (or to section 5.10 which deals with disclosure of the fair value of a prospect).

**(d) Part 6 – Material Changes**

**Public Comment**

One commenter expressed concern about the costs of having an independent reserves estimate prepared whenever a reporting issuer reports a material change.

**CSA Staff Response**

The comment suggests a misunderstanding of Part 6 of NI 51-101. If a material change report is triggered, and if the triggering event would affect reserve estimates, Part 6 requires that the material change report comment on the effect of that material change on the most recent NI 51-101 annual filing. Part 6 does not mandate any particular procedure, the involvement of an independent evaluator for that purpose, or the filing of another formal evaluation report. It is the responsibility of the reporting issuer to consider what steps are necessary in the circumstances to ensure that its disclosure is not misleading.

**3. Specific Provisions of Form 51-101F1**

**(a) Part 1 – Date of Statement**

**Public Comment**

One commenter questioned the removal of the discussion, found in the Instructions to Part 1 of Form 1 in the 2002 Proposal, concerning information arising between the effective date and the preparation date of an evaluation report.

**CSA Staff Response**

Our primary objective is to ensure that all professionals involved in a reserves evaluation communicate with each other and the reporting issuer to ensure that the reporting issuer's disclosure is complete and consistent. We considered that portion of the Instructions overly prescriptive and unnecessary for this purpose.

**(b) Part 2 – Disclosure of Reserves Data**

**Public Comment**

A number of commenters expressed the view that some of the prescribed disclosure of reserves data was more detailed than necessary to serve investor needs. One commenter suggested that some of the detail is proprietary.

**CSA Staff Response**

We understand that the commenters' concerns relate primarily to the breakdowns of future net revenue required under Items 2.1(3) and 2.2(3) of Form 1.

The CSA agree that mandatory public disclosure of some of the detail, such as breakdowns of future net revenue components year-by-year for ten years, would be unnecessary. We believe that we have addressed the commenters' concerns by revising Items 2.1(3) and 2.2(3) to require only the totals (not year-by-year for ten years) for each component of future net revenue. The disclosure of forecast prices and future development costs has also been reduced from ten years to five (for development costs, this requirement now appears in Item 5.3).

**(c) Part 4 – Reconciliations**

**(i) Constant Case/Forecast Case**

**Public comment**

The 2003 Proposal would give reporting issuers the choice of using either constant or forecast prices and costs in their reconciliations of reserves and future net revenue. A number of commenters urged that the Instrument mandate one price and cost case for the reconciliations (one urging the forecast case, another the constant case, and a third not specifying) to facilitate comparability among reporting issuers.

**CSA Staff Response**

We have not made this change. The CSA expect reconciliations to be used more to track the performance of a reporting issuer and the reliability of its reserves data estimates from one year to the next, than for item-by-item comparisons between companies. This makes a universally mandated set of assumptions less critical than for some of the reserves data disclosure itself.

Item 4.1 of Form 1 requires reconciliations of reserves for each of the proved, probable and proved plus probable categories. To prepare the reconciliation the reporting issuer will need reserves estimates for each of those categories. Were Item 4.1 to mandate constant case reconciliations, the reporting issuer would have to prepare constant case

reserves estimates in the probable and proved plus probable categories, which are deliberately not mandated under Part 2 of Form 1. On the other hand, we understand that forecast case reconciliations can be more difficult to prepare and, as evidenced by one of the comment letters, they may not satisfy all users. Rather than impose either choice, we think it sufficient that a reporting issuer discloses which price and cost case it is using.

**(ii) Need for Future Net Revenue Reconciliation**

***Public Comment***

One commenter suggested deleting the reconciliation of future net revenue on the grounds that it is not meaningful, is tedious to put together (requiring a joint effort between evaluators and accountants) and may take more time than is available.

***CSA Staff Responses***

We have retained the requirement. We acknowledge that future net revenue reconciliations require effort, but we also understand that some market participants consider them important. They are required under US FASB standards and were recommended by the ASC oil and gas taskforce.

**(iii) Gross Reserves/Net Reserves**

***Public Comment***

One commenter recommended that reconciliations be made using company gross reserves, not company net reserves, because royalties are sensitive to price fluctuations.

***CSA Staff Response***

Although royalties may add a degree of complexity to preparing reconciliations, the CSA consider company net reserves (called "net reserves" in the Instrument) the correct choice because they better reflect a reporting issuer's true reserves position (by including royalties owned by the reporting issuer and excluding royalties owned by others).

**(iv) Economic Factors**

***Public Comment***

One commenter suggested that we delete the reconciliation item "economic factors" because it requires the additional step of rerunning the earlier data with the most recent year-end price and cost case, is expensive and time-consuming and provides insignificant results.

***CSA Staff Response***

We have retained this item. The rerun would only be required if the prior year's estimates are revised as a result of changes in previously-estimated prices and costs and only if this revision is material.

**(v) Property Disposition or Acquisition**

***Public Comment***

One commenter sought clarity as to whether the effect of a disposition or acquisition on the aggregation process is to be reported as a "technical revision".

***CSA Staff Response***

We infer from the question that the commenter is distinguishing between

- (i) the estimated reserves or future net revenue attributed to a property acquired or disposed of, considered in isolation, and
- (ii) the incremental effect that the acquisition or disposition of that property could have on the estimates for the reporting issuer as a whole, because of aggregation.

We would ordinarily expect the full effect to be disclosed in the reconciliation as a "disposition" or "acquisition", and not as a technical revision. A reporting issuer may, however, wish to provide additional explanation to make the reconciliation understandable and meaningful.

**(d) Part 5 – Additional Information Relating to Reserves Data**

***Public Comment***

One commenter suggested that we require disclosure of the capital requirement pertaining to the transfer of proven non-producing reserves to the proven producing category.

***CSA Staff Response***

The disclosure required by Item 5.3 about development costs – estimated amounts in total and by year for the first five years, and a discussion of the source and funding of such costs – should address what we understand to be the commenter's concern.

**(e) Part 6 – Other Oil and Gas Information**

***Public Comment***

One commenter suggested that detailed disclosure required by Item 6.3 concerning forward contracts would be in direct violation of confidentiality provisions contained in most gas purchase and sale contracts. The commenter suggested that the CSA restrict the disclosure requirements to fundamentals that enable the reader to understand a reporting issuer's marketing portfolio: contract term, nature of buyer, market location and basic pricing structure.

***CSA Staff Response***

Item 6.3 is intended to inform investors if a reporting issuer cannot benefit from favourable market prices because it has by contract locked in future sales at pre-determined prices. We have clarified that a general discussion of key aspects of such a contract will suffice.

**4. Form 51-101F2**

**(a) Future Net Revenue**

***Public Comment***

One commenter requested that we clarify whether the estimated future net revenue to be stated in Item 4 of Form 51-101F2 ("Form 2") is calculated before or after deduction of income taxes.

***CSA Staff Response***

We have revised Item 4 to clarify that the amount is future net revenue before deduction of income taxes.

**(b) Reservations**

**(i) General**

***Public Comment***

One commenter suggested that the CSA differentiate between factual statements and reservations and provide a clearer explanation of what constitutes a reservation or disclaimer. For example:

- Did a site inspection take place? (The commenter noted that for some foreign properties a site visit by the evaluator might be prudent.)
- Have multiple evaluators used a common set of assumptions regarding product pricing, inflation, and exchange rates?

**CSA Staff Response**

The explanation of the term "reservation" set out in the Glossary reflects the CSA's intention. We believe that material departures from the wording of Form 2, or from the standards set out in the COGE Handbook, impair the comparability of disclosure.

Concerning the specific example cited by the commenter, if a site visit is appropriate under COGE Handbook standards and its absence would be a material departure from good evaluation practice, then we would regard the absence of a site visit as inappropriate and a reference to that fact as an impermissible reservation. In the case of foreign properties, the CSA agree with the commenter that site visits would be prudent.

The Instrument does not specify how the work of multiple consultants will be coordinated or compiled. The responsibility for the disclosure is that of the reporting issuer, whether it engages one or several evaluators. We believe that the arrangements between the reporting issuer and its evaluators to ensure the required quality of the disclosure are best left to their corporate and professional judgement.

**(ii) Prospects**

**Public Comment**

One commenter requested that evaluators be allowed greater flexibility with regard to disclaimers (or reservations) on prospects.

**CSA Staff Response**

The CSA do not believe that evaluators need greater flexibility concerning prospects. Disclosure concerning prospects is not part of the mandatory reserves data on which the evaluator reports in Form 2. If a reporting issuer chooses to make disclosure concerning prospects, it is the reporting issuer's responsibility to ensure that it satisfies Part 5 of NI 51-101.

**(c) Consent Letters**

**Public Comment**

Two commenters suggested that the Instrument was not clear as to when consent letters from evaluators are or are not required, or as to why no consent is required for a reporting issuer to file the evaluator's report (Form 2) or issue the news release required by section 2.2 of NI 51-101.

**CSA Staff Response**

The CSA believe that the evaluator's consent to the reporting issuer's use of the evaluator's report (Form 2) is implicit. An evaluator should anticipate, when it gives its client issuer a signed Form 2, that the purpose is to enable the reporting issuer to satisfy its obligations under the Instrument by filing the report and issuing the news release. However, written consent from the evaluator is required if the reporting issuer uses the reserves data to which the Form 2 relates for other purposes, such as in a subsequent news release or in a securities offering document.

**5. Form 51-101F3**

**Public Comment**

One commenter stated that certification of Form 51-101F3 ("Form 3") by two senior officers and two directors exposes them to a higher level of liability than exists in other Canadian industries and limits the defences available to them. Another commenter urged that we make clearer in Form 3 the differing responsibilities of management and directors.

**CSA Staff Response**

Form 3 is meant to confirm for readers the respective roles of management and directors and the process underlying corporate oil and gas disclosure. We believe that it does so. We are not persuaded that it exposes officers and directors to excessive or inappropriate liability or denies them appropriate defences. To the extent that civil liability arises under securities legislation, the relevant provisions also set out available defences. The CSA (other than the BCSC, which is not adopting Form 3) remain of the view that Form 3 will enhance market confidence in oil and gas disclosure and thereby indirectly serve the interests of reporting issuers too.



## 6. Companion Policy: Possible Discretionary Exemptions

Commenters expressed strong, but opposing, views on the possible discretionary relief discussed in Part 8 of the Companion Policy. The focus was on two provisions:

- section 8.2, which discusses possible discretionary exemption to permit a senior producing issuer to use in-house, rather than independent, evaluators; and
- section 8.4, which discusses possible discretionary exemption to permit a reporting issuer that files disclosure in both Canada and the US to present oil and gas information more in accordance with US practice.

While some commenters were opposed to some or all such discretionary relief, proponents from among the class of issuers that might be eligible for relief stressed in their comments that such discretionary relief would be extremely important. One such issuer characterized the suggested relief as "absolutely crucial".

### (a) Relief from Independent Evaluation or Audit Requirement

#### (i) General Principle and Scope

##### *Public Comment*

Opponents of the possible discretionary relief discussed in section 8.2 of the Companion Policy felt that all reporting issuers, irrespective of size, should have annual independent reserves evaluations or audits. They argued that:

- exemption would be inconsistent with the trend toward improved corporate governance;
- the availability of reserves audits as an alternative to reserves evaluations would reduce the cost burden of independent involvement; and
- tying exemption to the size of the reporting issuer is misguided, size being no assurance of good disclosure.

Comments of some of the larger issuers indicated that such relief was appropriate and important to them. Proponents generally supported the relief on grounds of cost. Larger issuers pointed to their well-established internal capabilities, and checks and balances, that would ensure the quality of their internally-generated reserves estimates.

Two commenters suggested that similar relief ought also to be available to small issuers, one suggesting that the relief would be more appropriate for the smallest issuers than for the largest. It was argued that independent evaluations would be proportionately more costly for smaller issuers but "not sufficiently change the risk profile inherent in an emerging issuer's reserves estimates".

##### *CSA Staff Response*

The CSA remain of the view that the terms and conditions of the discretionary relief discussed in section 8.2 are appropriate. We have made no substantive change to the provision.

We continue to place considerable importance on independent involvement in reserves disclosure, as a method of ensuring quality and as an important element of sustaining market confidence. It is our understanding that the great majority of public companies of all sizes already engage independent evaluators to satisfy the demands of their lenders, investors, auditors or directors.

We acknowledge that the costs of independent evaluation may, as a proportion of market capitalization or other measure of size, be relatively greater for smaller issuers than for larger issuers. It is our view that the benefits of independent involvement, too, may be relatively greater. In some cases, only an independent evaluator might have the resources needed to evaluate a smaller issuer's reserves. We also believe that greater market confidence in the oil and gas sector as a whole, consequent on implementation of the Instrument, is likely to be of direct benefit to both smaller and larger issuers seeking capital.

For these reasons, the CSA are not at present prepared to relax that requirement for smaller issuers. We do anticipate that the possibility of modified treatment for the most junior issuers may be considered in connection with the CSA's separate initiative investigating the merits of "proportionate regulation".

For senior producers, the relief contemplated in section 8.2 would in effect maintain the current position reflected in ASC Staff Notice 43-701 (December 1, 2000), which restricts exemption from the independent evaluation requirement

under NP 2-B to that class of issuer. The discussion in the Companion Policy, however, is more restrictive in that it suggests that the relief would likely be conditional on the applicant demonstrating satisfactory in-house evaluation capabilities and disclosure practices. Other aspects of NI 51-101 would continue to apply to holders of such an exemption: the evaluator, in-house or independent, must have the qualifications and experience called for in the Instrument and the COGE Handbook, and apply the reserves evaluations procedures set out in the COGE Handbook. The role and responsibilities of issuer management and directors are little affected by such relief, and their (modified) report would still be filed. Whether or not a reporting issuer relies on such an exemption, its disclosure and underlying reserves evaluation may be reviewed by securities regulatory staff as part of a continuous disclosure review.

We expect (as one commenter noted in its letter) that even reporting issuers that might be eligible for such relief may decide to engage independent evaluators to satisfy other external requirements or as a measure of internal quality assurance.

**(ii) Unconditional Exemption?**

***Public Comment***

One commenter expressed concern that exemption from the independent evaluation requirement would not be subject to any particular conditions, and suggested that allowing the exemption at the reporting issuer's sole discretion could leave room for potential abuse.

***CSA Staff Response***

The exemption would not be at the reporting issuer's sole discretion. The discretion is that of the securities regulatory authority. As discussed above and in section 8.2, relief would likely be subject to important conditions including regulatory satisfaction with the applicant's reserves evaluation capabilities and disclosure practices and undertakings by the applicant.

**(iii) Text of Modified Report**

***Public Comment***

One commenter noted that the wording of the representation concerning management influence on evaluators set out in a modified Report of Management and Directors on Reserves Data and Other Information was problematic.

***CSA Staff Response***

We agree with the commenter. The text has been revised to refer to the likelihood of the in-house evaluator's work being adversely influenced.

**(iv) Small Issuer Reliance on Senior Producer's In-House Evaluation**

***Public Comment***

One commenter asked whether a small issuer's independent evaluator could use reserves estimates prepared by a senior issuer's in-house evaluators, without further audit.

***CSA Staff Response***

We think it unlikely that a qualified reserves auditor would be prepared to issue a report based on bare reliance on the report of another. However, the concept of audit does imply the exercise of judgement as to the extent of review and investigation appropriate in respect of reserves information prepared by another. The extent to which a qualified reserves evaluator or auditor is able or willing to rely on evaluation work of another will likely vary with the circumstances of each case, audit standards set out in the COGE Handbook and applicable professional standards of practice and codes of ethics.

**(b) Discretionary Relief to Permit US-Style Disclosure**

***Public comment***

The contemplated discretionary relief to permit cross-border reporting issuers to disclose oil and gas information more in accordance with US practice was criticized by both proponents and opponents:

- Some cross-border reporting issuers urged that the exemption be automatic, and that it should go further by treating US Form 10-K disclosure as a complete substitute for NI 51-101 (implying that disclosure of the terminology and standards used, explanation of major differences from NI 51-101 standards, and accompanying reports of the evaluator and management and directors, should be waived).
- One commenter requested that Canadian disclosure required despite the exemption, but not mandated by the SEC, should be accepted in a filing separate from the Form 10-K or AIF.
- Some commenters feared that disclosure beyond that required by the SEC but, we understand, routinely provided in other US public disclosure (such as disclosure of probable reserves) would jeopardize their exemption.
- One commenter objected to the potential for reporting issuers to "cherry-pick" the disclosure requirements of NI 51-101, choosing those it likes and ignoring the others. The commenter argued that allowing reporting issuers to disclose probable reserves without disclosing the related future net revenue seems to encourage misleading disclosure and does not facilitate comparisons.

### **CSA Staff Response**

The CSA are persuaded that, for reporting issuers heavily engaged in the US capital markets, mandatory disclosure under two sets of disclosure standards and practices could be both costly to the reporting issuers and confusing to investors. We believe that there will be appropriate cases to permit such reporting issuers to provide oil and gas information in a manner more consistent with US practice. The discretionary nature of the relief gives regulatory staff an opportunity to consider each applicant's case. The undertakings and conditions contemplated in section 8.4 – including public disclosure of how a reporting issuer's disclosure differs from NI 51-101, and the provision of comparable information from year to year – should enable Canadian investors to use that information to make informed investment decisions and to make comparisons with other Canadian issuers.

Contrary to the interpretation of some commenters, voluntary disclosure beyond that required in the US (for example, probable reserves estimates), if consistent with the undertakings and conditions discussed in section 8.4, would not jeopardize the exemption.

The Instrument offers flexibility in its presentation of the required disclosure. The CSA do not consider an unmodified Form 10-K filing alone sufficient. We believe that Forms 2 and 3 provide important information that is not necessarily available in Form 10-K. We consider explanations of material departures from NI 51-101 essential for Canadian investors, but we have modified the discussion in 8.4 to suggest that such disclosure can be "reasonably proximate" to the primary disclosure in a Form 10-K (for example, in a Canadian "wrapper").

Reporting issuers would not be completely free to "cherry-pick" the disclosure they prefer from one year to the next. Paragraph 8.4(b)(iii) indicates that an exemption would be subject to conditions designed to ensure that the disclosure applies clearly identified standards and definitions, that key assumptions are stated, and that the information disclosed in one year (if the subject remains material for the reporting issuer) continues to be provided in subsequent annual filings so that investors can assess and compare that information from year to year.

### **(c) Annual Reapplications?**

#### **Public Comment**

One commenter suggested that discretionary relief under the Instrument should be time-limited, and that applicants ought to reapply each year to extend the relief.

#### **CSA Staff Response**

The CSA believe that the suggestion would add an administrative burden for both applicant and regulator that outweighs the benefit to the public. Discretionary relief is only granted on terms and conditions considered appropriate in the circumstances. Thereafter the reporting issuer, like any other, must comply with securities legislation and the terms and conditions of its own exemption.

## **7. Responses to CSA Questions**

The CSA Notice that accompanied the 2003 Proposal sought public comment on four issues. The following discussion summarizes the questions we asked, the public comments received and our responses.

**(a) Effect of Conversion to CIM Reserves Definitions**

- (i) *Might there be a widespread and substantive difference between proved reserves estimated using the CIM definitions as compared to estimates made reasonably applying the NP 2-B definitions?*
- (ii) *Market participants (reporting issuers, analysts, investors, creditors) will need to become aware of and understand the new CIM definitions and the extent to which reported estimates can be expected to differ from those under NP 2-B. How can the CSA help foster market awareness and understanding of the new CIM reserves definitions?*

**Public Comment**

The widely varying responses to our queries indicate a considerable diversity of view as to how the conversion to the CIM definitions will affect evaluation results. There does, however, seem to be general support for using the industry-developed definitions.

A number of commenters encouraged education of users through seminars to facilitate the transition to the new reserves definitions. One commenter did not think that most investors would ever grasp the meaning of the definitions and should not be expected to; the commenter suggested instead that disclosure should emphasize that reserves are an estimate with a range of possible actual outcomes.

**CSA Staff Response**

We are persuaded from the comments that it would be at best premature, and likely impossible, to make any general statement as to how estimates under the new definitions are likely to compare to the disclosure under NP 2-B, either systemically or issuer by issuer. We believe that investors can understand even technical information if it is well presented and we agree that good corporate disclosure should convey clearly that reserves estimates are just that – estimates reflecting varying degrees of certainty. The CSA will consider means of fostering awareness of the changes and we encourage market participants to do the same.

**(b) Mandatory Disclosure of "Constant Case" Reserves Data**

*Should the CSA reconsider the requirement in the Instrument for disclosure of constant case estimates of proved reserves and related future net revenue? In particular:*

- (i) *Are such estimates sufficiently important to investors to warrant mandatory disclosure?*
- (ii) *Would the response to question (i) differ if the "ceiling test" in the CICA Handbook's Accounting Guideline AcG-5 were modified to no longer use a constant case estimate of future net revenue?*

**Public Comment**

The majority of commenters stated that reporting of the constant case was useful for comparability and consistency. One commenter urged mandatory disclosure of constant case estimates of both proved and probable reserves using the same range of discount rates as for the forecast case.

**CSA Staff Response**

We are persuaded by the majority of commenters that it is worth retaining the requirement for some constant case disclosure. The Instrument therefore continues to require disclosure of reserves data estimated using both the forecast case and the constant case. Reporting issuers are free to match the same level of detail in their constant case disclosure as in their forecast case disclosure, but we do not think it necessary to make it mandatory.

**(c) Professional Organizations**

*We sought comment on the criteria set out in the definition of "professional organization", membership in which is a condition of being a "qualified reserves evaluator or auditor".*

**Public Comment**

Senior issuers generally supported the CSA's approach to evaluating Canadian and foreign professional organizations as set out in section 1.5 of the Companion Policy. They encouraged the CSA to "pre-clear" large internationally recognized foreign reserves evaluators prior to implementation.

**CSA Staff Response**

We have made no substantive changes to section 1.5. We will consider applications for exemption from the Canadian professional membership requirement as contemplated in that section, including applications submitted before the effective date of the Instrument. In considering such applications, evidence of the views of a Canadian professional organization as to the equivalency of particular foreign standards to Canadian standards would likely be helpful.

**(d) Disclosure by Product Type/Production Group**

*Would it be preferable to prescribe certain reserves data disclosure for "production groups" (the aggregate of products derived from a single well or reservoir) rather than separately for each product type?*

**Public Comment**

Some commenters suggested that reserves volumes and sales prices be reported by product type and that the related future net revenue be reported by production group. Two commenters suggested that distinguishing between product types, and combining single product types from different operations, is a subjective exercise: one referred to "artificial splits" and another to "fictional combinations". One commenter criticized the increase in the number of product types to nine from the four specified in the 2002 Proposal.

**CSA Staff Response**

We agree with the commenters that allocating costs among product types within a production group to estimate future net revenue can be problematic. The Instrument now specifies that reserves estimates are to be disclosed by product type and the related future net revenue by production group.

Most of the increase in the number of product types involved non-conventional products. We have retained those product types; a reporting issuer does not have to report product types that are not material to it. We had added, but have now removed, "sulphur and other non-hydrocarbon by-products" as a separate product type.

**8. Matters of General Application**

**(a) Extend the Comment Period?**

**Public Comment**

One commenter suggested that the period for public comment be extended, in light of the number of changes from the 2002 Proposal and the fact that the comment period coincided with a busy time for some analysts and consultants.

**CSA Staff Response**

The commenter noted that the public consultation process has already lasted over two years. In fact, the Instrument responded to the ASC oil and gas taskforce recommendations and the CIM reserves definitions, both of which were themselves the result of several years of debate and consultation.

Some commenters urged, and the CSA agree, that it is now time to bring the Instrument into effect, and that we should do so promptly so that industry and its advisors have time to prepare for compliance. Accordingly, we did not extend the comment period.

**(b) The Documents**

**Public Comment**

One commenter was critical of the length of the Instrument and specifically questioned the placement of some of the requirements in forms rather than in NI 51-101. The commenter suggested that each provision in the Companion Policy bear the same number as the corresponding provision in NI 51-101, even if gaps in the numbering result.

**CSA Staff Response**

We have endeavoured to balance the desire for brevity with the need to provide certainty and guidance. Each of the three forms included in the Instrument consolidates the detailed requirements of most direct relevance to a particular user group: the issuer; the reserves evaluator and auditor; and management and directors. Use of the form has also allowed us to include instructions designed to assist those users. The purpose of CSA companion policies is to explain

and provide guidance on mandatory elements in rules and forms, including discussion of how securities regulatory authorities are likely to interpret and apply specific provisions. Some provisions of the Companion Policy pertain to more than one provision (and more than one document), making the direct matching of provision numbers impractical.

**(c) Establish a Multidisciplinary Advisory Committee**

***Public Comment***

One commenter suggested that the CSA set up a multidisciplinary advisory committee.

***CSA Staff Response***

The CSA see merit in establishing a multidisciplinary advisory committee with industry and professional participation to advise on application of the Instrument, developments in industry and emerging issues. A similar body has proved very helpful in connection with NI 43-101. We will consider the suggestion further.

**APPENDIX B  
TO  
ONTARIO SECURITIES COMMISSION NOTICE  
  
IMPLEMENTATION OF NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

**SUMMARY OF CHANGES FROM THE 2003 PROPOSAL**

The following discussion summarizes differences between National Instrument 51-101 ("NI 51-101") and its related Forms and Companion Policy (together, the "Instrument") published for comment on January 24 (on March 21 in Québec), 2003 (the "2003 Proposal").

The Instrument is consistent in substance with the 2003 Proposal, but it does incorporate limited changes.

Most of the changes are intended to clarify the application of the Instrument. A number of the changes were made in response to specific comments or suggestions made by public commenters.

Partly in response to more general comments received, we have also revised certain of the specific disclosure requirements in Form 51-101F1 ("Form 1") with a view to streamlining the disclosure while making it more meaningful to investors.

**(a) Terminology**

The Instrument incorporates a limited number of new or modified definitions or interpretations, in either or both Part 1 of NI 51-101 and Appendix 1 to the Companion Policy.

**(i) Price and Cost Assumptions – Contract Prices**

We amended the definitions of "constant prices and costs" and "forecast prices and costs" to clarify the circumstances in which contractual prices are to be used in estimating reserves data.

The revision to the definitions makes clear that contract prices are to be used for both the constant case and forecast case estimates if the contract or other obligation binds the reporting issuer to supply a physical product (typically, oil or gas). If the reporting issuer is able to satisfy its obligation in cash rather than by supplying physical product, the contractual prices are not used for this purpose. In that case, the obligation may be a "financial instrument" for which, as new section 4.3 of the Companion Policy explains, the CICA Handbook discusses financial statement disclosure.

**(ii) Future Income Tax Expenses**

The 2003 Proposal defined the term "future income tax expenses" but used the defined term interchangeably with the undefined term "income taxes". The Instrument now uses the defined term except where the more generic term is used in a document likely to be read by the general public.

**(iii) Future Net Revenue**

The definition of "future net revenue" is amended to eliminate an inconsistency with the way the term is applied in some provisions of the Instrument. The revised definition:

- prescribes the deduction of "well abandonment costs" (a newly-defined term) rather than total abandonment and reclamation costs (see the discussion below under "Abandonment and Reclamation Costs"); and
- contemplates exceptions to the general principle that future income tax expenses are deducted in estimating future net revenue (there are several instances in which the Instrument refers specifically to "future net revenue before deducting future income tax expenses").

**(iv) Product Types**

The 2003 Proposal defined "product type" to include, among other things, natural gas and two types of oil and gas by-products: (i) natural gas liquids and (ii) sulphur and other non-hydrocarbon compounds.

Because natural gas can include natural gas liquids, listing them as separate product types created an inconsistency or overlap. To address that problem, to resolve other potential ambiguities and to facilitate other disclosure changes discussed below, the Instrument now:

- expands the definition of "gas" to refer to "associated gas", "non-associated gas", and "solution gas", and defines each;
- makes clear that the term "crude oil" does not include solution gas (natural gas dissolved in oil);
- defines "natural gas liquids"; and
- makes clear, in the definition of "product type", that natural gas liquids are a separate product type, not a part of "natural gas"; and
- eliminates sulphur and other non-hydrocarbon products as a product type.

**(v) Production Group**

The new term "production group" (a concept applied indirectly in certain provisions of the 2003 Proposal) groups the principal product type from a well or reservoir with its by-products.

Use of the concept in certain revised disclosure requirements (see below under "Disclosure by production groups") avoids the need for arbitrary and potentially misleading allocations of costs and other factors among multiple products that are produced together from a well or reservoir. This should make disclosure both simpler and more meaningful.

**(vi) Proved and Unproved Properties**

The 2003 Proposal's definitions of "proved property" and "unproved property" left an unintended gap between properties to which proved reserves are attributed and properties to which no reserves of any category have been attributed. To close the gap, the definition of "proved property" has been amended to refer to a property to which reserves of any category have been attributed.

The Instrument now uses these defined terms instead of more general descriptions of the same concepts that had been used in certain provisions of the 2003 Proposal (for example, in Item 6.2 of Form 1).

**(vii) Conformity to CICA Handbook**

Minor additions or modifications have been made to the definitions of "exploration costs", "exploratory well" and "property" for conformity with the corresponding definitions in Accounting Guideline AcG-5 "Full cost accounting in the oil and gas industry" in the CICA Handbook.

**(b) Estimating and Disclosing Reserves Data**

**(i) Abandonment and Reclamation Costs**

The CSA consider estimated "abandonment and reclamation costs" a very important element of oil and gas disclosure. The quoted phrase, however, covers a variety of costs, not all of which will necessarily be known to, or taken into account by, a qualified reserves evaluator or auditor in estimating reserves data. In many cases, the qualified reserves evaluator or auditor may take into account only a subset of total abandonment and reclamation costs – "well abandonment costs" – (costs of abandoning a well and disconnecting it from the surface gathering system), in estimating future net revenue.

As it did in the 2003 Proposal, Item 6.4 of Form 1 continues to require a reporting issuer to disclose its estimated total abandonment and reclamation costs and (under paragraph 6.4(d)) to disclose the portion of those amounts that have not been deducted in the disclosed estimates of future net revenue on which the qualified reserves evaluator or auditor reports.

Certain provisions of the 2003 Proposal, however, seemed to suggest that the reserves data must invariably be estimated taking into account all abandonment and reclamation costs, a result clearly inconsistent with Item 6.4(d).

To address this inconsistency, the Instrument now uses the newly-defined term "well abandonment costs" in:

- paragraph 4.2(1)(c) (formerly paragraph 4.2(1)(e)) of NI 51-101, which sets out as a general requirement for disclosed reserves data that well abandonment costs (not necessarily total abandonment and reclamation costs) must be deducted in estimating future net revenue; and
- new Instruction 3 to Part 2 of Form 1, which explains that the abandonment and reclamation costs deducted in the estimation of future net revenue must include, at minimum, well abandonment costs.



**(ii) Assigning Reserves to Undrilled Property**

Paragraph 4.2(1)(b) of NI 51-101, which also sets out a general requirement for disclosed reserves data, retains the principle from the 2003 Proposal that total abandonment and reclamation costs (not only well abandonment costs) must be taken into account when determining whether to attribute reserves to an undrilled property.

The provision has been revised to make clear that it applies whenever that determination is being made – that is, at any time the issue arises as to whether reserves should be attributed to an undrilled property to which reserves have not yet been attributed.

We have not altered the principle that this is not necessarily a recurring process once reserves are assigned. (As noted above, paragraph 4.2(1)(c) then applies to require deduction of well abandonment costs in the estimation of the future net revenue attributable to those reserves.)

**(iii) Income Taxes Reflected in Reserves Data**

We further amended paragraph 4.2(1)(c) (formerly paragraph 4.2(1)(e)) of NI 51-101 to provide, as a general principle, that disclosed future net revenue is to be an after-tax estimate unless the Instrument specifies otherwise (as it does, for example, in certain requirements for disclosure of future net revenue before deduction of future income tax expenses). A parallel amendment to the definition of future net revenue was discussed under "Terminology" above.

**(iv) Simpler, More Meaningful Disclosure**

A number of commenters on the 2003 Proposal expressed concern about the volume of information and the level of detail required in the annual reserves data disclosure under Part 2 of Form 1. Some argued in effect that the disclosure would exceed investor requirements and in some cases involve disclosure of proprietary information.

The CSA agree that some of that detailed data could be eliminated without depriving investors of the information they need to make informed investment decisions, and that other changes could make the disclosure provided more meaningful.

Revised Part 2 of Form 1 reflects two primary changes:

- **Streamlined disclosure** -- The 2003 Proposal would have required, under Items 2.1 and 2.2 of Form 1, annual disclosure of components of future net revenue, estimated by year for at least 10 years.

Items 2.1(3)(b) and 2.2(3)(b) of Form 1 now require disclosure only of the aggregate of each component of the future net revenue estimates, using constant and forecast prices and costs respectively. (The revised requirement is illustrated in the revised sample tables on pages 2 and 4 of Appendix 2 to the Companion Policy.) An exception is disclosure of estimated future development costs, for which new Item 5.3(1)(b)(ii) requires disclosure for 5 years.

The result is in some respects also more consistent with the January 2001 recommendations made by the ASC oil and gas taskforce to the CSA.

- **Disclosure by production groups** -- In a further effort to ensure that more streamlined reserves data disclosure is meaningful for investors, we have built on the concept of "production group" used indirectly in the 2003 Proposal. Future net revenue is now to be disclosed by production group rather than by product type. (Items 2.1(3) and 2.2(3)).

Reservoirs typically contain, and wells typically produce, more than one "product type". For example, an oil well or oil reservoir will often produce, along with crude oil, other products incidental to the production of the oil: solution gas, natural gas liquids and sulphur. Mandatory disclosure separately for each of these product types can require awkward allocations of costs amongst the various product types produced from a single well or reservoir.

Disclosure by product type can also obscure the fact that a reporting issuer can produce natural gas from both natural gas wells and, as solution gas, from oil wells. An investor might consider the distinction important, given that the economics of producing solution gas are likely more affected by physical and economic aspects of oil production than are the economics of producing gas from predominantly gas wells.

**(v) Reconciliation Breakdown**

The elements to be disclosed in the reserves reconciliation under Item 4.1 of Form 1 have been reordered to correspond to the relevant discussion in the COGE Handbook, and the brief descriptions of those elements have been replaced by new Instruction 3 which directs readers to the COGE Handbook for more extensive guidance.

The 2003 Proposal called for reconciliations for each product type, but an Instruction indicated that it would suffice to provide the information only in respect of the principal product type attributable to a well, reservoir or other reserves entity. To clarify the requirement, Item 4.1(2)(b) now specifies the products for which the reconciliation is required. Revised Instructions confirm that by-products may be disregarded for this purpose.

**(c) Other Changes**

**(i) Responsibility Rests with the Reporting Issuer**

Subsections 2.4(1) and 4.2(1) of NI 51-101 now make clear that responsibility for complying with the Instrument rests with the reporting issuer.

**(ii) Consent of Reserves Evaluator or Auditor**

Subsection 5.7(1) of NI 51-101 has been amended to make clear that not only disclosure of a complete report of a qualified reserves evaluator or auditor, but also disclosure of information derived from that report, requires the written consent of the author, subject to the exceptions set out in subsection 5.7(2).

In response to uncertainty about the effects of this provision evidenced in public comment, we explain the application of this requirement in new Section 5.2 of the Companion Policy.

**(iii) Report of Independent Qualified Reserves Evaluator or Auditor**

Item 4 of the report set out in Form 51-101F2 ("Form 2") has been modified to specify that the net present value of future net revenue to be set out in that provision is a pre-tax estimate, to better enable the reader to match it to the reporting issuer's own disclosure in response to Item 2.2(2) of Form 1.

**(iv) Transition**

Section 1.3 of the Companion Policy provides examples to assist reporting issuers in understanding when their disclosure obligations under NI 51-101 first apply to them, depending upon their financial year-ends. The examples set out are unchanged from the 2003 Proposal, but we now emphasize that the examples are based on the assumption of a 140-day deadline for the filing of annual financial statements. We have done so because the CSA are proposing, in a separate initiative, to reduce the annual financial statement filing period from 140 days to 90 days (120 days for "venture issuers"). See proposed National Instrument 51-102 *Continuous Disclosure Obligations*, available on the websites of a number of CSA jurisdictions.

We have also explained that a prospectus filing could accelerate the reporting issuer's first filing obligations under NI 51-101.

**(v) Discretionary Exemptions**

Part 8 of the Companion Policy discusses the possibility of discretionary exemptions to permit the use of in-house rather than independent reserves evaluations, and the substitution of US-style disclosure for some of the requirements of the Instrument. We have made very limited, non-substantive changes to this discussion:

- **Disclosure of exemption to be "reasonably proximate"** – The references in sections 8.2, 8.3 and 8.4 to disclosure of a reporting issuer's reliance on a discretionary exemption being "proximate" to the relevant information has been modified to refer to "reasonably proximate". The purpose is to give reporting issuers some flexibility while ensuring that readers will not be misled.
- **In-house evaluations** – Section 8.2 of the Companion Policy discusses the possibility of discretionary relief to enable senior producing issuers to rely on in-house reserves evaluations. We have added to the discussion an undertaking of the applicant issuer, which would likely be required for a discretionary exemption, to implement internal procedures that will permit the preparation of the modified reports described in section 8.2.

**(vi) Sample Disclosure Tables**

The sample disclosure tables in Appendix 2 to the Companion Policy have been amended to reflect the changes in Form 1 described above.

**APPENDIX C  
TO  
ONTARIO SECURITIES COMMISSION NOTICE**

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

**CONSEQUENTIAL AMENDMENTS  
TO NATIONAL AND MULTILATERAL INSTRUMENTS**

In conjunction with implementation of National Instrument 51-101 ("NI 51-101") amendments are being made to a number of existing national, multilateral and local instruments and forms. The purpose of these consequential amendments is, generally, to phase out the application of National Policy Statement No. 2-B ("NP 2-B") and to substitute the application of NI 51-101.

The transition from an NP 2-B disclosure regime to NI 51-101 will apply to a reporting issuer, at the latest, when it files (or is required to file) audited financial statements for a year that ends on or includes December 31, 2003.

The transition to NI 51-101 will apply earlier to a reporting issuer that makes a voluntary filing under Part 2 of NI 51-101 earlier than required. It may also apply somewhat earlier to a reporting issuer that files a prospectus after December 31, 2003, to ensure that NI 51-101 disclosure is provided together with audited financial statements for the financial year (prospectuses currently require financial statements 90 days after the year-end, whereas the current annual financial statement filing period is generally 140 days). In the case of an initial public offering of securities by prospectus, disclosure consistent with NI 51-101 would generally be required if the preliminary or final prospectus is filed after March 30, 2004.

The texts of the proposed consequential amendments to the following national and multilateral policy statements, instruments, forms and companion policies follow:

- NP 2-B (repeal on June 30, 2005)
- National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*
- National Instrument 44-101 *Short Form Prospectus Distributions*
  - Form 44-101F1 *AIF*
  - Form 44-101F3 *Short Form Prospectus*
- National Instrument 45-101 *Rights Offerings*
  - Companion Policy 45-101CP
- Multilateral Instrument 45-102 *Resale of Securities*

**INTERIM AMENDMENT  
AND SUBSEQUENT RESCISSION  
OF  
NATIONAL POLICY STATEMENT NO. 2-B  
GUIDE FOR ENGINEERS AND GEOLOGISTS SUBMITTING OIL AND GAS REPORTS TO CANADIAN PROVINCIAL  
SECURITIES ADMINISTRATORS**

**PART 1 INTERIM AMENDMENT**

- 1.1 Amendment** – National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* ("NP 2-B") is amended by adding the following before the heading "General":

**"Phase-out of Policy**

1. This Policy does not apply to an issuer on or after the earliest date on which the issuer files, or is required to file or to disclose in a filed document, the statement referred to in Item 1 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.
2. This Policy is rescinded with effect on June 30, 2005."

- 1.2 Effective Date** – Section 1.1 comes into force on September 30, 2003.

**PART 2 RESCISSION**

- 2.1 Rescission** – NP 2-B is rescinded with effect on June 30, 2005.

**AMENDMENT  
TO  
NATIONAL INSTRUMENT 13-101  
SYSTEM FOR ELECTRONIC DOCUMENT ANALYSIS AND RETRIEVAL (SEDAR)**

**PART 1 AMENDMENT**

**1.1 Amendment** – National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) is amended by:

- (a) adding to Item 2.3(1)3 the words ", provided that this paragraph 3 does not apply to a statement or report referred to in section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*"
- (b) adding the following to Appendix A, under the heading "II. Other Issuers (Reporting/Non-Reporting)" "B. Continuous Disclosure" "(a) General Filings":

Oil and Gas Annual Disclosure (NI 51-101)

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

**AMENDMENT  
TO  
NATIONAL INSTRUMENT 44-101  
SHORT FORM PROSPECTUS DISTRIBUTIONS**

**PART 1 AMENDMENT**

**1.1 Amendment** – National Instrument 44-101 *Short Form Prospectus Distributions* is amended by:

(a) deleting Item 5 of paragraph 10.2(a) and substituting the following:

5. **Oil and Gas Reports** – Any technical report or certificate relating to oil and gas properties prepared in accordance with National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* that the regulator requests be filed and that was not previously filed, if the preliminary short form prospectus is filed on or before June 30, 2005, the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:
- (i) the issuer has not filed and is not required to have filed (alone or in the preliminary short form prospectus or as part of another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
  - (ii) the preliminary short form prospectus does not include and is not required to include audited financial statements for a financial year ended on or after December 31, 2003;
  - (iii) if the preliminary short form prospectus is filed on or before March 30, 2004 for an initial public offering of securities, it does not include financial statements for a financial year or interim period that ends on or after December 31, 2003; and
  - (iv) if the preliminary short form prospectus is filed after December 31, 2003 and during the issuer's first financial year, it does not include financial statements for an interim period that ends on or after December 31, 2003.

(b) deleting Item 9 of paragraph 10.3(a) and substituting the following:

9. **Other Oil and Gas Reports** – Any technical report or certificate relating to oil and gas properties prepared in accordance with National Policy Statement No. 2-B that the regulator requests be filed and that was not previously filed, if the short form prospectus is filed on or before June 30, 2005, the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:
- (i) the issuer has not filed and is not required to have filed (alone or in the short form prospectus or as part of another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
  - (ii) the short form prospectus does not include and is not required to include audited financial statements for a financial year ended on or after December 31, 2003;
  - (iii) if the short form prospectus is filed on or before March 30, 2004 for an initial public offering of securities, it does not include financial statements for a financial year or interim period that ends on or after December 31, 2003; and
  - (iv) if the short form prospectus is filed after December 31, 2003 and during the issuer's first financial year, it does not include financial statements for an interim period that ends on or after December 31, 2003.

(c) deleting Item 10(i) of paragraph 10.3(a) and substituting the following:

- (i) deals with a mineral project or oil and gas activities of the issuer; and

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

**AMENDMENT  
TO  
FORM 44-101F1 AIF**

**PART 1 AMENDMENT**

**1.1 Amendment** – Item 4 of Form 44-101F1 is amended by:

- (a) adding the following after "operations," in the preamble to section 4.4:  
unless section 4.5 applies,
- (b) adding the following after section 4.4:

**4.5 Issuers with Oil and Gas Activities**

This Item 4.5 applies if the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:

- (a) has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;
- (b) has, prior to the date on which it is required to file audited financial statements for a financial year that ends on or after December 31, 2003, filed under Part 2 of National Instrument 51-101 (or included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101; or
- (c) is including in the AIF the statement referred to in Item 1 of section 2.1 of National Instrument 51-101, whether or not for the purpose of satisfying its filing obligations under National Instrument 51-101.

Disclose the following:

**1. Reserves Data and Other Information**

- (a) In the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared as at the end of a financial year, disclose that information as at the issuer's most recent financial year-end.
- (b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for the issuer's most recent financial year.
- (c) To the extent not reflected in the information disclosed in response to paragraphs (a) and (b), disclose the information contemplated by Part 6 of National Instrument 51-101, in respect of material changes that occurred after the issuer's most recent financial year-end.

**2. Report of Qualified Reserves Evaluator or Auditor**

Include with the information disclosed under section 1 the report of one or more qualified reserves evaluators or qualified reserves auditors, referred to in Item 2 of section 2.1 of National Instrument 51-101, on the reserves data included in the disclosure provided under paragraphs 1(a) and 1(b) of this Item.

**3. Report of Management and Directors**

Include with the information disclosed under section 1 the report of management and directors, referred to in Item 3 of section 2.1 of National Instrument 51-101, relating to that information.

**INSTRUCTIONS**

- (1) *Disclosure in the AIF must be consistent with National Instrument 51-101.*
- (2) *Unless the information presented under paragraph 2 is included in the AIF in satisfaction of the issuer's filing obligations under Part 2 of National Instrument 51-101, the issuer may require the written consent of a qualified reserves evaluator or qualified reserves auditor to disclose information in this Form, pursuant to section 5.7 of National Instrument 51-101.*

**PART 2 EFFECTIVE DATE**

- 2.1 Effective Date** – This amendment comes into force on September 30, 2003.



**AMENDMENT  
TO  
FORM 44-101F3 SHORT FORM PROSPECTUS**

**PART 1 AMENDMENT**

**1.1 Amendment** – Form 44-101F3 *Short Form Prospectus* is amended by:

- (a) adding to the initial instructions the following:
  - (12) *Disclosure in a preliminary short form prospectus or short form prospectus must be consistent with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities if the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101) and:*
    - (a) *has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;*
    - (b) *has, prior to the date on which it is required to have filed audited financial statements for a financial year that ends on or after December 31, 2003, filed or is required to have filed (or has included or is required to have included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;*
    - (c) *is filing a preliminary short form prospectus or short form prospectus:*
      - (i) *that includes or is required to include audited financial statements for a financial year ended on or after December 31, 2003;*
      - (ii) *after March 30, 2004 for an initial public offering of securities, and the prospectus includes financial statements for a financial year or interim period that ends on or after December 31, 2003; or*
      - (iii) *after December 31, 2003 and during the issuer's first financial year, and the prospectus includes financial statements for an interim period that ends on or after December 31, 2003; or*
    - (d) *indicates in the preliminary short form prospectus or short form prospectus that information disclosed therein is presented in accordance with National Instrument 51-101.*
- (b) amending Item 10 by:
  - (a) deleting the heading and substituting the following:

**Item 10: – Resource Issuers**
  - (b) deleting the heading of section 10.1 and substituting the following:

**10.1 – Issuers with Mineral Projects**
  - (c) deleting from section 10.1, each time it occurs, the phrase "or 4.4, as appropriate";
- (c) adding the following after Item 10.1:

**10.2 – Oil and Gas Activities**

  - (1) Unless paragraph (2) applies, if a material part of the proceeds of a distribution is to be expended on a particular oil and gas property and if the current AIF does not contain the disclosure required under Item 4.4 of Form 44-101F1 for that property or the disclosure is inadequate or incorrect due to changes, disclose the information required under that Item 4.4.
  - (2) (a) This paragraph applies to an issuer that is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and that:

- (i) has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;
  - (ii) has, prior to the date on which it is required to file audited financial statements for a financial year that ends on or after December 31, 2003, filed (or included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
  - (iii) is filing the short form prospectus:
    - (A) including audited financial statements for a financial year ended on or after December 31, 2003;
    - (B) after March 30, 2004 in respect of an initial public offering of securities, and the prospectus includes financial statements for a financial year or interim period that ends on or after December 31, 2003; or
    - (C) after December 31, 2003 and during the issuer's first financial year, and the prospectus includes financial statements for an interim period that ends on or after December 31, 2003; or
  - (iv) indicates in the preliminary short form prospectus or short form prospectus that information disclosed therein is presented in accordance with National Instrument 51-101.
- (b) To the extent not included in the current AIF or in a material change report filed subsequent to the filing of the current AIF, provide:
- (i) the information that would be required under Item 4.5 of Form 44-101F1 if the AIF were being filed on the date of the preliminary short form prospectus or short form prospectus; and
  - (ii) any other information required in the statement referred to in Item 1 of section 2.1 of National Instrument 51-101:
    - (A) as at the end of, or for, the most recent financial year for which the short form prospectus includes an audited balance sheet of the issuer; or
    - (B) in the absence of a completed financial year referred to in clause (A), as at the most recent date as at which the short form prospectus includes an audited balance sheet of the issuer, and for the greatest portion of a financial year that includes the date of that balance sheet and for which the short form prospectus includes an audited income statement of the issuer.

## PART 2 EFFECTIVE DATE

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

**AMENDMENT  
TO  
NATIONAL INSTRUMENT 45-101  
RIGHTS OFFERINGS**

**PART 1 AMENDMENT**

**1.1 Amendment** – Subsection 3.1(1) of National Instrument 45-101 *Rights Offerings* is amended by:

(a) deleting from Item 4 the words after "Projects"; and

(b) adding after Item 4 the following, and renumbering the former Item 5 accordingly:

5. If the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and the rights offering circular is sent to the reviewing authority on or before June 30, 2005, an oil and gas report prepared in accordance with National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators*, unless the issuer has filed or is required to have filed (or has included or is required to have included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101.

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

**AMENDMENT  
TO  
COMPANION POLICY 45-101CP**

**PART 1 AMENDMENT**

**1.1 Amendment** – Section 1.5 of Companion Policy 45-101CP is amended by:

(a) deleting from the heading the words after "43-101" and substituting the following:

", National Policy Statement No. 2-B or National Instrument 51-101"; and

(b) deleting the words after "Mineral Projects" and substituting the following:

, National Policy Statement No. 2-B or National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

**AMENDMENT  
TO  
MULTILATERAL INSTRUMENT 45-102  
RESALE OF SECURITIES**

**PART 1 AMENDMENT**

**1.1 Amendment** – Section 1.1 of Multilateral Instrument 45-102 *Resale of Securities* is amended by:

(a) adding the following after the definition of "NI 44-101":

"NI 51-101" means National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities;

(b) deleting paragraph (e) of the definition of "qualifying issuer" and substituting the following:

(e) that has filed a current oil and gas report consistent with NP 2-B, if the issuer

(i) is engaged in oil and gas activities (as defined in NI 51-101),

(ii) is not qualified to file a short form prospectus under NI 44-101,

(iii) has not filed and is not required to have filed audited annual financial statements for a financial year that ends on or after December 31, 2003, and

(iv) has not, prior to the date on which it is required to file audited financial statements for a financial year that ends on or after December 31, 2003, filed under Part 2 of NI 51-101 or included in another filed document the statement referred to in Item 1 of section 2.1 of NI 51-101,

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

**APPENDIX D  
TO  
ONTARIO SECURITIES COMMISSION NOTICE  
IMPLEMENTATION OF NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES  
CONSEQUENTIAL AMENDMENTS  
TO ONTARIO SECURITIES LEGISLATION**

In conjunction with implementation of National Instrument 51-101, the Ontario Securities Commission has amended certain local Ontario instruments. The purpose of these consequential amendments – to phase out the application of National Policy Statement No. 2- B and substitute the application of NI 51-101 – the timing, and the transitional application issuer-by-issuer, are the same as for the consequential amendments to national and multilateral instruments discussed in Appendix C.

**OSC Instruments**

The Ontario local consequential amendments affect the following:

- OSC Rule 41-501 *General Prospectus Requirements*
- OSC Form 41-501F1 *Information Required in a Prospectus*

The texts of these proposed consequential amendments are set out below.

**PROPOSED AMENDMENT  
TO  
ONTARIO SECURITIES COMMISSION RULE 41-501  
GENERAL PROSPECTUS REQUIREMENTS**

**PART 1 AMENDMENT**

**1.1 Amendment** – Ontario Securities Commission Rule 41-501 *General Prospectus Requirements* is amended by:

(a) deleting Item 3 of subsection 13.2(1) and substituting the following:

**3. Oil and Gas Reports**

Any technical report or certificate relating to oil and gas properties prepared in accordance with National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* that was not previously filed, if the preliminary prospectus is filed on or before June 30, 2005, the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:

- (i) the issuer has not filed and is not required to have filed (alone or in the preliminary prospectus or as part of another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
- (ii) the preliminary prospectus does not include and is not required to include audited financial statements for a financial year ended on or after December 31, 2003;
- (iii) if the preliminary prospectus is filed on or before March 30, 2004 for an initial public offering of securities, it does not include financial statements for a financial year or interim period that ends on or after December 31, 2003; and
- (iv) if the preliminary prospectus is filed after December 31, 2003 and during the issuer's first financial year, it does not include financial statements for an interim period that ends on or after December 31, 2003.

(b) deleting Item 8 of subsection 13.3(1) and substituting the following:

**8. Other Oil and Gas Reports**

Any technical report or certificate relating to oil and gas properties prepared in accordance with National Policy Statement No. 2-B that was not previously filed, if the prospectus is filed on or before June 30, 2005, the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:

- (i) the issuer has not filed and is not required to have filed (alone or in the prospectus or as part of another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
- (ii) the prospectus does not include and is not required to include audited financial statements for a financial year ended on or after December 31, 2003;
- (iii) if the prospectus is filed on or before March 30, 2004 for an initial public offering of securities, it does not include financial statements for a financial year or interim period that ends on or after December 31, 2003; and
- (iv) if the prospectus is filed after December 31, 2003 and during the issuer's first financial year, it does not include financial statements for an interim period that ends on or after December 31, 2003.

(c) deleting Item 9(i) of subsection 13.3(1) and substituting the following:

- (i) deals with a mineral project or oil and gas activities of the issuer; and

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.



**PROPOSED AMENDMENT  
TO  
ONTARIO SECURITIES COMMISSION FORM 41-501F1  
INFORMATION REQUIRED IN A PROSPECTUS**

**PART 1 AMENDMENT**

**1.1 Amendment** – Ontario Securities Commission Form 41-501F1 *Information Required in a Prospectus* is amended by:

(a) adding to the initial instructions the following:

(11) *Disclosure in a prospectus must be consistent with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities if the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101) and:*

- (a) *has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;*
- (b) *has, prior to the date on which it is required to have filed audited financial statements for a financial year that ends on or after December 31, 2003, filed or is required to have filed (or has included or is required to have included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;*
- (c) *is filing a preliminary prospectus or prospectus:*
  - (i) *that includes or is required to include audited financial statements for a financial year ended on or after December 31, 2003;*
  - (ii) *after March 30, 2004 for an initial public offering of securities, and the prospectus includes financial statements for a financial year or interim period that ends on or after December 31, 2003; or*
  - (iii) *after December 31, 2003 and during the issuer's first financial year, and the prospectus includes financial statements for an interim period that ends on or after December 31, 2003; or*
- (d) *indicates in the prospectus that information disclosed therein is presented in accordance with National Instrument 51-101.*

(b) amending Item 6 by:

(a) adding after "operations," in the preamble to Item 6.4:

unless Item 6.5 applies,

(b) adding after Item 6.4 the following:

**6.5 Issuers with Oil and Gas Activities**

This Item 6.5 applies if the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:

- (a) has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;
- (b) has, prior to the date on which it is required to file audited financial statements for a financial year that ends on or after December 31, 2003, filed (or included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
- (c) is filing the prospectus:

- (i) including audited financial statements for a financial year ended on or after December 31, 2003;
- (ii) after March 30, 2004 for an initial public offering of securities, and the prospectus includes financial statements for a financial year or interim period that ends on or after December 31, 2003; or
- (iii) after December 31, 2003 and during the issuer's first financial year, and the prospectus includes financial statements for an interim period that ends on or after December 31, 2003; or
- (d) indicates in the prospectus that information disclosed therein is presented in accordance with National Instrument 51-101.

**1. Reserves Data and Other Information**

- (a) Disclose the information prescribed by Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*:
  - (i) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer; or
  - (ii) in the absence of a completed financial year referred to in clause (i), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the greatest portion of the financial year that includes the date of that balance sheet and for which the prospectus includes an audited income statement of the issuer.
- (b) To the extent not reflected in the information disclosed in response to paragraph (a), disclose the information contemplated by Part 6 of National Instrument 51-101, in respect of material changes that occurred after the applicable balance sheet date referred to in paragraph (a).

**2. Report of Qualified Reserves Evaluator or Auditor**

Include with the information disclosed under section 1 the report of one or more qualified reserves evaluators or qualified reserves auditors, referred to in Item 2 of section 2.1 of National Instrument 51-101, on the reserves data included in the disclosure provided under paragraph 1(a) of this Item.

**3. Report of Management and Directors**

Include with the information disclosed under section 1 the report of management and directors, referred to in Item 3 of section 2.1 of National Instrument 51-101, relating to that information.

**INSTRUCTION**

*The issuer may require the written consent of a qualified reserves evaluator or qualified reserves auditor to disclose information in this Form, pursuant to section 5.7 of National Instrument 51-101.*

**PART 2 EFFECTIVE DATE**

**2.1 Effective Date** – This amendment comes into force on September 30, 2003.

5.1.2 National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities

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

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

**PART 1 APPLICATION AND TERMINOLOGY<sup>1</sup>**

**1.1 Definitions<sup>2</sup> - In this *Instrument*:**

- (a) *annual information form* means:
  - (i) a "current AIF", as defined in *NI 44-101*;
  - (ii) in the case of a *reporting issuer* that is eligible to file, for the purpose of Part 3 of *NI 44-101*, a current annual report on Form 10-K or Form 20-F under the *1934 Act*, such a current annual report so filed; or
  - (iii) a document prepared in Form 44-101F1 *AIF* and filed with the *securities regulatory authority* in the *jurisdiction* in accordance with *securities legislation* of that *jurisdiction* other than *NI 44-101*;
- (b) "BOEs" means barrels of oil equivalent;
- (c) "CICA" means The Canadian Institute of Chartered Accountants;
- (d) "*CICA Accounting Guideline 5*" means Accounting Guideline AcG-5 "Full cost accounting in the oil and gas industry" included in the *CICA Handbook*, as amended from time to time;
- (e) "*CICA Handbook*" means the Handbook of the *CICA*, as amended from time to time;
- (f) "*COGE Handbook*" means the "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;
- (g) "*constant prices and costs*" means the prices and costs used in an estimate that are:
  - (i) the *reporting issuer's* prices and costs as at the *effective date* of the estimation, held constant throughout the estimated lives of the *properties* to which the estimate applies;
  - (ii) if, and only to the extent that, there are 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, those prices or costs rather than the prices and costs referred to in paragraph (i);
- (h) "*effective date*", in respect of information, means the date as at which, or for the period ended on which, the information is provided;
- (i) "*FAS 19*" means United States Financial Accounting Standards Board Statement of Financial Accounting Standards No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies", as amended from time to time;
- (j) "*forecast prices and costs*" means future prices and costs that are:
  - (i) generally accepted as being a reasonable outlook of the future;

<sup>1</sup> For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of terms, including those defined in this Part, that are printed in italics in this *Instrument*, *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* or the Companion Policy.

<sup>2</sup> A national definition instrument has been adopted as *NI 14-101*. It contains definitions of certain terms used in more than one national or multilateral instrument. *NI 14-101* provides that a term used in a national or multilateral instrument and defined in the statute relating to securities of the applicable *jurisdiction*, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in that statute unless the context otherwise requires. *NI 14-101* also provides that a provision or a reference within a provision of a national or multilateral instrument that specifically refers by name to a *jurisdiction* other than the local *jurisdiction* shall not have any effect in the local *jurisdiction*, unless otherwise stated in that national or multilateral instrument.

- (ii) if, and only to the extent that, there are 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, those prices or costs rather than the prices and costs referred to in paragraph (i).
- (k) "*foreign geographic area*" means a geographic area outside North America within one country or including all or portions of a number of countries;
- (l) "*Form 51-101F1*" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;
- (m) "*Form 51-101F2*" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*;
- (n) "*Form 51-101F3*" means Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*;
- (o) "*independent*", in respect of the relationship between a *reporting issuer* and a *qualified reserves evaluator or auditor*, has the meaning set out in the *COGE Handbook*;
- (p) "*McfGEs*" means thousand cubic feet of gas equivalent;
- (q) "*NI 14-101*" means National Instrument 14-101 *Definitions*;
- (r) "*NI 44-101*" means National Instrument 44-101 *Short Form Prospectus Distributions*;
- (s) "*oil and gas activities*"
  - (i) include:
    - (A) the search for *crude oil* or *natural gas* in their natural states and original locations;
    - (B) the acquisition of property rights or *properties* for the purpose of further exploring for or removing *oil* or *gas* from *reservoirs* on those *properties*;
    - (C) the construction, drilling and *production* activities necessary to retrieve *oil* and *gas* from their natural *reservoirs*, and the acquisition, construction, installation and maintenance of *field* gathering and storage systems including lifting the *oil* and *gas* to the surface and gathering, treating, *field* processing and *field* storage; and
    - (D) the extraction of hydrocarbons from oil sands, shale, coal or other non-conventional sources and activities similar to those referred to in clauses (A), (B) and (C) undertaken with a view to such extraction; but
  - (ii) do not include:
    - (A) transporting, refining or marketing *oil* or *gas*;
    - (B) activities relating to the extraction of natural resources other than *oil* and *gas* and their by-products; or
    - (C) the extraction of geothermal steam or of hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources;
- (t) "*preparation date*", in respect of written disclosure, means the most recent date to which information relating to the period ending on the *effective date* was considered in the preparation of the disclosure;
- (u) "*production group*" means one of the following together, in each case, with associated by-products:
  - (i) light and medium *crude oil* (combined);
  - (ii) *heavy oil*;
  - (iii) *associated gas* and *non-associated gas* (combined); and

- (iv) *bitumen, synthetic oil* or other products from non-conventional *oil and gas activities*.
- (v) "*product type*" means one of the following:
  - (i) in respect of conventional *oil and gas activities*:
    - (A) light and medium *crude oil* (combined);
    - (B) *heavy oil*;
    - (C) *natural gas* excluding *natural gas liquids*; or
    - (D) *natural gas liquids*; and
  - (ii) in respect of non-conventional *oil and gas activities*:
    - (A) *synthetic oil*;
    - (B) *bitumen*;
    - (C) coal bed methane; or
    - (D) hydrates.
- (w) "*professional organization*" means a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose professional practice includes *reserves evaluations* or *reserves audits*, that:
  - (i) admits members primarily on the basis of their educational qualifications;
  - (ii) requires its members to comply with the professional standards of competence and ethics prescribed by the organization that are relevant to the estimation, *evaluation, review* or *audit of reserves data*;
  - (iii) has disciplinary powers, including the power to suspend or expel a member; and
  - (iv) is either:
    - (A) given authority or recognition by statute in a Canadian jurisdiction; or
    - (B) accepted for this purpose by the *securities regulatory authority* or the *regulator*;
- (x) "*qualified reserves auditor*" means an individual who:
  - (i) in respect of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation, review* and *audit* of the *reserves data* and related information; and
  - (ii) is a member in good standing of a *professional organization*;
- (y) "*qualified reserves evaluator*" means an individual who:
  - (i) in respect of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data* and related information; and
  - (ii) is a member in good standing of a *professional organization*;
- (z) "*qualified reserves evaluator or auditor*" means a *qualified reserves auditor* or a *qualified reserves evaluator*;
- (aa) "*reserves data*" means the following estimates, as at the last day of the *reporting issuer's* most recent financial year:
  - (i) *proved reserves* and related *future net revenue* estimated:

- (A) using *constant prices and costs* as at the last day of that financial year; and
  - (B) using *forecast prices and costs*; and
  - (ii) *probable reserves* and related *future net revenue* estimated using *forecast prices and costs*; and
- (bb) "*supporting filing*" means a document filed by a *reporting issuer* with a *securities regulatory authority*.

## 1.2 COGE Handbook Definitions

- (1) Terms used in this *Instrument* but not defined in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction*, and defined or interpreted in the *COGE Handbook*, have the meaning or interpretation ascribed to those terms in the *COGE Handbook*.
- (2) In the event of a conflict or inconsistency between the definition of a term in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction* and the meaning ascribed to the term in the *COGE Handbook*, the definition in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction*, as the case may be, shall apply.

1.3 **Applies to Reporting Issuers Only** - This *Instrument* applies only to *reporting issuers* engaged, directly or indirectly, in *oil and gas activities*.

## 1.4 Materiality Standard

- (1) This *Instrument* applies only in respect of information that is *material* in respect of a *reporting issuer*.
- (2) For the purpose of subsection (1), information is *material* in respect of a *reporting issuer* if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer*.

## PART 2 ANNUAL FILING REQUIREMENTS

2.1 **Reserves Data and Other Oil and Gas Information** - A *reporting issuer* shall, not later than the date on which it is required by *securities legislation* to file audited financial statements for its most recent financial year, file with the *securities regulatory authority* the following:

- 1. **Statement of Reserves Data and Other Information** - a statement of the *reserves data* and other information specified in *Form 51-101F1*, as at the last day of the *reporting issuer's* most recent financial year and for the financial year then ended;
- 2. **Report of Independent Qualified Reserves Evaluator or Auditor** - a report in accordance with *Form 51-101F2* that is:
  - (a) included in, or filed concurrently with, the document filed under item 1; and
  - (b) executed by one or more *qualified reserves evaluators or auditors* each of whom is *independent of the reporting issuer*, who shall in the aggregate have:
    - (i) *evaluated or audited* at least 75 percent of the *future net revenue* (calculated using a discount rate of 10 percent) attributable to *proved plus probable reserves*, as reported in the statement filed or to be filed under item 1; and
    - (ii) *reviewed* the balance of such *future net revenue*; and
- 3. **Report of Management and Directors** - except in British Columbia, a report in accordance with *Form 51-101F3* that
  - (a) refers to the information filed or to be filed under items 1 and 2;
  - (b) confirms the responsibility of management of the *reporting issuer* for the content and filing of the statement referred to in item 1 and for the filing of the report referred to in item 2;
  - (c) confirms the role of the board of directors in connection with the information referred to in paragraph (b);



- (d) is contained in, or filed concurrently with, the statement filed under item 1; and
- (e) is executed by two senior officers and two directors of the *reporting issuer*.

**2.2 News Release to Announce Filing** - A *reporting issuer* shall, concurrently with filing a statement and reports under section 2.1, disseminate a news release announcing that filing and indicating where a copy of the filed information can be found for viewing by electronic means.

**2.3 Inclusion in Annual Information Form** - The requirements of section 2.1 may be satisfied by including the information specified in section 2.1 in an *annual information form* filed within the time specified in section 2.1.

**2.4 Reservation in Report of Qualified Reserves Evaluator or Auditor**

- (1) If a *qualified reserves evaluator or auditor* cannot report on *reserves data* without *reservation*, the *reporting issuer* shall ensure that the report of the *qualified reserves evaluator or auditor* prepared for the purpose of item 2 of section 2.1 sets out the cause of the *reservation* and the effect, if known to the *qualified reserves evaluator or auditor*, on the *reserves data*.
- (2) A report containing a *reservation*, the cause of which can be removed by the *reporting issuer*, does not satisfy the requirements of item 2 of section 2.1.

**PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS**

**3.1 Interpretation** - A reference to a board of directors in this Part means, for a *reporting issuer* that does not have a board of directors, those individuals whose authority and duties in respect of that *reporting issuer* are similar to those of a board of directors.

**3.2 Reporting Issuer to Appoint Independent Qualified Reserves Evaluator or Auditor** - A *reporting issuer* shall appoint one or more *qualified reserves evaluators or auditors*, each of whom is *independent* of the *reporting issuer*, to report to the board of directors of the *reporting issuer* on its *reserves data*.

**3.3 Reporting Issuer to Make Information Available to Qualified Reserves Evaluator or Auditor** - A *reporting issuer* shall make available to the *qualified reserves evaluators or auditors* that it appoints under section 3.2 all information reasonably necessary to enable the *qualified reserves evaluators or auditors* to provide a report that will satisfy the applicable requirements of this Instrument.

**3.4 Certain Responsibilities of Board of Directors** - The board of directors of a *reporting issuer* shall

- (a) review, with reasonable frequency, the *reporting issuer's* procedures relating to the disclosure of information with respect to *oil and gas activities*, including its procedures for complying with the disclosure requirements and restrictions of this *Instrument*;
- (b) review each appointment under section 3.2 and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed *qualified reserves evaluator or auditor* and management of the *reporting issuer*;
- (c) review, with reasonable frequency, the *reporting issuer's* procedures for providing information to the *qualified reserves evaluators or auditors* who report on *reserves data* for the purposes of this *Instrument*;
- (d) before approving the filing of *reserves data* and the report of the *qualified reserves evaluators or auditors* thereon referred to in section 2.1, meet with management and each *qualified reserves evaluator or auditor* appointed under section 3.2, to
  - (i) determine whether any restrictions affect the ability of the *qualified reserves evaluator or auditor* to report on *reserves data* without *reservation*; and
  - (ii) review the *reserves data* and the report of the *qualified reserves evaluator or auditor* thereon; and
- (e) review and approve
  - (i) the content and filing, under section 2.1, of the statement referred to in item 1 of section 2.1;

- (ii) the filing, under section 2.1, of the report referred to in item 2 of section 2.1; and
- (iii) the content and filing, under section 2.1, of the report referred to in item 3 of section 2.1.

### 3.5 Reserves Committee

- (1) The board of directors of a *reporting issuer* may, subject to subsection (2), delegate the responsibilities set out in subsection 3.4(1) to a committee of the board of directors, provided that a majority of the members of the committee
  - (a) are individuals who are not and have not been, during the preceding 12 months:
    - (i) an officer or employee of the *reporting issuer* or of an affiliate of the *reporting issuer*,
    - (ii) a person who beneficially owns 10 percent or more of the outstanding voting securities of the *reporting issuer*, or
    - (iii) a relative of a person referred to in clause (a)(i) or (ii), residing in the same home as that person; and
  - (b) are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement.
- (2) Despite subsection (1), a board of directors of a *reporting issuer* shall not delegate its responsibility under paragraph 3.4(1)(e) to approve the content or the filing of information.
- (3) A board of directors that has delegated responsibility to a committee pursuant to subsection (1) shall solicit the recommendation of that committee as to whether to approve the content and filing of information for the purpose of paragraph 3.4(1)(e).

3.6 **British Columbia** - Section 3.4 and section 3.5 do not apply in British Columbia.

## PART 4 MEASUREMENT

4.1 **Accounting Methods** - A *reporting issuer* engaged in *oil and gas activities* that discloses financial statements prepared in accordance with *Canadian GAAP* shall use

- (a) the full cost method of accounting, applying *CICA Accounting Guideline 5*; or
- (b) the successful efforts method of accounting, applying *FAS 19*.

### 4.2 Requirements for Disclosed Reserves Data

- (1) A *reporting issuer* shall ensure that estimates of *reserves* or *future net revenue* contained in a document filed with the *securities regulatory authority* under this *Instrument* satisfy the following requirements:
  - (a) the estimates shall be
    - (i) prepared or audited by a *qualified reserves evaluator or auditor*,
    - (ii) prepared or *audited* in accordance with the *COGE Handbook*; and
    - (iii) estimated assuming that development of each *property* in respect of which the estimate is made will occur, without regard to the likely availability to the *reporting issuer* of funding required for that development;
  - (b) for the purpose of determining whether *reserves* should be attributed to a particular undrilled *property*, reasonably estimated future abandonment and reclamation costs related to the *property* shall be taken into account; and
  - (c) aggregate *future net revenue* shall be estimated deducting
    - (i) reasonably estimated future *well abandonment costs*; and

- (ii) *future income tax expenses* (unless otherwise specified in this *Instrument, Form 51-101F1* or *Form 51-101F2*).
- (2) The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements shall be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 2.

## PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

### 5.1 Application of Part 5 - This Part applies to disclosure made by or on behalf of a *reporting issuer*

- (a) to the public;
- (b) in any document filed with a *securities regulatory authority*; or
- (c) in other circumstances in which, at the time of making the disclosure, the *reporting issuer* knows, or ought reasonably to know, that the disclosure is or will become available to the public.

### 5.2 Consistency with Reserves Data and Other Information - If a *reporting issuer* makes disclosure of information of a type that is required to be included in a statement filed with a *securities regulatory authority* under item 1 of section 2.1, the information shall be

- (a) prepared in accordance with Part 4; and
- (b) consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 2.1, except to the extent that such statement has been supplemented or superseded by a report of a material change<sup>3</sup> filed by the *reporting issuer* with the *securities regulatory authority*.

### 5.3 Reserves and Resources Classification - Disclosure of *reserves* or *resources* shall be consistent with the *reserves* and *resources* terminology and categories set out in the *COGE Handbook*.

### 5.4 Oil and Gas Reserves and Sales - Disclosure of *reserves* or of sales of *oil*, *gas* or associated by-products shall be made only in respect of *marketable* quantities, reflecting prices for the product in the condition (upgraded or not upgraded, processed or unprocessed) in which it is to be, or was, sold.

### 5.5 Natural Gas By-Products - Disclosure concerning natural gas by-products (including *natural gas liquids* and sulphur) shall be made in respect only of volumes that have been or are to be recovered prior to the point at which *marketable gas* is measured.

### 5.6 Future Net Revenue Not Fair Value - Disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, shall include a statement to the effect that the estimated values disclosed do not represent fair market value.

### 5.7 Consent of Qualified Reserves Evaluator or Auditor

- (1) A *reporting issuer* shall not disclose a report referred to in item 2 of section 2.1 that has been delivered to the board of directors of the *reporting issuer* by a *qualified reserves evaluator or auditor* pursuant to an appointment under section 3.2, or disclose information derived from the report or the identity of the *qualified reserves evaluator or auditor*, without the written consent of that *qualified reserves evaluator or auditor*.
- (2) Subsection (1) does not apply to
  - (a) the filing of that report by a *reporting issuer* under section 2.1;
  - (b) the use of or reference to that report in another document filed by the *reporting issuer* under section 2.1; or
  - (c) the identification of the report or of the *qualified reserves evaluator or auditor* in a news release referred to in section 2.2.

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<sup>3</sup> "Material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

- 5.8 Disclosure of Less Than All Reserves** - If a *reporting issuer* that has more than one *property* makes written disclosure of any *reserves* attributable to a particular *property*
- (a) the disclosure shall include a cautionary statement to the effect that  
"The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation"; and
  - (b) the document containing the disclosure of any *reserves* attributable to one *property* shall also disclose total *reserves* of the same classification for all *properties* of the *reporting issuer* in the same country (or, if appropriate and not misleading, in the same *foreign geographic area*).
- 5.9 Disclosure Concerning Prospects** - If a *reporting issuer* discloses anticipated results from a *prospect*, the *reporting issuer* shall also disclose in writing, in the same document or in a *supporting filing*, in respect of the *prospect*
- (a) the location and basin name;
  - (b) the *reporting issuer's* gross and net interest in the *property*, expressed in units of area (acres or hectares);
  - (c) in the case of undeveloped *property* in which the *reporting issuer* holds a leasehold interest, the expiry date of that interest;
  - (d) the name, geologic age and lithology of the target zone;
  - (e) the distance to the nearest analogous commercial production;
  - (f) the *product types* reasonably expected;
  - (g) the range of pool or *field* sizes;
  - (h) the depth of the target zone;
  - (i) the estimated cost to drill and test a well to the target depth;
  - (j) reasonably expected drilling commencement and completion dates;
  - (k) the anticipated prices to be received for each *product type* reasonably expected;
  - (l) reasonably expected marketing and transportation arrangements;
  - (m) the identity and relevant experience of the operator;
  - (n) risks and the probability of success; and
  - (o) the applicable information specified in section 5.10.
- 5.10 Estimates of Fair Value of an Unproved Property, Prospect or Resource**
- (1) If a *reporting issuer* discloses in writing an estimate of the fair value of an *unproved property, prospect or resource*, or discloses expected results from a *prospect*, the disclosure shall include all positive and negative factors relevant to the estimate or expectation.
  - (2) If a *reporting issuer* discloses in writing an estimate of the fair value of an *unproved property, prospect or resource*
    - (a) in the case of an estimate of the fair value of an *unproved property*, except as provided in paragraph (b), the estimate shall be based on the first applicable item listed below, and that item shall be described as the basis of the estimate in the document containing the disclosure or in a *supporting filing*:

1. the acquisition cost to the *reporting issuer*, provided that there have been no material changes in the *unproved property*, the surrounding *properties*, or the general *oil* and *gas* economic climate since acquisition;
  2. recent sales by others of interests in the same *unproved property*;
  3. terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the *unproved property*;
  4. terms and conditions, expressed in monetary terms, of recent work commitments related to the *unproved property*;
  5. recent sales of similar *properties* in the same general area;
- (b) in the case of an estimate of fair value to which none of the items listed in paragraph (a) applies
- (i) the estimate shall be prepared or accepted by a professional valuator (who is not a "related party" of the *reporting issuer* within the meaning of the term as used in the *CICA Handbook*) applying valuation standards established by the professional body of which the valuator is a member and from which the valuator derives professional standing;
  - (ii) the estimate shall consist of at least three values that reflect a range of reasonable likelihoods (the low value being conservative, the middle value being the median and the high value being optimistic) reflecting courses of action expected to be followed by the *reporting issuer*;
  - (iii) the estimate, and the identities of the professional valuator and of the professional body referred to in subparagraph (i), shall be set out in the document containing the disclosure or in a *supporting filing*; and
  - (iv) the *reporting issuer* shall obtain from the professional valuator referred to in subparagraph (i)
    - (A) a report on the estimate that does not contain
      - (I) a disclaimer that materially detracts from the usefulness of the estimate; or
      - (II) a statement that the report may not be relied on; and
    - (B) the professional valuator's written consent to the disclosure of the report by the *reporting issuer* to the public.

**5.11 Net Asset Value and Net Asset Value per Share** - Written disclosure of net asset value or net asset value per share shall include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

**5.12 Reserve Replacement** - Written disclosure concerning *reserve* replacement shall include an explanation of the method of calculation applied.

**5.13 Netbacks** - Written disclosure of a netback

- (a) shall include separate netbacks for each *product type* by country (or, if appropriate and not misleading, by *foreign geographic area*);
- (b) shall reflect netbacks calculated by subtracting royalties and *operating costs* from revenues; and
- (c) shall state the method of calculation.

**5.14 BOEs and McfGEs** - If written disclosure includes information expressed in *BOEs*, *McfGEs* or other units of equivalency between *oil* and *gas*

- (a) the information shall be presented

- (i) in the case of *BOEs*, using *BOEs* derived by converting *gas* to *oil* in the ratio of six thousand cubic feet of *gas* to one barrel of *oil* (6 *Mcf*:1 *bbl*);
- (ii) in the case of *McfGEs*, using *McfGEs* derived by converting *oil* to *gas* in the ratio of one barrel of *oil* to six thousand cubic feet of *gas* (1 *bbl*:6 *Mcf*); and
- (iii) with the conversion ratio stated;
- (b) if the information is also presented using *BOEs* or *McfGEs* derived using a conversion ratio other than a ratio specified in paragraph (a), the disclosure shall state that other conversion ratio and explain why it has been chosen;
- (c) if the information is presented using a unit of equivalency other than *BOEs* or *McfGEs*, the disclosure shall identify the unit, state the conversion ratio used and explain why it has been chosen; and
- (d) the disclosure shall include a cautionary statement to the effect that:

"*BOEs* [or '*McfGEs*' or other applicable units of equivalency] may be misleading, particularly if used in isolation. A *BOE* conversion ratio of 6 *Mcf*: 1 *bbl* [or '*An McfGE* conversion ratio of 1 *bbl*: 6 *Mcf*'] is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead".

**5.15 Finding and Development Costs** - If written disclosure is made of finding and development costs

- (a) those costs shall be calculated using the following two methods, in each case after eliminating the effects of acquisitions and dispositions:

Method 1: 
$$\frac{a+b+c}{x}$$

Method 2: 
$$\frac{a+b+d}{y}$$

- where
- a = *exploration costs* incurred in the most recent financial year
  - b = *development costs* incurred in the most recent financial year
  - c = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves*
  - d = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves* and *probable reserves*
  - x = additions to *proved reserves* during the most recent financial year, expressed in *BOEs* or other unit of equivalency
  - y = additions to *proved reserves* and *probable reserves* during the most recent financial year, expressed in *BOEs* or other unit of equivalency

- (b) the disclosure shall include
  - (i) the results of both methods of calculation under paragraph (a) and a description of those methods;
  - (ii) if the disclosure also includes a result derived using any other method of calculation, a description of that method and the reason for its use;
  - (iii) for each result, comparative information for the most recent financial year, the second most recent financial year and the averages for the three most recent financial years;
  - (iv) a cautionary statement to the effect that:

"The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year"; and

- (v) the cautionary statement required under paragraph 5.14(d).

## PART 6 MATERIAL CHANGE DISCLOSURE

### 6.1 Material Change<sup>4</sup> from Information Filed under Part 2

- (1) This Part applies in respect of a material change that, had it occurred on or before the *effective date* of information included in the statement most recently filed by a *reporting issuer* under item 1 of section 2.1, would have resulted in a significant change in the information contained in the statement.
- (2) In addition to any other requirement of *securities legislation* governing disclosure of a material change, disclosure of a material change referred to in subsection (1) shall
  - (a) identify the statement filed under Part 2 that contains the original information referred to in subsection (1); and
  - (b) discuss the *reporting issuer's* reasonable expectation of how the material change, had it occurred on or before the *effective date* referred to in subsection (1), would have affected the *reserves data* or other information contained in the document identified under paragraph (a).

## PART 7 OTHER INFORMATION

- 7.1 **Information to be Furnished on Request** - A *reporting issuer* shall, on the request of the *regulator*, deliver additional information with respect to the content of a document filed under this *Instrument*.

## PART 8 EXEMPTIONS

### 8.1 Authority to Grant Exemption

- (1) The *regulator* or the *securities regulatory authority* may grant an exemption from this *Instrument*, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario only the *regulator* may grant an exemption.

## PART 9 INSTRUMENT IN FORCE

- 9.1 **Coming Into Force** - This *Instrument* comes into force on September 30, 2003.

- 9.2 **Transition** - Despite section 9.1, this *Instrument* does not apply to a *reporting issuer* until the earlier of:

- (a) the date by which the *reporting issuer* is required under *securities legislation* to file audited annual financial statements for its financial year that includes or ends on December 31, 2003; and
- (b) the first date on which the *reporting issuer* files with the *securities regulatory authority* the statement referred to in item 1 of section 2.1.

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<sup>4</sup> In this Part, "material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

**FORM 51-101F1  
STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION**

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FORM 51-101F1  
STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION

This is the form referred to in item 1 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

**GENERAL INSTRUCTIONS**

- (1) Terms for which a meaning is given in **NI 51-101** have the same meaning in this **Form 51-101F1**<sup>1</sup>.
- (2) Unless otherwise specified in this **Form 51-101F1**, information under item 1 of section 2.1 of **NI 51-101** shall be provided as at the last day of the **reporting issuer's** most recent financial year or for its financial year then ended.
- (3) It is not necessary to include the headings or numbering, or to follow the ordering of Items, in this **Form 51-101F1**. Information may be provided in tables.
- (4) To the extent that any Item or any component of an Item specified in this **Form 51-101F1** does not apply to a **reporting issuer** and its activities and operations, or is not **material**, no reference need be made to that Item or component. It is not necessary to state that such an Item or component is "not applicable" or "not material". Materiality is discussed in **NI 51-101** and Companion Policy 51-101CP.
- (5) This **Form 51-101F1** sets out minimum requirements. A **reporting issuer** may provide additional information not required in this **Form 51-101F1** provided that it is not misleading and not inconsistent with the requirements of **NI 51-101**, and provided that material information required to be disclosed is not omitted.
- (6) A **reporting issuer** may satisfy the requirement of this **Form 51-101F1** for disclosure of information "by country" by instead providing information by **foreign geographic area** in respect of countries outside North America as may be appropriate for meaningful disclosure in the circumstances.

**PART 1 DATE OF STATEMENT****Item 1.1 Relevant Dates**

1. Date the statement.
2. Disclose the *effective date* of the information being provided.
3. Disclose the *preparation date* of the information being provided.

**INSTRUCTIONS**

- (1) For the purpose of Part 2 of **NI 51-101**, and consistent with the definition of **reserves data** and General Instruction 2 of this **Form 51-101F1**, the **effective date** to be disclosed under section 2 of Item 1.1 is the last day of the **reporting issuer's** most recent financial year. 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").
- (2) The same **effective date** applies to **reserves** of each category reported and to related **future net revenue**. References to a change in an item of information, such as changes in **production** or a change in **reserves**, mean changes in respect of that item during the year ended on the **effective date**.
- (3) The **preparation date**, in respect of written disclosure, means the most recent date to which information relating to the period ending on the **effective date** was considered in the preparation of the disclosure. The **preparation date** is a date subsequent to the **effective date** because it takes time after the end of the financial year to assemble the information for that completed year that is needed to prepare the required disclosure as at the end of the financial year.

<sup>1</sup> For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this **Form 51-101F1** or in **NI 51-101**, **Form 51-101F2**, **Form 51-101F3** or the Companion Policy.

- (4) Because of the interrelationship between certain of the **reporting issuer's reserves data** and other information referred to in this **Form 51-101F1** and certain of the information included in its financial statements, the **reporting issuer** should ensure that its financial auditor and its **qualified reserves evaluators or auditors** are kept apprised of relevant events and transactions, and should facilitate communication between them.
- (5) If the **reporting issuer** provides information as at a date more recent than the **effective date**, in addition to the information required as at the **effective date**, also disclose the date as at which that additional information is provided. The provision of such additional information does not relieve the **reporting issuer** of the obligation to provide information as at the **effective date**.

## PART 2 DISCLOSURE OF RESERVES DATA

### Item 2.1 Reserves Data (Constant Prices and Costs)

1. Breakdown of Proved Reserves (Constant Case) – Disclose, by country and in the aggregate, reserves, gross and net, estimated using *constant prices and costs*, for each *product type*, in the following categories:
  - (a) *proved developed producing reserves*;
  - (b) *proved developed non-producing reserves*;
  - (c) *proved undeveloped reserves*; and
  - (d) *proved reserves (in total)*.
2. Net Present Value of Future Net Revenue (Constant Case) – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the reserves categories referred to in section 1 of this Item, estimated using *constant prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and using a discount rate of 10 percent.
3. Additional Information Concerning Future Net Revenue (Constant Case)
  - (a) This section 3 applies to *future net revenue* attributable to *proved reserves (in total)* estimated using *constant prices and costs*.
  - (b) Disclose, by country and in the aggregate, the following elements of *future net revenue* estimated using *constant prices and costs* and calculated without discount:
    - (i) *revenue*;
    - (ii) *royalties*;
    - (iii) *operating costs*;
    - (iv) *development costs*;
    - (v) *abandonment and reclamation costs*;
    - (vi) *future net revenue* before deducting *future income tax expenses*;
    - (vii) *future income tax expenses*; and
    - (viii) *future net revenue* after deducting *future income tax expenses*.
  - (c) Disclose, by *production group*, the net present value of *future net revenue* (before deducting *future income tax expenses*) estimated using *constant prices and costs* and calculated using a discount rate of 10 percent.

### Item 2.2 Reserves Data (Forecast Prices and Costs)

1. Breakdown of Reserves (Forecast Case) – Disclose, by country and in the aggregate, reserves, gross and net, estimated using *forecast prices and costs*, for each *product type*, in the following categories:

- (a) *proved developed producing reserves*;
  - (b) *proved developed non-producing reserves*;
  - (c) *proved undeveloped reserves*;
  - (d) *proved reserves (in total)*;
  - (e) *probable reserves (in total)*;
  - (f) *proved plus probable reserves (in total)*; and
  - (g) if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:
    - (i) *possible reserves (in total)*; and
    - (ii) *proved plus probable plus possible reserves (in total)*.
2. **Net Present Value of Future Net Revenue (Forecast Case)** – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the *reserves* categories referred to in section 1 of this Item, estimated using *forecast prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and using discount rates of 5 percent, 10 percent, 15 percent and 20 percent.
3. **Additional Information Concerning Future Net Revenue (Forecast Case)**
- (a) This section 3 applies to *future net revenue* attributable to each of the following *reserves* categories estimated using *forecast prices and costs*:
    - (i) *proved reserves (in total)*;
    - (ii) *proved plus probable reserves (in total)*; and
    - (iii) if paragraph 1(g) of this Item applies, *proved plus probable plus possible reserves (in total)*.
  - (b) Disclose, by country and in the aggregate, the following elements of *future net revenue* estimated using *forecast prices and costs* and calculated without discount:
    - (i) revenue;
    - (ii) royalties;
    - (iii) *operating costs*;
    - (iv) *development costs*;
    - (v) abandonment and reclamation costs;
    - (vi) *future net revenue* before deducting *future income tax expenses*;
    - (vii) *future income tax expenses*; and
    - (viii) *future net revenue* after deducting *future income tax expenses*.
  - (c) Disclose, by *production group*, the net present value of *future net revenue* (before deducting *future income tax expenses*) estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent.

### **Item 2.3 Reserves Disclosure Varies with Accounting**

In determining *reserves* to be disclosed:

- (a) **Consolidated Financial Disclosure** – if the *reporting issuer* files consolidated financial statements:

- (i) include 100 percent of *reserves* attributable to the parent company and 100 percent of the *reserves* attributable to its consolidated subsidiaries (whether or not wholly-owned); and
  - (ii) if a significant portion of *reserves* referred to in clause (i) is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of such *reserves* attributable to the minority interest;
- (b) Proportionate Consolidation – if the *reporting issuer* files financial statements in which investments are proportionately consolidated, the *reporting issuer's* disclosed *reserves* must include the *reporting issuer's* proportionate share of investees' *oil* and *gas reserves*; and
- (c) Equity Accounting – if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *oil* and *gas reserves* in disclosed *reserves* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *oil* and *gas reserves* separately.

#### Item 2.4 Future Net Revenue Disclosure Varies with Accounting

1. Consolidated Financial Disclosure – If the *reporting issuer* files consolidated financial statements, and if a significant portion of the *reporting issuer's* economic interest in *future net revenue* is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the minority interest.
2. Equity Accounting – If the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *future net revenue* in disclosed *future net revenue* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *future net revenue* separately, by country and in the aggregate.

#### INSTRUCTIONS

- (1) Do not include, in **reserves, oil or gas** that is subject to purchase under a long-term supply, purchase or similar agreement. However, if the **reporting issuer** is a party to such an agreement with a government or governmental authority, and participates in the operation of the **properties** in which the **oil or gas** is situated or otherwise serves as "producer" of the **reserves** (in contrast to being an independent purchaser, broker, dealer or importer), disclose separately the **reporting issuer's** interest in the **reserves** that are subject to such agreements at the **effective date** and the **net quantity of oil or gas** received by the **reporting issuer** under the agreement during the year ended on the **effective date**.
- (2) **Future net revenue** includes the portion attributable to the **reporting issuer's** interest under an agreement referred to in Instruction (1).
- (3) In the disclosure of "abandonment and reclamation costs" referred to in clause 3(b)(v) of Item 2.1 and in clause 3(b)(v) of Item 2.2 include, at minimum, **well abandonment costs**. The response to Item 6.4 will disclose total abandonment and reclamation costs and (in response to paragraph (d) of Item 6.4) the portion of total abandonment and reclamation costs, if any, not disclosed under clause 3(b)(v) of Item 2.1 and clause 3(b)(v) of Item 2.2.

#### PART 3 PRICING ASSUMPTIONS

##### Item 3.1 Constant Prices Used in Estimates

For each *product type*, disclose the benchmark reference prices for the countries or regions in which the *reporting issuer* operates, as at the last day of the *reporting issuer's* most recent financial year, reflected in the *reserves data* disclosed in response to Item 2.1.

##### Item 3.2 Forecast Prices Used in Estimates

1. For each *product type*, disclose:
  - (a) the pricing assumptions used in estimating *reserves data* disclosed in response to Item 2.2:
    - (i) for each of at least the following five financial years; and
    - (ii) generally, for subsequent periods; and

- (b) the *reporting issuer's* weighted average historical prices for the most recent financial year.
- 1. The disclosure in response to section 1 shall include the benchmark reference pricing schedules for the countries or regions in which the *reporting issuer* operates, and inflation and other forecast factors used.
- 2. If the pricing assumptions specified in response to section 1 were provided by a *qualified reserves evaluator or auditor* who is *independent* of the *reporting issuer*, disclose that fact and identify the *qualified reserves evaluator or auditor*.

**INSTRUCTIONS**

- (1) *Benchmark reference prices may be obtained from sources such as public product trading exchanges or prices posted by purchasers.*
- (2) *The defined terms "constant prices and costs" and "forecast prices and costs" include any 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. In effect, such contractually committed prices override benchmark reference prices for the purpose of estimating reserves data. To ensure that disclosure under this Part is not misleading, the disclosure should reflect such contractually committed prices.*
- (3) *Under subsection 5.7(1) of NI 51-101, the reporting issuer must obtain the written consent of the qualified reserves evaluator or auditor to disclose his or her identity in response to section 3 of this Item.*

**PART 4 RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE**

**Item 4.1 Reserves Reconciliation**

- 1. Provide the information specified in section 2 of this Item in respect of the following *reserves* categories:
  - (a) *net proved reserves* (in total);
  - (b) *net probable reserves* (in total); and
  - (c) *net proved plus probable reserves* (in total).
- 3. Disclose changes between the *reserves* estimates made as at the *effective date* and the corresponding estimates ("prior-year estimates") made as at the last day of the preceding financial year of the *reporting issuer*.
  - (a) by country;
  - (b) for each of the following:
    - (i) light and medium *crude oil* (combined);
    - (ii) *heavy oil*;
    - (iii) *associated gas* and *non-associated gas* (combined); and
    - (iv) *synthetic oil* and other products from non-conventional *oil and gas activities*;
  - (c) separately identifying and explaining:
    - (i) extensions;
    - (ii) improved recovery;
    - (iii) technical revisions;
    - (iv) discoveries;
    - (v) acquisitions;
    - (vi) dispositions;

(vii) economic factors; and

(viii) *production*.

#### INSTRUCTIONS

- (1) *The reconciliation required under this Item 4.1 may be provided in respect of reserves estimated using either constant prices and costs or forecast prices and costs, with the price and cost case indicated in the disclosure.*
- (2) *For the purpose of this Item 4.1, it is sufficient to provide the information in respect of the products specified in paragraph 2(b), excluding solution gas, natural gas liquids and other associated by-products.*
- (3) *The COGE Handbook provides guidance on the preparation of the reconciliation required under this Item 4.1.*

#### Item 4.2 Future Net Revenue Reconciliation

1. Provide the information specified in section 2 of this Item in respect of estimates of *future net revenue* (estimated using *constant prices and costs* and calculated using a discount rate of 10 percent) attributable to *net proved reserves* (in total).
2. Disclose changes between the *future net revenue* estimates referred to in section 1 made as at the *effective date* and the corresponding estimates ("prior-year estimates") made as at the last day of the preceding financial year of the *reporting issuer*.
  - (a) by country;
  - (b) separately identifying and explaining:
    - (i) sales and transfers of *oil, gas* or other *product types* produced during the period net of *production costs* and royalties;
    - (ii) net change in sales and transfer prices and in *production costs* and royalties related to *future production*;
    - (iii) changes in previously estimated *development costs* incurred during the period;
    - (iv) changes in estimated future *development costs*;
    - (v) net change resulting from extensions and improved recovery;
    - (vi) net change resulting from discoveries;
    - (vii) changes resulting from acquisitions of *reserves*;
    - (viii) changes resulting from dispositions of *reserves*;
    - (ix) net change resulting from revisions in quantity estimates;
    - (x) accretion of discount (10 percent of discounted *future net revenue* at the beginning of the financial year);
    - (xi) net change in income taxes; and
    - (xii) any other significant factors.

#### INSTRUCTIONS

- (1) *For the purpose of this Part 4, compute the effects of changes in prices and costs before the effects of changes in volumes, so that, in respect of constant prices and costs, volumes are reflected at prices as at the effective date.*

- (2) *Except in respect of clause 2(b)(xi) of Item 4.2, the information to be provided under this Part is pre-tax information.*
- (3) *For the purpose of clause 2(b)(xi) of Item 4.2, a "net change in income taxes" includes both income taxes incurred during the period and changes in estimated **future income tax expenses**.*

## **PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA**

### **Item 5.1 Undeveloped Reserves**

1. For *proved undeveloped reserves*:
  - (a) disclose for each *product type* the volumes of *proved undeveloped reserves* that were first attributed in each of the most recent five financial years and, in the aggregate, before that time; or
  - (b) discuss generally the basis on which the *reporting issuer* attributes *proved undeveloped reserves*, its plans (including timing) for developing the *proved undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *proved undeveloped reserves* during the following two years.
2. For *probable undeveloped reserves*:
  - (a) disclose for each *product type* the volumes of *probable undeveloped reserves* that were first attributed in each of the most recent five financial years and, in the aggregate, before that time; or
  - (b) discuss generally the basis on which the *reporting issuer* attributes *probable undeveloped reserves*, its plans (including timing) for developing the *probable undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *probable undeveloped reserves* during the following two years.

### **Item 5.2 Significant Factors or Uncertainties**

1. Identify and discuss important economic factors or significant uncertainties that affect particular components of the *reserves data*.
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*.

#### **INSTRUCTION**

*Examples of information that could warrant disclosure under this Item 5.2 include unusually high expected **development costs** or **operating costs**, the need to build a major pipeline or other major facility before **production of reserves** can begin, or contractual obligations to **produce** and sell a significant portion of **production** at prices substantially below those which could be realized but for those contractual obligations.*

### **Item 5.3 Future Development Costs**

1.
  - (a) Provide the information specified in paragraph 1(b) in respect of *development costs* deducted in the estimation of *future net revenue* attributable to each of the following *reserves* categories:
    - (i) *proved reserves* (in total) estimated using *constant prices and costs*;
    - (ii) *proved reserves* (in total) estimated using *forecast prices and costs*; and
    - (iii) *proved plus probable reserves* (in total) estimated using *forecast prices and costs*.
  - (b) Disclose, by country, the amount of *development costs* estimated:
    - (i) in total, calculated using no discount and using a discount rate of 10 percent; and
    - (ii) by year for each of the first five years estimated.
2. Discuss the *reporting issuer's* expectations as to:

- (a) the sources (including internally-generated cash flow, debt or equity financing, farm-outs or similar arrangements) and costs of funding for estimated future *development costs*; and
  - (b) the effect of those costs of funding on disclosed *reserves* or *future net revenue*.
3. If the *reporting issuer* expects that the costs of funding referred to in section 2, could make development of a *property* uneconomic for that *reporting issuer*, disclose that expectation and its plans for the *property*.

## **PART 6 OTHER OIL AND GAS INFORMATION**

### **Item 6.1 Oil and Gas Properties and Wells**

1. Identify and describe generally the *reporting issuer's* important *properties*, plants, facilities and installations:
  - (a) identifying their location (province, territory or state if in Canada or the United States, and country otherwise);
  - (b) indicating whether they are located onshore or offshore;
  - (c) in respect of *properties* to which *reserves* have been attributed and which are capable of *producing* but which are not *producing*, disclosing how long they have been in that condition and discussing the general proximity of pipelines or other means of transportation; and
  - (d) describing any statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership.
2. State, separately for *oil* wells and *gas* wells, the number of the *reporting issuer's* producing wells and non-producing wells, expressed in terms of both *gross* wells and *net* wells, by location (province, territory or state if in Canada or the United States, and country otherwise).

### **Item 6.2 Properties With No Attributed Reserves**

1. For *unproved properties* disclose:
  - (a) the *gross* area (acres or hectares) in which the *reporting issuer* has an interest;
  - (b) the interest of the *reporting issuer* therein expressed in terms of net area (acres or hectares);
  - (c) the location, by country; and
  - (d) the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.
2. Disclose, by country, the *net* area (acres or hectares) of *unproved property* for which the *reporting issuer* expects its rights to explore, develop and exploit to expire within one year.

### **Item 6.3 Forward Contracts**

1. If the *reporting issuer* is bound by an agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for *oil* or *gas*, describe generally the agreement, discussing dates or time periods and summaries or ranges of volumes and contracted or reasonably estimated values.
2. Section 1 does not apply to agreements disclosed by the *reporting issuer*
  - (a) as financial instruments, in accordance with Section 3860 of the *CICA Handbook*; or
  - (b) as contractual obligations or commitments, in accordance with Section 3280 of the *CICA Handbook*.
3. If the *reporting issuer's* transportation obligations or commitments for future physical deliveries of *oil* or *gas* exceed the *reporting issuer's* expected related future *production* from its *proved reserves*, estimated using *forecast prices and costs* and disclosed under Part 2, discuss such excess, giving information about the amount of the excess, dates or time periods, volumes and reasonably estimated value.



#### Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

In respect of abandonment and reclamation costs for surface *leases*, wells, facilities and pipelines, disclose:

- (a) how the *reporting issuer* estimates such costs;
- (b) the number of *net* wells for which the *reporting issuer* expects to incur such costs;
- (c) the total amount of such costs, net of estimated salvage value, expected to be incurred, calculated without discount and using a discount rate of 10 percent;
- (d) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that was not deducted as abandonment and reclamation costs in estimating the *future net revenue* disclosed under Part 2; and
- (e) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that the *reporting issuer* expects to pay in the next three financial years, in total.

#### INSTRUCTION

*Item 6.4 supplements the information disclosed in response to clause 3(b)(v) of Item 2.1 and clause 3(b)(v) of Item 2.2. The response to paragraph (d) of Item 6.4 should enable a reader of this statement and of the reporting issuer's financial statements for the financial year ending on the effective date to understand both the reporting issuer's estimated total abandonment and reclamation costs, and what portions of that total are, and are not, reflected in the disclosed reserves data.*

#### Item 6.5 Tax Horizon

If the *reporting issuer* is not required to pay income taxes for its most recently completed financial year, discuss its estimate of when income taxes may become payable.

#### Item 6.6 Costs Incurred

1. Disclose each of the following, by country, for the most recent financial year (irrespective of whether such costs were capitalized or charged to expense when incurred):
  - (a) *property acquisition costs*, separately for *proved properties* and *unproved properties*;
  - (b) *exploration costs*; and
  - (c) *development costs*.
2. For the purpose of this Item 6.6, if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, disclose by country the *reporting issuer's* share of investees' (i) *property acquisition costs*, (ii) *exploration costs* and (iii) *development costs* incurred in the most recent financial year.

#### Item 6.7 Exploration and Development Activities

1. Disclose, by country and separately for *exploratory wells* and *development wells*:
  - (a) the number of *gross wells* and *net wells* completed in the *reporting issuer's* most recent financial year; and
  - (b) for each category of wells for which information is disclosed under paragraph (a), the number completed as *oil wells*, *gas wells* and *service wells* and the number that were dry holes.
2. Describe generally the *reporting issuer's* most important current and likely exploration and development activities, by country.

#### Item 6.8 Production Estimates

1. Disclose, by country, for each *product type*, the volume of *production* estimated for the first year reflected in the estimates of *future net revenue* disclosed under Items 2.1 and 2.2.

2. If one *field* accounts for 20 percent or more of the estimated *production* disclosed under section 1, identify that *field* and disclose the volume of *production* estimated for the *field* for that year.

**Item 6.9 Production History**

1. To the extent not previously disclosed in financial statements filed by the *reporting issuer*, disclose, for each quarter of its most recent financial year, by country for each *product type*:
  - (a) the *reporting issuer's* share of average daily *production* volume, before deduction of royalties; and
  - (b) as an average per unit of volume (for example,  $\$/bbl$  or  $\$/Mcf$ ):
    - (i) the prices received;
    - (ii) royalties paid;
    - (iii) *production costs*; and
    - (iv) the resulting netback.
2. For each important *field*, and in total, disclose the *reporting issuer's production* volumes for the most recent financial year, for each *product type*.

**INSTRUCTION**

In providing information for each **product type** for the purpose of Item 6.9, it is not necessary to allocate among multiple **product types** attributable to a single well, **reservoir** or other **reserves** entity. It is sufficient to provide the information in respect of the principal **product type** attributable to the well, **reservoir** or other **reserves** entity.

**FORM 51-101F2  
REPORT ON RESERVES DATA  
BY  
INDEPENDENT QUALIFIED RESERVES  
EVALUATOR OR AUDITOR**

This is the form referred to in item 2 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.<sup>1</sup>
2. The report on *reserves data* referred to in item 2 of section 2.1 of *NI 51-101*, to be executed by one or more *qualified reserves evaluators or auditors independent of the reporting issuer*, shall in all material respects be as follows:

**Report on Reserves Data**

To the board of directors of [name of reporting issuer] (the "Company"):

1. We have [audited] [evaluated] [and reviewed] the Company's reserves data as at [last day of the reporting issuer's most recently completed financial year]. The reserves data consist of the following:
  - (a)
    - (i) proved and proved plus probable oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using forecast prices and costs; and
    - (ii) the related estimated future net revenue; and
  - (b)
    - (i) proved oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using constant prices and costs; and
    - (ii) the related estimated future net revenue.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our [audit] [evaluation] [and review].

We carried out our [audit] [evaluation] [and review] in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
3. Those standards require that we plan and perform an [audit] [evaluation] [and review] to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An [audit] [evaluation] [and review] also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company [audited] [evaluated] [and reviewed] by us for the year ended xxx xx, 20xx, and identifies the respective portions thereof that we have [audited] [evaluated] [and reviewed] and reported on to the Company's [management/board of directors]:

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<sup>1</sup> For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F3* or the Companion Policy.

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of [Audit/ Evaluation/ Review] Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Evaluator A	xxx xx, 20xx	xxxx	\$xxx	\$xxx	\$xxx	\$xxx
Evaluator B	xxx xx, 20xx	xxxx	xxx	xxx	xxx	xxx
Totals			\$xxx	\$xxx	\$xxx	\$xxx <sup>2</sup>

5. In our opinion, the reserves data respectively [audited] [evaluated] by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Evaluator A, City, Province or State / Country, Execution Date

\_\_\_\_\_ [signed]

Evaluator B, City, Province or State / Country, Execution Date

\_\_\_\_\_ [signed]

<sup>2</sup> This amount should be the amount disclosed by the reporting issuer in its statement of reserves data filed under item 1 of section 2.1 of NI 51-101, as its future net revenue (before deducting future income tax expenses) attributable to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent (required by section 2 of Item 2.2 of Form 51-101F1).

**FORM 51-101F3  
REPORT OF  
MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE**

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities ("NI 51-101")*. This form does not apply in British Columbia.

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.<sup>1</sup>
2. The report referred to in item 3 of section 2.1 of *NI 51-101* shall in all material respects be as follows:

**Report of Management and Directors  
on Reserves Data and Other Information**

Management of [name of reporting issuer] (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved and proved plus probable oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using forecast prices and costs; and
- (ii) the related estimated future net revenue; and
- (b) (i) proved oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using constant prices and costs; and
- (ii) the related estimated future net revenue.

[An] independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [has / have] [audited] [evaluated] [and reviewed] the Company's reserves data. The report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [is presented below / will be filed with securities regulatory authorities concurrently with this report].

The [Reserves Committee of the] board of directors of the Company has

- (a) reviewed the Company's procedures for providing information to the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]];
- (b) met with the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to determine whether any restrictions affected the ability of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to report without reservation [and, because of the proposal to change the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]], to inquire whether there had been disputes between the previous independent [qualified reserves evaluator[s] or qualified reserves auditor[s] and management]; and
- (c) reviewed the reserves data with management and the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]].

The [Reserves Committee of the] board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [, on the recommendation of the Reserves Committee,] approved

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (b) the filing of the report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] on the reserves data; and
- (c) the content and filing of this report.

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<sup>1</sup> For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or the Companion Policy.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

\_\_\_\_\_  
[signature, name and title of chief executive officer]

\_\_\_\_\_  
[signature, name and title of a senior officer other than the chief executive officer]

\_\_\_\_\_  
[signature, name of a director]

\_\_\_\_\_  
[signature, name of a director]

[Date]

**COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE  
FOR OIL AND GAS ACTIVITIES**

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**COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE  
FOR OIL AND GAS ACTIVITIES**

This Companion Policy sets out the views of the Canadian Securities Administrators (the "CSA") as to the interpretation and application of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and related forms, and how the *securities regulatory authorities* or *regulators* may exercise their discretion in respect of certain applications for exemption from provisions of NI 51-101<sup>1</sup>.

**PART 1 APPLICATION AND TERMINOLOGY**

**1.1 Supplements Other Requirements** - NI 51-101 supplements other continuous disclosure requirements of *securities legislation* that apply to *reporting issuers* in all business sectors.

**1.2 Materiality Standard** - Section 1.4 of NI 51-101 states that NI 51-101 applies only in respect of information that is *material*.

NI 51-101 does not require any disclosure or filing of information that is not *material*. If information is not required to be disclosed because it is not *material*, it is unnecessary to disclose that fact.

*Materiality* for the purposes of NI 51-101 is a matter of judgement to be made in light of the circumstances, taking into account both qualitative and quantitative factors, assessed in respect of the *reporting issuer* as a whole.

The reference in subsection 1.4(2) of NI 51-101 to a "reasonable investor" denotes an objective test: would a notional investor, broadly representative of investors generally and guided by reason, be likely to be influenced, in making an investment decision to buy, sell or hold a security of a *reporting issuer*, by an item of information or an aggregate of items of information? If so, then that item of information, or aggregate of items, is "*material*" in respect of that *reporting issuer*.

This concept of *materiality* is consistent with the concept of *materiality* applied in connection with financial reporting pursuant to the *CICA Handbook*.

**1.3 When Does NI 51-101 First Apply to a Reporting Issuer?** - Part 9 of NI 51-101 specifies both the date on which NI 51-101 comes into force (section 9.1) and the timing of its first application to a *reporting issuer* (section 9.2). The two dates differ.

NI 51-101 comes into force on September 30, 2003. That does not, however, itself trigger any immediate filing or other requirements for *reporting issuers*.

Section 9.2 of NI 51-101 in effect establishes a transition period after NI 51-101 comes into force, during which *reporting issuers* are expected to prepare for compliance with NI 51-101. The date on which they first become subject to the requirements of NI 51-101 will vary depending on their financial year-ends and, in some cases, on whether or not they choose to enter the NI 51-101 disclosure system earlier than required. *Reporting issuers* may voluntarily comply with NI 51-101 before they are required to do so.

The first mandatory annual filings under Part 2 of NI 51-101 will be due at the same time as a *reporting issuer* is required to file its audited annual financial statements for its financial year that includes, or ends on, December 31, 2003. Those first annual *oil* and *gas* filings will include *reserves data* and other information that must be prepared as at the last day of that financial year and for that financial year. Some of this information will date back to the beginning of that financial year.

Because prospectus disclosure requirements include information relating to *oil and gas activities*, and because a prospectus filed between 90 and 140 days after the end of a *reporting issuer's* financial year can trigger an accelerated filing of annual financial statements before the usual deadline, the filing of a prospectus during that interval in 2004 could also accelerate the *reporting issuer's* first filing obligations under NI 51-101.

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<sup>1</sup> For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in NI 51-101, Form 51-101F1, Form 51-101F2 or Form 51-101F3, or in this Companion Policy (other than terms italicized in titles of documents, or in the texts of reports set out in Part 8, that are printed entirely in italics).

The other provisions of *NI 51-101*, including requirements relating to public disclosure generally and to material change<sup>2</sup> disclosure in particular, will apply to a *reporting issuer* only after it has filed its first annual *oil* and *gas* disclosure under Part 2, or the deadline for that filing, whichever is earlier.

A *reporting issuer* may voluntarily make its first annual filing under Part 2 of *NI 51-101* earlier than the deadlines noted below, and may do so in respect of a financial year earlier than noted below. The other provisions of *NI 51-101* would begin to apply to the *reporting issuer* at the time of that voluntary early filing.

The following examples, summarized in the table below, illustrate the effect of Part 9 (assuming a 140-day annual financial statement filing deadline, and no earlier voluntary or prospectus-triggered transition to *NI 51-101*):

- A *reporting issuer* with a financial year that coincides with the calendar year, and with an annual financial statement filing period of 140 days after year-end, will be required to make its first annual *oil* and *gas* disclosure filing under Part 2 in the first 140 days of 2004, by May 19, 2004. The *reserves data* and other information included in that filing must be prepared as at December 31, 2003 and for the year ended on that date.

The other provisions of *NI 51-101* will begin to apply to the *reporting issuer* as soon as it makes its first filing under Part 2, or on May 19, 2004, whichever occurs first.

- A *reporting issuer* with a financial year that ends on June 30 will be required to make its first annual *oil* and *gas* disclosure filing under Part 2 within 140 days after June 30, 2004, by November 17, 2004. The *reserves data* and other information included in that filing must be prepared as at June 30, 2004 and for the financial year ended on that date.

The other provisions of *NI 51-101* will begin to apply to the *reporting issuer* as soon as it makes its first filing under Part 2, or on November 17, 2004, whichever occurs first.

<b><u>Financial Year-End</u></b>	<b><u>First Annual Filing Deadline</u></b>
December 31	May 19, 2004 (data for the year ended <u>December 31, 2003</u> )
June 30	November 17, 2004 (data for the year ended <u>June 30, 2004</u> )

- \* Note that any change from the 140-day annual financial statement filing deadline would also change the filing deadline under Part 2 of *NI 51-101*.

Because the first annual filing must include certain information from the beginning of the financial year for which disclosure is required, as well as certain information for prior periods, *reporting issuers* should familiarize themselves with *NI 51-101* and begin gathering information well before *NI 51-101* applies to them.

#### 1.4 **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 Glossary in Appendix 1 to this Companion Policy set out definitions and interpretations, many of which are derived from the *COGE Handbook*. *Reserves* definitions and categories developed by the Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum (CIM), are incorporated in the *COGE Handbook* and set out, in part, in Part 2 of Appendix 1 to this Companion Policy.

Subparagraph 4.2(1)(a)(ii) of *NI 51-101* requires that all filed estimates of *reserves* or *future net revenue* have been prepared or *audited* in accordance with the *COGE Handbook*. Under sections 5.2 and 5.3 of *NI 51-101*, all types of public *oil* and *gas* disclosure, including disclosure of reserves and resources must be consistent with the *COGE Handbook*.

<sup>2</sup> "Material change" has the meaning ascribed to the term under *securities legislation* in the *jurisdiction*.

## 1.5 **Qualified Reserves Evaluator or Auditor**

The definitions of *qualified reserves evaluator* and *qualified reserves auditor* are set out in subsections 1.1(y) and 1.1(x) of *NI 51-101*, respectively, and again in the Glossary in Appendix 1 to this Companion Policy.

The defined terms "*qualified reserves evaluator*" and "*qualified reserves auditor*" have a number of elements. A *qualified reserves evaluator* or *qualified reserves auditor* must

- possess professional qualifications and experience appropriate for the tasks contemplated in the *Instrument*, and
- be a member in good standing of a *professional organization*.

*Reporting issuers* should satisfy themselves that any person they appoint to perform the tasks of a *qualified reserves evaluator* or *auditor* for the purpose of the *Instrument* satisfies each of the elements of the appropriate definition.

### (a) **Relevant Professional Qualifications and Experience**

In addition to having the relevant professional qualifications, a *qualified reserves evaluator* or *auditor* must also have sufficient practical experience relevant to the *reserves data* to be reported on. In assessing the adequacy of practical experience, reference should be made to section 3 of the *COGE Handbook* - "Qualifications of Evaluators and Auditors, Enforcement and Discipline".

### (b) **Professional Organization**

For the purposes of the *Instrument*, a *qualified reserves evaluator* or *auditor* must also be a member in good standing with a self-regulatory *professional organization* of engineers, geologists, geoscientists or other professionals.

The definition of "*professional organization*" (in subsection 1.1(w) of *NI 51-101* and in the Glossary in Appendix 1 to this Companion Policy) has four elements, three of which deal with the basis on which the organization accepts members and its powers and requirements for continuing membership. The fourth element requires either authority or recognition given to the organization by a statute in Canada, or acceptance of the organization by the *securities regulatory authority* or *regulator*.

Each of the following organizations in Canada is a *professional organization* as at the date *NI 51-101* comes into force:

- Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
- Association of Professional Engineers and Geoscientists of the Province of British Columbia (APEGBC)
- Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)
- Association of Professional Engineers and Geoscientists of Manitoba (APEGM)
- Association of Professional Geoscientists of Ontario (APGO)
- Professional Engineers of Ontario (PEO)
- Ordre des ingénieurs du Québec (OIQ)
- Ordre des Géologues du Québec (OGQ)
- Association of Professional Engineers of Prince Edward Island (APEPEI)
- Association of Professional Engineers and Geoscientists of New Brunswick (APEGNB)
- Association of Professional Engineers of Nova Scotia (APENS)
- Association of Professional Engineers and Geoscientists of Newfoundland (APEGN)
- Association of Professional Engineers of Yukon (APEY)

- Association of Professional Engineers, Geologists & Geophysicists of the Northwest Territories (NAPEGG) (representing the Northwest Territories and Nunavut Territory)

(i) **Other Professional Organizations?**

The CSA are willing to consider whether particular foreign professional bodies should be accepted as "professional organizations" for the purposes of NI 51-101. A reporting issuer, foreign professional body or other interested person can apply to have a self-regulatory organization that satisfies the first three elements of the definition of "professional organization" accepted for the purposes of NI 51-101.

In considering any such application for acceptance, the securities regulatory authority or regulator is likely to take into account the degree to which a foreign professional body's authority or recognition, admission criteria, standards and disciplinary powers and practices are similar to, or differ from, those of organizations listed above.

The CSA may from time to time determine that it is appropriate to expand or revise the list of professional organizations and publish notice of such changes.

(ii) **No Professional Organization?**

A reporting issuer or other person may apply for an exemption under Part 8 of NI 51-101 to enable a reporting issuer to appoint, in satisfaction of its obligation under section 3.2 of NI 51-101, an individual who is not a member of a professional organization, but who has other satisfactory qualifications and experience. Such an application might refer to a particular individual or generally to members and employees of a particular foreign reserves evaluation firm. In considering any such application, the securities regulatory authority or regulator is likely to take into account the individual's professional education and experience or, in the case of an application relating to a firm, to the education and experience of the firm's members and employees, evidence concerning the opinion of a qualified reserves evaluator or auditor as to the quality of past work of the individual or firm, and any prior relief granted or denied in respect of the same individual or firm.

(iii) **Renewal Applications Unnecessary**

A successful applicant would likely have to make an application contemplated in this section 1.5 only once, and not renew it annually.

**1.6 Oil Sands and Other Non-Conventional Activities - NI 51-101 applies not only to conventional oil and gas activities, but also to non-conventional activities such as the extraction of bitumen from oil sands with a view to the production of synthetic oil, the in situ production of bitumen and the extraction of methane from coal beds.**

Although NI 51-101 and Form 51-101F1 make few specific references to non-conventional oil and gas activities, the CSA are of the view that the requirements of NI 51-101 for the preparation and disclosure of reserves data apply to oil and gas reserves relating to oil sands, shale, coal or other non-conventional sources of hydrocarbons. The CSA encourage reporting issuers that are engaged in non-conventional oil and gas activities to supplement the disclosure prescribed in NI 51-101 and Form 51-101F1 with information specific to those activities that can assist investors and others in understanding the business and results of the reporting issuer. In particular, the CSA encourage reporting issuers engaged in oil and gas activities that involve mining to consider the following when making disclosure about those activities:

- in respect of financial disclosure, CICA Handbook guidance for mining activities; and
- in respect of technical aspects of mine development and operations, National Instrument 43-101 Standards of Disclosure for Mineral Projects and Form 43-101F1 Technical Report.

**1.7 Use of Information - The requirements under NI 51-101 for the filing with securities regulatory authorities of information relating to oil and gas activities are designed in part to assist the public and analysts in making investment decisions and recommendations.**

The CSA encourage registrants<sup>3</sup> and other persons and companies that wish to make use of information concerning oil and gas activities of a reporting issuer, including reserves data, to review the information filed on SEDAR under NI 51-101 by the reporting issuer and, if they are summarizing or referring to this information, to use the applicable terminology consistent with NI 51-101 and the COGE Handbook.

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<sup>3</sup> "Registrant" has the meaning ascribed to the term under securities legislation in the jurisdiction.

**PART 2 ANNUAL FILING REQUIREMENTS**

**2.1 Annual Filings on SEDAR** - The information required under section 2.1 of *NI 51-101* must be filed electronically on SEDAR. Consult National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* and the current CSA "SEDAR Filer Manual" for information about filing documents electronically.

**2.2 Inapplicable or Immaterial Information** - Section 2.1 of *NI 51-101* does not require the filing of any information, even if specified in *NI 51-101* or in a form referred to in *NI 51-101*, if that information is inapplicable or not *material* in respect of the *reporting issuer*. See section 1.2 of this Companion Policy for a discussion of *materiality*.

If an item of prescribed information is not disclosed because it is inapplicable or immaterial, it is unnecessary to state that fact or to make reference to the disclosure requirement.

**2.3 Use of Forms** - Section 2.1 of *NI 51-101* requires the annual filing of information set out in *Form 51-101F1* and reports in accordance with *Form 51-101F2* and *Form 51-101F3*.

*NI 51-101* and the instructions in *Form 51-101F1*, give the *reporting issuer* considerable flexibility in presenting this information, provided that all required information is filed. It is not necessary to identify any of the information by form name, number or title, to include the headings or numbering used in a form, or to follow the ordering of items used in the forms. (Appendix 2 to this Companion Policy provides an example of how certain of the *reserves data* might be presented.)

The information specified in all three forms, or any two of the forms, can be combined in a single document. A *reporting issuer* may wish to include statements indicating the relationship between documents or parts of one document. For example, the *reporting issuer* may wish to accompany the report of the *independent qualified reserves evaluator or auditor (Form 51-101F2)* with a reference to the *reporting issuer's* disclosure of the *reserves data (Form 51-101F1)*, and vice versa.

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.

**2.4 Annual Information Form** - Section 2.3 of *NI 51-101* permits *reporting issuers* to satisfy the requirements of section 2.1 of *NI 51-101* by presenting the information required under section 2.1 in an *annual information form*.

**(a) Meaning of "Annual Information Form"**

The *annual information form* can be in *Form 44-101F1 AIF* if it is a "current AIF" under National Instrument 44-101 *Short Form Prospectus Distributions*, or if it is filed for other purposes such as Ontario Securities Commission Rule 51-501 *AIF and MD&A*, section 159 of the Regulation under the *Securities Act* (Québec) or Multilateral Instrument 45-102 *Resale of Securities*. The *annual information form* can also be a current annual report on *Form 10-K* or *Form 20-F* under the *1934 Act*, if the *reporting issuer* is eligible to file such a report under *NI 44-101*.

Some or all of the current domestic forms of *annual information form* may be superseded by a new form under proposed National Instrument 51-102 *Continuous Disclosure Obligations*. If so, such new form would likely be acceptable as an "annual information form" for the purposes of *NI 51-101*. The CSA will give public notice of such change.

**(b) Option to Set Out Information in Annual Information Form**

All types of domestic *annual information form* will likely require the inclusion of the information required under section 2.1 of *NI 51-101*, either by setting out the text of the information or by incorporating it, by reference, from separately filed documents. The option offered by section 2.3 of *NI 51-101* enables a *reporting issuer* to satisfy its obligations under section 2.1 of *NI 51-101*, as well as its obligations in respect of *annual information form* disclosure, by setting out the information required under section 2.1 only once, in the *annual information form*. If the *annual information form* is on *Form 10-K*, this can be accomplished by including the information in a supplement (often referred to as a "wrapper") to the *Form 10-K*.

A *reporting issuer* that elects to set out in full in its *annual information form* the information required by section 2.1 of *NI 51-101* need not also file that information again for the purpose of section 2.1 in one or more separate documents. 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*. This notification (which could be a copy of the news release mandated by section 2.2 of

NI 51-101) will assist other *SEDAR* users in finding that information. It is not necessary to make a duplicate filing of the *annual information form* itself under the *SEDAR NI 51-101 oil and gas disclosure category*.

- 2.5 Reservations in Report of Independent Qualified Reserves Evaluator or Auditor** - A report of an *independent qualified reserves evaluator or auditor* on *reserves data* will not satisfy the requirements of item 2 of section 2.1 of *NI 51-101* if the report contains a *reservation*, the cause of which can be removed by the *reporting issuer* (subsection 2.4(2) of *NI 51-101*).

The CSA do not generally consider time and cost considerations to be causes of a *reservation* that cannot be removed by the *reporting issuer*.

A report containing a *reservation* may be acceptable if the *reservation* is caused by a limitation in the scope of the *evaluation* or *audit* resulting from an event that clearly limits the availability of necessary records and which is beyond the control of the *reporting issuer*. This could be the case if, for example, necessary records have been inadvertently destroyed and cannot be recreated or if necessary records are in a country at war and access is not practicable.

One potential source of *reservations*, which the CSA consider can and should be addressed in a different way, could be reliance by a *qualified reserves evaluator or auditor* on information derived or obtained from a *reporting issuer's* independent financial auditors or reflecting their report. As discussed in section 4.4 of this Companion Policy, the CSA recommend that *qualified reserves evaluators or auditors* follow the procedures and guidance set out in both sections 4.5 and 12.6 of the *COGE Handbook* in respect of dealings with independent financial auditors. In so doing, the CSA expect that the quality of *reserves data* can be enhanced and a potential source of *reservations* can be eliminated.

- 2.6 Negative Assurance by Qualified Reserves Evaluator or Auditor** - A *qualified reserves evaluator or auditor* conducting a *review* may wish to express only negative assurance -- for example, in a statement such as "Nothing has come to my attention which would indicate that the reserves data have not been prepared in accordance with principles and definitions presented in the Canadian Oil and Gas Evaluation Handbook". This can be contrasted with a positive statement such as an opinion that "The reserves data have, in all material respects, been determined and presented in accordance with the Canadian Oil and Gas Evaluation Handbook and are, therefore, free of material misstatement".

The CSA are of the view that statements of negative assurance can be misinterpreted as providing a higher degree of assurance than is intended or warranted.

The CSA believe that a statement of negative assurance would constitute so material a departure from the report prescribed in *Form 51-101F2* as to fail to satisfy the requirements of item 2 of section 2.1 of *NI 51-101*.

The *COGE Handbook* may address the issue of negative assurance in connection with evolving standards for *reviews* of *reserves data*. The CSA will consider any such developments and may, in consequence, reassess the views expressed above.

- 2.7 Royalty Interest in Reserves** - *Net reserves* (or "company *net reserves*") of a *reporting issuer* include its royalty interest in *reserves*.

If a *reporting issuer* cannot obtain the information it requires to enable it to include a royalty interest in *reserves* in its disclosure of *net reserves*, it should, proximate to its disclosure of *net reserves*, disclose that fact and its corresponding royalty interest share of *oil and gas production* for the year ended on the *effective date*.

- 2.8 Government Restriction on Disclosure** - If, because of a restriction imposed by a government or governmental authority having jurisdiction over a *property*, a *reporting issuer* excludes *reserves* information from its *reserves data* disclosed under *NI 51-101*, the disclosure should include a statement that identifies the *property* or country for which the information is excluded and explains the exclusion.

- 2.9 Additional Information** - As discussed in section 2.3 above and in the instructions to *Form 51-101F1*, *NI 51-101* offers considerable flexibility in the use of the prescribed forms and the presentation of required information.

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

To the extent that additional, or more detailed, disclosure can be expected to assist readers in understanding and assessing the mandatory disclosure, it is encouraged. Indeed, to the extent that additional disclosure of material facts is necessary in order to make mandated disclosure not misleading, a failure to provide that additional disclosure would amount to a misrepresentation.

- 2.10 Sample Reserves Data Disclosure** - Appendix 2 to this Companion Policy sets out an example of how certain of the *reserves data* might be presented in a manner which the CSA consider to be consistent with *NI 51-101* and *Form 51-101F1*.

The sample presentation in Appendix 2 also illustrates how certain additional information not mandated under *Form 51-101F1* might be incorporated in an annual filing.

The sample presentation in Appendix 2 is provided by way of illustration only, and is not mandatory. However, the CSA urge *reporting issuers* to review Appendix 2 and consider whether a similar presentation might be helpful for their investors.

### PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS

- 3.1 Reserves Committee** - Section 3.4 of *NI 51-101* enumerates certain responsibilities of the board of directors of a *reporting issuer* in connection with the preparation of *oil* and *gas* disclosure.

The CSA believe that certain of these responsibilities can in many cases more appropriately be fulfilled by a smaller group of directors who bring particular experience or abilities and an independent perspective to the task.

Subsection 3.5(1) of *NI 51-101* permits a board of directors to delegate responsibilities (other than the responsibility to approve the content or filing of certain documents) to a committee of directors, a majority of whose members are independent of management. Although subsection 3.5(1) is not mandatory, the CSA encourage *reporting issuers* and their directors to adopt this approach.

- 3.2 Responsibility for Disclosure** - *NI 51-101* requires the involvement of an *independent qualified reserves evaluator or auditor* in preparing or reporting on certain *oil* and *gas* information disclosed by a *reporting issuer*, and in section 3.2 mandates the appointment of an *independent qualified reserves evaluator or auditor* to report on *reserves data*.

The CSA do not intend or believe that the involvement of an *independent qualified reserves evaluator or auditor* relieves the *reporting issuer* of responsibility for information disclosed by it for the purposes of *NI 51-101*.

### PART 4 MEASUREMENT

- 4.1 Forecast Prices and Costs** - *Forecast prices and costs* are discussed in the *COGE Handbook*. Except to the extent that the *reporting issuer* is legally bound by fixed or presently determinable future prices or costs, *forecast prices and costs* are future prices and costs "generally recognized as being a reasonable outlook on the future".

The CSA do not consider that future prices or costs would satisfy this requirement if they fall outside the range of forecasts of comparable prices or costs used, as at the same date, for the same future period, by major *independent qualified reserves evaluators or auditors*.

- 4.2 Constant Prices and Costs** - *Constant prices and costs* are based on the *reporting issuer's* prices and costs as of the *effective date* of the estimate being made (generally, for the purpose of the estimates to be filed under section 2.1 of *NI 51-101*, as at the *reporting issuer's* financial year-end). In general, these prices and costs are assumed not to change, but rather to remain constant, 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); see also section 4.3 of this Companion Policy.

- 4.3 Financial Instruments** - The definitions of "*constant prices and costs*" and "*forecast prices and costs*" in subsections 1.1(g) and (j) of *NI 51-101* and in the Glossary in Appendix 1 to this Companion Policy refer to fixed or presently determinable future prices to which a *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product. The phrase "contractual or other obligation to supply a physical product" excludes arrangements under which the *reporting issuer* can satisfy its obligations in cash and would therefore exclude an arrangement that would be a "financial instrument" as defined in Section 3860 of the *CICA Handbook*. The *CICA Handbook* discusses when a *reporting issuer's* obligation would be considered a financial instrument and sets out the requirements for presentation and disclosure of these financial instruments (including so-called financial hedges) in the *reporting issuer's* financial statements.

- 4.4 Reserves Estimation Methods** - The *COGE Handbook* sets out target levels of certainty for estimates of primary categories of total reserves for the reporting issuer as a whole. For example, there is to be at least a 90 percent probability that the total remaining quantities of oil and gas to be recovered will equal or exceed the estimated total proved reserves. (See Part 2 of Appendix 1.)

Section 5.4.3 of the *COGE Handbook* states "In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods".

When deterministic methods are used, because of the absence of a "mathematically derived quantitative measure of probability", the classification of reserves is based on professional judgement as to the quantitative measure of certainty attained.

- 4.5 Consistency of Timing** - Subsection 4.2(2) of *NI 51-101* requires consistency in the timing of recording the effects of events or transactions for the purposes of both annual financial statements and annual reserves data disclosure.

To ensure that the effects of events or transactions are recorded, disclosed or otherwise reflected consistently (in respect of timing) in all public disclosure, a reporting issuer will wish to ensure that both its financial auditors and its qualified reserves evaluators or auditors, as well as its directors, are kept apprised of relevant events and transactions, and to facilitate communication between its financial auditors and its qualified reserves evaluators or auditors.

Sections 4.5 and 12.6 of the *COGE Handbook* set out procedures and guidance for the conduct of reserves evaluations and reserves audits, respectively. Section 12.6 deals with the relationship between a reserves auditor and the client's financial auditor. Section 4.5, in connection with reserves evaluations, deals somewhat differently with the relationship between the qualified reserves evaluator or auditor and the client's financial auditor. The CSA recommend that qualified reserves evaluators or auditors carry out the procedures discussed in both sections 4.5 and 12.6 of the *COGE Handbook*, whether conducting a reserves evaluation or a reserves audit.

## PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

- 5.1 Scope of Part 5 of NI 51-101** - Part 5 of *NI 51-101* imposes requirements and restrictions that apply to all "disclosure" (or, in some cases, all written disclosure) of a type described in section 5.1 of *NI 51-101*. Section 5.1 refers to disclosure that is either:

- filed by a reporting issuer with the securities regulatory authority; or
- if not filed, otherwise made to the public or made in circumstances in which, at the time of making the disclosure, the reporting issuer expects, or ought reasonably to expect, the disclosure to become available to the public.

As such, Part 5 applies to a broad range of disclosure including:

- the annual filings required under Part 2 of *NI 51-101*;
- other continuous disclosure filings, including material change reports (which themselves may also be subject to Part 6 of *NI 51-101*);
- public disclosure documents, whether or not filed, including news releases;
- public disclosure made in connection with a distribution of securities, including a prospectus; and
- except in respect of provisions of Part 5 that apply only to written disclosure, public speeches and presentations made by representatives of the reporting issuer on behalf of the reporting issuer.

For these purposes, the CSA consider written disclosure to include any writing, map, plot or other printed representation whether produced, stored or disseminated on paper or electronically.

To ensure compliance with the requirements of Part 5, the CSA encourage reporting issuers to involve a qualified reserves evaluator or auditor, or other person who is familiar with *NI 51-101* and the *COGE Handbook*, in the preparation, review or approval of all such oil and gas disclosure.

- 5.2 Written Consents** - Section 5.7 of *NI 51-101* restricts a reporting issuer's use of a report of a qualified reserves evaluator or auditor without written consent. The consent requirement does not apply to the direct use of the report for the purposes of *NI 51-101* (filing the report under item 2 of section 2.1; making direct or indirect reference to the



conclusions of that report in the statement filed under item 1 of section 2.1 and in the report of management and directors filed under item 3 of section 2.1; and identifying the report in the mandatory news release under section 2.2). The *qualified reserves evaluator or auditor* retained to report to a *reporting issuer* for the purposes of *NI 51-101* is expected to anticipate these uses of the report. However, further use of the report (for example, in a securities offering document or in other news releases) would require written consent.

**5.3 Estimates of Fair Value** - Section 5.10 of *NI 51-101* sets out requirements applicable to disclosure of certain estimates of fair value -- for example, an estimate of fair value of an *oil and gas prospect*.

Such an estimate must, unless paragraph 5.10(2)(a) applies, satisfy the requirements of paragraph 5.10(2)(b), which among other things requires that the estimate be prepared or accepted by a professional valuator. The CSA do not consider that such an estimate would be an appropriate basis for disclosure if it is prepared or accepted as at a date more than six months before the date of the disclosure.

Under subparagraph 5.10(2)(b)(ii), the estimate must consist of at least three values that reflect a range of reasonable likelihoods (the low value reflecting a conservative estimate, the middle value being the median estimate, and the high value being an optimistic estimate) such values being estimated by a professional valuator in accordance with applicable professional standards based on the course of action that the valuator reasonably expects the *reporting issuer* to follow.

In circumstances in which paragraph 5.10(2)(b) applies, in order to ensure that the *reporting issuer* is not making public disclosure of misleading information, the CSA expect the *reporting issuer* to provide all relevant information to the valuator to enable the valuator to prepare the estimate and provide the report referred to in that paragraph.

**5.4 Negative Assurance** - As discussed in section 2.6 of this Companion Policy, the CSA are of the view that a report of a *qualified reserves evaluator or auditor* that is based on or conveys only negative assurance can be misinterpreted as providing a higher degree of assurance than is intended or warranted.

The CSA believe that *reporting issuers* should avoid making any public disclosure of, or based on, a report that conveys only negative assurance.

In the rare case, if any, in which there are compelling reasons for making such disclosure, the CSA believe that, to avoid providing information that could be misleading, the *reporting issuer* should include in such disclosure useful explanatory and cautionary statements. Such statements should explain the limited nature of the work undertaken by the *qualified reserves evaluator or auditor* and the limited scope of the assurance expressed, noting that it does not amount to a positive opinion.

The *COGE Handbook* may address the issue of negative assurance in connection with evolving standards for *reviews of reserves data*. The CSA will consider any such developments and may, in consequence, give public notice of a change in the views expressed above.

**5.5 Supporting Filings** - Part 5 of *NI 51-101* requires that certain information, if disclosed publicly, be supported by consistent information in a *supporting filing*.

The definition of "*supporting filing*" in section 1.1 of *NI 51-101* does not specify any particular type of document, nor a maximum age or an expiry date for any such document. If the information in a filed document has not been rendered inaccurate or misleading by events subsequent to its filing, the document can continue to serve as a *supporting filing*.

Part 6 of *NI 51-101* requires that reports of material changes include, in certain circumstances, information concerning the effect that the material change would, but for the timing of its occurrence, have had on information in an annual filing under Part 2.

The CSA do not consider that a document filed under Part 2 of *NI 51-101* would cease to qualify as a *supporting document* merely by reason of the occurrence of a material change referred to in Part 6 of *NI 51-101*, provided that the material change disclosure satisfies applicable requirements of Part 6.

**5.6 Consistent Use of Units of Measurement** - *Reporting issuers* should be consistent in their use of units of measurement within and between disclosure documents, to facilitate understanding and comparison of the disclosure. For example, *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.

In all cases, in accordance with subparagraph 4.2(1)(a)(ii), subsection 5.2(a) and section 5.3 of *NI 51-101*, *reporting issuers* should apply the relevant nomenclature and unit prefixes set out in the *COGE Handbook*.

- 5.7 BOEs and McfGEs** - Section 5.14 of *NI 51-101* sets out requirements that apply if a *reporting issuer* chooses to make disclosure using units of equivalency such as *BOEs* or *McfGEs*. The requirements include prescribed methods of calculation and cautionary disclosure as to the possible limitations of those calculations. Section 13 of the *COGE Handbook*, under the heading "Barrels of Oil Equivalent", provides additional guidance.
- 5.8 Finding and Development Costs** - Section 5.15 of *NI 51-101* sets out requirements that apply if a *reporting issuer* chooses to make disclosure of finding and development costs.

Because the prescribed methods of calculation under section 5.15 involve the use of *BOEs*, section 5.14 of *NI 51-101* necessarily applies to disclosure of finding and development costs under section 5.15. As such, the finding and development cost calculations must apply a conversion ratio as specified in section 5.14 and the cautionary disclosure prescribed in section 5.14 will also be required.

*BOEs* are based on imperial units of measurement. If the *reporting issuer* uses other units of measurements (such as SI or "metric" measures), any corresponding departure from the requirements of section 5.15 should reflect the use of units other than *BOEs*.

## PART 6 MATERIAL CHANGE DISCLOSURE

- 6.1 Changes from Filed Information** - Part 6 of *NI 51-101* requires the inclusion of specified information in disclosure of certain material changes.

The information to be filed each year under Part 2 of *NI 51-101* is prepared as at, or for a period ended on, the *reporting issuer's* most recent financial year-end. That date is the *effective date* referred to in subsection 6.1(1) of *NI 51-101*. When a material change occurs after that date, the filed information may no longer, as a result of the material change, convey meaningful information, or the original information may have become misleading in the absence of updated information.

Part 6 of *NI 51-101* requires that the disclosure of the material change include a discussion of the *reporting issuer's* reasonable expectation of how information that had been filed under Part 2 would differ, had the material change occurred before rather than after the *effective date* of that original information.

This material change disclosure can reduce the likelihood of investors being misled, and maintain the usefulness of the original filed *oil* and *gas* information when the two are read together.

- 6.2 Constant Case Estimates** - To the extent that a material change referred to in section 6.1 involves a change in future prices and costs, the *CSA* do not consider that Part 6 of *NI 51-101* would require further discussion of *reserves data* estimated using *constant prices and costs* as at the *effective date*.

## PART 7 INDEPENDENCE OF PROFESSIONALS

- 7.1 Independence of Qualified Reserves Evaluator or Auditor** - "*Independence*", in respect of the relationship between a *reporting issuer* and a *qualified reserves evaluator or auditor* engaged to *evaluate, audit, or review reserves data*, is to be determined in accordance with the *COGE Handbook*. The following guidance should be read in light of the *COGE Handbook*.

Under the *COGE Handbook*, a *qualified reserves evaluator or auditor* would not generally be considered to be *independent* of a client *reporting issuer* if the *qualified reserves evaluator or auditor* has or expects to receive a direct or indirect interest in either a *property* to be *evaluated* or reported on, or in securities of the client or of an affiliate of the client.

*Independence* would not ordinarily be considered to be lost only by reason of the fact that the *qualified reserves evaluator or auditor*, or a *reserves evaluation firm* of which he or she is a partner, shareholder or employee, also provides to the client *reporting issuer*, or provides to another client in respect of a *property* to be *evaluated* or reported on, other services (including *evaluations, audits or reviews*) of a type normally rendered by the petroleum engineering profession.

- 7.2 Unacceptable Qualified Reserves Evaluator or Auditor or Valuator** - Sections 2.1 and 3.2 of *NI 51-101* require the involvement, in connection with annual *reserves data* disclosure, of a *qualified reserves evaluator or auditor* who is *independent* (in accordance with the *COGE Handbook*) of the *reporting issuer*. Similarly, section 5.10 of *NI 51-101*

requires the involvement, in connection with certain disclosure of estimates of fair value, of a professional valuator who is not a "related party" (within the meaning of the term in the *CICA Handbook*) of the *reporting issuer*.

Notwithstanding that a *qualified reserves evaluator or auditor* or a valuator may technically satisfy these requirements concerning his or her relationship with the *reporting issuer*, circumstances may, or may reasonably be seen to, deprive that individual of the freedom to exercise the independent judgement that the CSA consider essential for the purposes of NI 51-101. In such circumstances, the *securities regulatory authority or regulator* may request the *reporting issuer* to engage another *qualified reserves evaluator or auditor* or another valuator. If a prospectus filing is involved, the *securities regulatory authority or regulator* may consider that a failure to comply with such a request materially impairs the quality of disclosure to an extent that could lead to a refusal to issue a prospectus receipt.

## PART 8 EXEMPTIONS

**8.1 Scope of Possible Exemptions** - This Part discusses certain exemptive relief that the *securities regulatory authority or regulator* may be willing to grant in appropriate circumstances, on application by a *reporting issuer* under Part 8 of NI 51-101. The relief discussed in this Part is limited to relief from the requirements of NI 51-101, and would not affect other requirements of *securities legislation*.

(See also section 1.5 of this Companion Policy for a discussion of certain applications relating to professional qualifications.)

### 8.2 Exemption from Requirement for *Independent Qualified Reserves Evaluator or Auditor*

The CSA consider that the involvement of a *qualified reserves evaluator or auditor* who is *independent* of a *reporting issuer* will in most cases serve as an important measure of quality control for *reserves data* disclosure, which should in turn help foster and maintain confidence in *oil* and *gas* disclosure, to the benefit of all participants in Canadian capital markets.

The CSA recognize, however, that there may be limited circumstances in which the desired quality and reliability of *reserves data* disclosure may be achieved even without *independent* professional involvement.

#### (a) Discretionary Exemption for *Senior Producing Issuer*

*Securities regulatory authorities or regulators* would, in certain circumstances, likely be prepared, on application by a *senior producing issuer*, to grant an exemption from the requirements of NI 51-101 for involvement of a *qualified reserves evaluator or auditor* who is *independent* of the *reporting issuer*. Such an exemption would likely be subject to conditions.

For these purposes, "*senior producing issuer*" means a *reporting issuer* that

- (i) demonstrates capability to estimate its *reserves* and *future net revenue* in accordance with the *COGE Handbook* (other than with respect to *independence*); and
- (ii) produced an average of more than 100,000 *BOEs* of *oil* and *gas* (converted in the ratio 6 *Mcf* :1 *bbl*) per day throughout its most recent financial year.

Such an exemption from the requirement for *independence* of a *qualified reserves evaluator or auditor* would likely apply in respect of requirements arising directly under NI 51-101 (notably paragraph (b) of item 2 of section 2.1 and section 3.2) or indirectly under other *securities legislation* (such as prospectus disclosure requirements) that applies requirements of NI 51-101.

Such an exemption would not vary the requirements of NI 51-101 in respect of the involvement of a *qualified reserves evaluator*, only his or her *independence*. Given the nature of the *reserves audit* function, it is unlikely that a non-independent professional could act as a *qualified reserves auditor* or usefully perform a *review*. Accordingly, for the purpose of section 2.1 of NI 51-101, the use of an *audit* as an alternative to an *evaluation*, and the use of a *review* of information not *evaluated* or *audited*, would not likely be alternatives available to a *reporting issuer* relying on such an exemption. In other words, reliance on such an exemption would likely require *evaluation* of all *reserves data* by an "in-house" *qualified reserves evaluator*.

Relief would likely cease to be available to a *reporting issuer* if it ceased to be a *senior producing issuer* or in the event of a failure to adhere to any undertaking provided as a condition of the exemption.

No such exemption would likely be provided in connection with an initial public offering of securities or a reverse takeover or similar transaction.

**(b) Application**

An application for an exemption referred to above should demonstrate that the applicant is a *senior producing issuer*. In considering that aspect of an application, factors taken into account by *securities regulatory authorities or regulators* would likely include the background and experience of the *reporting issuer's* non-independent *qualified reserves evaluators*, the quality of its past *oil* and *gas* disclosure, and its internal disclosure, compliance, quality control and approval procedures. Demonstrated adherence to "best practice" standards of the *COGE Handbook* and of the relevant professional body would be expected.

An independent review of internally-generated *reserves data*, with satisfactory results, could be required before an exemption is granted.

An exemption, if granted, might not specify an expiry date, meaning that a successful applicant need not renew the application annually.

**(c) Likely Conditions to Discretionary Exemption**

A discretionary exemption described in this section 8.2 would likely be conditional on the *reporting issuer* furnishing and complying with the following undertakings:

- (i) **Internal procedures** - an undertaking by the *reporting issuer* to implement internal procedures that will permit preparation of the modified reports described below;
- (ii) **Explanatory and cautionary disclosure** - an undertaking by the *reporting issuer* to disclose:
  - (A) at least annually (for example, in an *annual information form*), its reasons for considering the reliability of internally-generated *reserves data* to be not materially less than would be afforded by strict adherence to the requirements of *NI 51-101*, including a discussion of
    - (I) factors supporting the involvement of *independent qualified evaluators or auditors* and why such factors are not considered compelling in the case of that *reporting issuer*, and
    - (II) the manner in which the *reporting issuer's* internally-generated *reserves data* is determined, reviewed and approved, its relevant disclosure control procedures and the related role, responsibilities and composition of responsible management, the board of directors and (if applicable) the reserves committee of the board of directors; and
  - (B) in each document that discloses any information derived from internally-generated *reserves data* and reasonably proximate to that disclosure, the fact that no *independent qualified reserves evaluator or auditor* was involved in the preparation of the *reserves data*; and
- (iii) **Disclosure of conflicting independent reports** - an undertaking by the *reporting issuer* to the effect that, if despite the exemption it obtains a report on *reserves data* from an *independent qualified reserves evaluator or auditor* that contains information that differs materially from corresponding information filed by the *reporting issuer* in reliance on the exemption or that otherwise suggests that the *reporting issuer's* public disclosure record in respect of *reserves data* may be misleading, it will promptly file a correction of its public disclosure.

**(d) Modified Reports**

A discretionary exemption discussed in this section 8.2 would have the effect of varying the application of section 2.1 of *NI 51-101* as though the words "each of whom is *independent* of the *reporting issuer*" were omitted from paragraph (b) of item 2.

Such an exemption would also likely contemplate modifications to the texts of the reports required under items 2 and 3 of section 2.1 of *NI 51-101*.

- (i) **Modified Form 51-101F2** - The report of the *independent qualified reserves evaluator or auditor* in *Form 51-101F2*, required by item 2 of section 2.1 of *NI 51-101*, would likely be modified under the terms of a discretionary exemption to reflect the substance of the exemption, substituting a report consistent in all *material* respects with the following:

**"Report on Reserves Data**

To the board of directors of [name of reporting issuer] (the "Company"):

1. Our staff and I have evaluated the Company's reserves data as at [last day of the reporting issuer's most recently completed financial year]. The reserves data consist of the following:
  - (a)
    - (i) proved and proved plus probable oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using forecast prices and costs; and
    - (ii) the related estimated future net revenue; and
  - (b)
    - (i) proved oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year ] using constant prices and costs; and
    - (ii) the related estimated future net revenue.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). We are not, however, independent of the Company, within the meaning of the term "independent" under those standards.
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following sets forth the estimated future net revenue (before deducting income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended xxx xx, 20xx:

Location of Reserves (country or foreign geographic area)	Future Net Revenue (before income taxes, 10% discount rate)
xxx	\$ xxx
xxx	xxx
xxx	xxx
	\$ xxx

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined in accordance with the COGE Handbook.
7. We have no responsibility to update our evaluation for events and circumstances occurring after the date of this report.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

[Internal Qualified Reserves Evaluator's Name, Position, Province, Date]

\_\_\_\_\_  
[signed]"

- (ii) **Modified Form 51-101F3** - The report of the reporting issuer's management and directors in Form 51-101F3, required by item 3 of section 2.1 of NI 51-101, would likely be modified under the terms of a discretionary exemption to reflect the substance of the exemption, substituting a report consistent in all material respects with the following:

**"Report of Management and Directors on Reserves Data and Other Information**

Management of [name of reporting issuer] (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved and proved plus probable oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using forecast prices and costs; and
- (ii) the related estimated future net revenue; and
- (b) (i) proved oil and gas reserves estimated as at [last day of the reporting issuer's most recently completed financial year] using constant prices and costs; and
- (ii) the related estimated future net revenue.

Our [title of internal qualified reserves evaluator[s]], who [is an / are] employee[s] of the Company, [has / have] evaluated the Company's reserves data. The report of the [internal qualified reserves evaluator[s]] [is presented below / will be filed with securities regulatory authorities concurrently with this report].

The [Reserves Committee of the] Board of Directors has:

- (a) reviewed the Company's procedures for providing information to the [internal qualified reserves evaluator];
- (b) met with the [internal qualified reserves evaluator] to determine whether any restrictions placed by management affect the ability of the [internal qualified reserves evaluator] to report without reservation; and
- (c) reviewed the reserves data with management and the [internal qualified reserves evaluator].

The [Reserves Committee of the] Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has [, on the recommendation of the Reserves Committee, ] approved the content and filing of the reserves data and other oil and gas information, the filing of the report of the [internal qualified reserves evaluator] on the reserves data and the content and filing of this report.

In our view, the reliability of the internally generated reserves data is not materially less than would be afforded by our involving independent qualified reserves evaluators or independent qualified reserves auditors to evaluate or audit and review the reserves data. The Company is therefore relying on an exemption, which it sought and was granted by securities regulatory authorities, from the requirement under securities legislation to involve independent qualified reserves evaluators or independent qualified reserves auditors.

The primary factors supporting the involvement of independent qualified reserves evaluators or independent qualified reserves auditors apply when (i) their knowledge of, and experience with, a reporting issuer's reserves data are superior to that of the internal evaluators and (ii) the work of the independent qualified reserves evaluators or independent qualified reserves auditors is significantly less likely to be adversely influenced by self-interest or management of the reporting issuer than the work of internal reserves evaluation staff. In our view, neither of these factors applies in our circumstances.

Our view is based in large part on the following. Our reserves data were developed in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook. Our internal reserves evaluation staff includes [number] of persons with an average of [X] years of relevant experience in evaluating reserves, of whom [number of persons] are qualified reserves evaluators for purposes of securities regulatory requirements. Our internal reserves evaluation management personnel includes [number] of persons with an average of [Y] years of relevant experience in evaluating and managing the evaluation of reserves. Our procedures, records and controls relating to the accumulation of source data and preparation of reserves data by our internal reserves evaluation staff have been established, refined, documented, and subjected to review for [Z] years by our internal financial auditors who have reported directly to the [Reserves Committee of the] Board of Directors.

*Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.*

\_\_\_\_\_  
*[signature, name and title of chief executive officer]*

\_\_\_\_\_  
*[signature, name and title of senior officer other than the chief executive officer]*

\_\_\_\_\_  
*[signature, name and title of director]*

\_\_\_\_\_  
*[signature, name and title of director]*

*[Date]"*

### 8.3 Exemption Permitting Substitution of FASB Standards

#### (a) Comparable FASB Standards

The *reserves data* to be disclosed under *NI 51-101* include *proved reserves* and related *future net revenue* estimated using *constant prices and costs*. The *SEC* requires disclosure of comparable estimates (referred to respectively as "proved oil and gas reserve quantities" and the "standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities" or, in this Companion Policy, the "standardized measure") determined in accordance with standards established by *FASB*. The applicable *FASB* terminology and disclosure standards are currently set out in the following documents (referred to in this Companion Policy as the "*FASB Standard*"):

- (i) *FASB* Statement of Financial Accounting Standards No. 69 "Disclosures about Oil and Gas Producing Activities -- an amendment of *FASB* Statements 19, 25, 33, and 39", as amended from time to time (referred to in this Companion Policy as "*FAS 69*"); and
- (ii) paragraphs .103, .106, .107, .108, .112, .160 through .167, .174 through .184, and .401 through .408 of *FASB* Current Text Section Oi5, "Oil and Gas Producing Activities", which also reflect *FAS 69*.

#### (b) Discretionary Exemption to Permit Substitution of FASB Standard

A key objective of the *CSA* in developing *NI 51-101* was to enhance the comparability of *oil* and *gas* disclosure provided by *reporting issuers*. The *CSA* recognize that, in the case of some *reporting issuers* that are active in United States capital markets, comparability of *oil* and *gas* disclosure with that provided by US issuers, as well as with that provided by other Canadian *reporting issuers*, may be important for investors.

In the absence of an exemption from Part 2 of *NI 51-101*, a *reporting issuer* that is subject both to the disclosure requirements of the *SEC* and to *NI 51-101* would be required to prepare and present two sets of estimates -- *proved reserves* and the related *future net revenue*, as well as proved oil and gas reserve quantities and the related standardized measure -- that relate to very similar concepts. In many cases, the *CSA* believe that the results of the two sets of estimates would not differ substantially. The *CSA* recognize that the requirement to prepare and disclose two similar sets of estimates could impose a burden on *reporting issuers*, and be confusing to investors.

In light of these considerations, *securities regulatory authorities* or *regulators* would likely be prepared, on application by a *reporting issuer* that has securities registered in the US under the *1934 Act*, to grant a limited exemption from certain requirements of Part 2 (and the forms referred to in that Part) and section 5.3 of *NI 51-101*.

Such a discretionary exemption could permit a *reporting issuer* to substitute disclosure of "proved oil and gas reserve quantities" and the "standardized measure" for disclosure of *proved reserves* and related *future net revenue* estimated using *constant prices and costs*. The exemption could also permit the applicant to apply the *FASB Standard* (despite any indication to the contrary in the *FASB Standard*) to disclosure relating to non-conventional *oil and gas activities* (the extraction of hydrocarbons from oil sands, shale, coal or other non-conventional sources).

In the absence of a further exemption, this discretionary exemption would not otherwise affect the *reporting issuer's* disclosure and other obligations under *NI 51-101*. For example, requirements for the reporting of other elements of *reserves data*, notably *proved reserves* and *proved plus probable reserves* together with the related estimates of *future net revenue* estimated using *forecast prices and costs*, would be unchanged.

With this exemption, a *reporting issuer* that discloses *reserves* estimates and related information in both Canada and the US would be able to file, in both countries, the information required by the SEC (proved oil and gas reserve quantities and the standardized measure) in the same manner as US peer issuers, facilitating comparison with those peers. At the same time the *reporting issuer* would present other disclosure not required by the SEC (including estimates of *proved* and *probable reserves* and related *future net revenue* estimated using *forecast prices and costs*) in accordance with NI 51-101, facilitating comparison with Canadian peer issuers.

Such an exemption might not specify an expiry date so that renewal applications would not be required.

It is unlikely that any such exemption would alter the requirements of Parts 3, 4, 5 or 6 of NI 51-101 in respect of the role and responsibilities of directors, measurement and estimation standards, requirements relating to certain voluntary disclosure, or material change reporting. Thus, for example, in the absence of applicable SEC requirements, relevant provisions of Part 5 of NI 51-101 relating to the use of BOEs, or to disclosure of an estimate of fair value of a *prospect*, would still apply.

**(c) Likely Conditions to Discretionary Exemption**

A discretionary exemption described in this section 8.3 would likely be conditional on the *reporting issuer* furnishing and complying with an undertaking to include in all its written disclosure of proved oil and gas reserve quantities and the standardized measure (which the *reporting issuer* has substituted for otherwise mandatory disclosure of *proved reserves* and related *future net revenue* estimated using *constant prices and costs*) a statement, reasonably proximate to that disclosure

- (i) of the *reporting issuer's* reliance on the exemption;
- (ii) that explains generally the nature of the estimates being disclosed and the source of the underlying standards (the *FASB Standards*); and
- (iii) to the effect that the disclosed estimates may differ from corresponding estimates of *proved reserves* and related *future net revenue* estimated using *constant prices and costs* prepared in accordance with NI 51-101.

**8.4 Exemption Permitting US-Style Disclosure**

As noted in section 8.3, the CSA recognize that for some *reporting issuers* that are active in US capital markets, comparability of their *oil* and *gas* disclosure with that provided by US issuers may be important for investors. In some cases, a Canadian *reporting issuer* may consider that comparability of disclosure to US peer issuers is of primary relevance to its investors.

The CSA acknowledge that there may be circumstances in which such an assessment is valid. At the same time, the CSA consider that the public interest requires, at minimum, clarity as to what standards are being applied in public disclosure and consistency of annual disclosure.

The CSA believe that these considerations can be addressed in appropriate cases by a discretionary exemption that builds on the exemption discussed in section 8.3. The discretionary exemption discussed in this section 8.4 could enable a *reporting issuer* to substitute, for much of the disclosure ordinarily required by NI 51-101, disclosure that is consistent with the *FASB Standards* and other relevant requirements of the SEC, provided that the *reporting issuer* makes clear in its disclosure that it is departing from NI 51-101 requirements and makes clear which standards are being applied.

**(a) Scope of Possible Exemption**

On application by a *reporting issuer* that has securities registered in the US under the 1934 Act, *securities regulatory authorities* or *regulators* may be prepared to grant a limited exemption from certain requirements of NI 51-101 to permit

- (i) the substitution, as discussed in section 8.3, of disclosure of estimates of proved oil and gas reserve quantities and the related standardized measure, for the disclosure of *proved reserves* and related *future net revenue* estimated using *constant prices and costs* otherwise required by NI 51-101; and
- (ii) relief from requirements of NI 51-101 for disclosure of other elements of *reserves data*, or other information concerning *oil and gas activities* contemplated in Form 51-101F1, to the extent that these elements or information exceed or differ from SEC requirements;



provided that the *reporting issuer* files, within the time prescribed in section 2.1 of *NI 51-101*, the information relating to its *oil and gas activities* contemplated by, and consistent with, the *FASB Standard* and relevant requirements of the *SEC*.

Such an exemption might not specify an expiry date so that renewal applications would not be required.

As discussed in section 8.3, the exemption could also likely permit the applicant to apply the *FASB Standard* (despite any indication to the contrary in the *FASB Standard*) to disclosure relating to non-conventional *oil and gas activities*.

No such exemption would likely affect the principle that all disclosed *reserves* and related estimates must be prepared by a *qualified reserves evaluator or auditor*. A *reporting issuer* that wishes to substitute other *evaluation or audit* standards would likely have to demonstrate that such other standards are clearly identifiable and not less comprehensive than those set out in the *COGE Handbook*.

It is also unlikely that any such exemption would alter the requirements of Parts 3, 5 or 6 of *NI 51-101* in respect of the role and responsibilities of directors, requirements relating to certain voluntary disclosure, or material change reporting. For example, in the absence of applicable *SEC* requirements, relevant provisions of Part 5 of *NI 51-101* relating to the use of *BOEs* or to disclosure of an estimate of fair value of a prospect would still apply to the extra disclosure.

Such a discretionary exemption would likely contemplate modifications of the reports of the *qualified reserves evaluator or auditor* and of management and directors, prescribed respectively by items 2 and 3 of section 2.1 of *NI 51-101*, to the extent necessary to reflect the substance of the exemption. It is unlikely that such an exemption would waive the requirement to file these reports.

No such exemption would likely be provided in connection with an initial public offering of securities or a reverse take-over or similar transaction.

**(b) Likely Conditions to Discretionary Exemption**

An exemption contemplated in this section 8.4 would likely be conditional on the *reporting issuer* furnishing and adhering to undertakings substantially as follows:

- (i) **Disclosure of exemption and effect** - an undertaking to include, reasonably proximate to all written disclosure that the *reporting issuer* makes in reliance on the exemption, a statement
  - (A) of the *reporting issuer's* reliance on the exemption;
  - (B) that explains generally the nature of the information being disclosed and identifies the standards and the source of the standards being applied (if it is not otherwise readily apparent); and
  - (C) to the effect that the information disclosed may differ from corresponding information prepared in accordance with *NI 51-101* standards (if that is the case), and explains the difference (if any);
- (ii) **Specified disclosure standards to be applied** - an undertaking to disclose, for the purpose of item 1 of section 2.1 of *NI 51-101*:
  - (A) the information required by the *FASB Standard*;
  - (B) the information required by *SEC* Industry Guide 2 "Disclosure of Oil and Gas Operations", as amended from time to time;
  - (C) any other information concerning matters addressed in *Form 51-101F1* that is required by *FASB* or by the *SEC*; and
  - (D) if the *reporting issuer* is engaged in extracting, by mining, *bitumen* or *oil* from oil sands, shale or coal, the information required by *SEC* Industry Guide 7 "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations", as amended from time to time;
- (iii) **Voluntary extra disclosure not required by *SEC* or *FASB*** - an undertaking that, if the *reporting issuer* (despite its exemption) makes public disclosure of a type contemplated in *NI 51-101* or *Form 51-101F1* but not required by the *SEC*:

- (A) if the disclosure is of a nature and subject matter referred to in Part 5 of *NI 51-101*, and if there are no applicable *SEC* requirements or restrictions specific to that type of disclosure, the disclosure will be made in compliance with Part 5; and
- (B) if the disclosure includes estimates of *reserves* or related *future net revenue* in categories not required by the *SEC*:
  - (I) the disclosure will
    - a. apply the *reserves* categories set out in the *COGE Handbook*; or
    - b. set out the *reserves* categories being used in enough detail to make them understandable to a reader, identify the source of those *reserves* categories, state that those *reserves* categories differ from the *reserves* categories set out in the *COGE Handbook* (if that is the case) and explain the differences (if any);
  - (II) if the disclosure includes an estimate of *future net revenue*, it will also include the corresponding estimate of *reserves* (although disclosure of an estimate of *reserves* might not have to be accompanied by an estimate of the related *future net revenue*).
  - (III) if the disclosure includes an estimate of *reserves* for a category other than *proved reserves* or proved oil and gas reserve quantities, it will also include an estimate of *proved reserves* (or proved oil and gas reserve quantities) based on the same price and cost assumptions, with the price assumptions disclosed;
  - (IV) unless the extra disclosure is made involuntarily, the *reporting issuer* will include disclosure of the same type in its subsequent annual filings under Part 2 of *NI 51-101* for as long as the information is material; and
  - (V) for the purpose of clause (IV) above, if the triggering disclosure was an estimate for a particular *property*, unless that *property* is highly material for the *reporting issuer* its subsequent annual disclosure of that type of estimate will also include aggregate estimates for the *reporting issuer* and by country (or, if appropriate and not misleading, by *foreign geographic area*), not only estimates for that *property*.

Although the exemption might not require that an estimate of *reserves* be accompanied by an estimate of related *future net revenue*, the *CSA* would generally expect disclosure of *reserves* alone to be supplemented by information such as the development and *production* status of the *reserves* and the *reporting issuer's* plans for the development of the *reserves*, so that disclosure of *reserves* volume alone is not misleading.

For the purpose of this undertaking, disclosure would be considered to be made involuntarily if, for example:

- it was made not by or at the instigation of the *reporting issuer* but instead by the operator of a joint venture of which the *reporting issuer* is a member but not the operator, for and on behalf of all the joint venturers; or
- it was made by the *reporting issuer* solely in compliance with its material change disclosure obligations under *securities legislation*.

Although the exemption might permit a *reporting issuer* to apply definitions and standards other than those presented in the *COGE Handbook*, the *CSA* would expect consistency in a *reporting issuer's* use and disclosure of other standards within and between reporting periods.

The conditions set out above are designed to ensure that the extra disclosure applies clearly identified standards and definitions and that, if the information is *material* to the *reporting issuer*, similar information is provided in the subsequent annual filings, to enable investors to assess and compare that information from year to year.

#### Consequence of Voluntary Extra Disclosure: Examples

Following are examples of key consequences that would likely follow, under such undertakings, for a *reporting issuer* that voluntarily makes extra disclosure.

- If the *reporting issuer* discloses *probable reserves* (without related *future net revenue*) estimated using *constant prices and costs*, its subsequent annual filings would have to include estimates of *probable reserves*

estimated using *constant prices and costs* in addition to SEC-mandated disclosure of proved oil and gas reserve quantities and the standardized measure.

- If the *reporting issuer* discloses *probable reserves* and related *future net revenue* estimated using *constant prices and costs*, its subsequent annual filings would have to include estimates of *probable reserves* and related *future net revenue* using *constant prices and costs* in addition to the SEC-mandated disclosure.
- If the *reporting issuer* discloses *probable reserves* (with or without related *future net revenue*) estimated using *forecast prices and costs*, its subsequent annual filings would have to include such estimates as well as estimates of *proved reserves* and related *future net revenue*, estimated using *forecast prices and cost*, in addition to the SEC-mandated disclosure.

**8.5 Stacking of Exemptions** - The possible discretionary exemptions discussed in this Part are not necessarily mutually exclusive.

In appropriate circumstances, *securities regulatory authorities* or *regulators* would likely be prepared to consider granting, on application by *reporting issuers* that fall within the classes contemplated in both sections 8.2 and 8.3 or in both sections 8.2 and 8.4, exemptions that combine the elements contemplated in those respective sections.

**8.6 Exemption not Conferring Immunity** - A discretionary exemption from any part of *NI 51-101* would not imply a lesser scope or degree of regulatory review of the *reporting issuer's* disclosure. The *reporting issuer* would still be subject to regulatory review of its filings and other disclosure, and enforcement of its disclosure obligations, whether the obligations are as set out in *securities legislation* or modified by the terms of an exemption.

**APPENDIX 1  
TO  
COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE  
FOR OIL AND GAS ACTIVITIES**

**GLOSSARY**

Section 1.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") defines a number of terms used in NI 51-101, Form 51-101F1, Form 51-101F2, Form 51-101F3 and this Companion Policy. Section 1.2 of NI 51-101 provides that terms used in the *Instrument* but not defined in the *Instrument*, NI 14-101 or the securities statute in the *jurisdiction* have the meaning or interpretation, if any, set out in the *COGE Handbook*.

This Appendix explains much of the terminology used in NI 51-101 and its accompanying documents. It is provided only as a convenience to users of NI 51-101, to assist them in better understanding the purpose and application of NI 51-101.

Part 1 of this Appendix sets out, in alphabetical order, certain terms and their meanings. Part 2 sets out certain *reserves* definitions derived from the *COGE Handbook*.

The explanations in this Appendix are derived from a number of sources, including section 1.1 of NI 51-101, NI 14-101 and the *COGE Handbook*. If the explanation is derived from another source, the source document is indicated in square brackets after the explanation (even if the explanation is not verbatim to the source document).

Background or further guidance may be found in the source documents:

- CICA Accounting Guideline 5 is included in the *CICA Handbook*, which can be obtained from the CICA.
- The *COGE Handbook* can be obtained from the Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum (Telephone (403) 237-5112; email [info@petsoc.org](mailto:info@petsoc.org); or [www.petsoc.org](http://www.petsoc.org)).
- FAS 19, FAS 69 and the *FASB Standard* can be obtained from FASB, the United States Financial Accounting Standards Board.
- SEC Industry Guide 7 "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations" can be obtained from the SEC.
- NI 14-101 can be viewed on the websites of a number of *securities regulatory authorities*.

**PART 1 DEFINITIONS**

The terms (and plural, singular or other grammatical variants thereof) set out in the left column below have the meanings respectively set out in the right column.

Defined Term	Meaning
<b>1934 Act</b>	The Securities Exchange Act of 1934 of the United States of America, as amended from time to time. [NI 14-101]
<b>Annual information form</b>	Any of the following: <ul style="list-style-type: none"> <li>(a) a "current AIF", as defined in NI 44-101;</li> <li>(b) in the case of a <i>reporting issuer</i> that is eligible to file, for the purpose of Part 3 of NI 44-101, a current annual report on Form 10-K or Form 20-F under the 1934 Act, such a current annual report so filed; or</li> <li>(c) a document prepared in Form 44-101F1 AIF and filed with the <i>securities regulatory authority</i> in the <i>jurisdiction</i> in accordance with <i>securities legislation</i> of that <i>jurisdiction</i> other than NI 44-101.</li> </ul>
	[NI 51-101]

<b>Associated gas</b>	The gas cap overlying a <i>crude oil</i> accumulation in a <i>reservoir</i> . See <i>gas</i> .
<b>Audit</b>	<p>In relation to <i>reserves data</i>, the process whereby an <i>independent qualified reserves auditor</i> carries out procedures designed to allow the <i>independent qualified reserves auditor</i> to provide reasonable assurance, in the form of an opinion that the <i>reporting issuer's reserves data</i> (or specific parts thereof) have, in all material respects, been determined and presented in accordance with the <i>COGE Handbook</i> and are, therefore, free of material misstatement.</p> <p>Because of</p> <ul style="list-style-type: none"><li>(a) the nature of the subject matter (estimates of future results with many uncertainties);</li><li>(b) the fact that the <i>independent qualified reserves auditor</i> assesses the qualifications and experience of the <i>reporting issuer's</i> staff, assesses the <i>reporting issuer's</i> systems, procedures and controls and relies on the competence of the <i>reporting issuer's</i> staff and the appropriateness of the <i>reporting issuer's</i> systems, procedures and controls; and</li><li>(c) the fact that tests and samples (involving examination of underlying documentation supporting the determination of the <i>reserves</i> and <i>future net revenue</i>) as opposed to complete <i>evaluations</i>, are involved;</li><li>(d) the level of assurance is designed to be high, though not absolute.</li></ul> <p>The level of assurance cannot be described with numeric precision. It will usually be less than, but reasonably close to, that of an <i>independent evaluation</i> and considerably higher than that of a <i>review</i>.</p> <p>[<i>COGE Handbook</i>]</p>
<b>Bbl</b>	Barrel.
<b>Bitumen</b>	A highly viscous <i>oil</i> which is too thick to flow in its native state, and which cannot be produced without altering its viscosity. The density of <i>bitumen</i> is generally less than 10 degrees API (as that term is defined by the American Petroleum Institute).
<b>BOEs</b>	Barrels of <i>oil</i> equivalent. [ <i>NI 51-101</i> and <i>COGE Handbook</i> ]
<b>Canadian GAAP</b>	Generally accepted accounting principles determined with reference to the <i>CICA Handbook</i> . [ <i>NI 14-101</i> ]
<b>CICA</b>	The Canadian Institute of Chartered Accountants. [ <i>NI 51-101</i> ]
<b>CICA Accounting Guideline 5</b>	Accounting Guideline AcG-5 "Full cost accounting in the oil and gas industry" included in the <i>CICA Handbook</i> , as amended from time to time. [ <i>NI 51-101</i> ]
<b>CICA Handbook</b>	The Handbook of the <i>CICA</i> , as amended from time to time.
<b>COGE Handbook</b>	The "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
<b>Constant prices and costs</b>	<p>Prices and costs used in an estimate that are:</p> <ul style="list-style-type: none"><li>(a) the <i>reporting issuer's</i> prices and costs as at the <i>effective date</i> of the estimation, held constant throughout the estimated lives of the <i>properties</i> to which the estimate applies;</li><li>(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the <i>reporting issuer</i> 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, those prices or costs rather than the prices and costs referred to in paragraph (a).</li></ul>

For the purpose of paragraph (a), the *reporting issuer's* prices will be the posted price for *oil* and the spot price for *gas*, after historical adjustments for transportation, gravity and other factors.

[COGE Handbook]

**Crude oil**

A mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground *reservoir* and that is liquid at the conditions under which its volume is measured or estimated. It does not include *solution gas* or *natural gas liquids*.

[COGE Handbook]

**CSA**

The Canadian Securities Administrators, an association consisting of the thirteen securities regulatory authorities in Canada.

**Developed non-producing reserves**

See Part 2 of this Appendix. [COGE Handbook]

**Developed producing reserves**

See Part 2 of this Appendix. [COGE Handbook]

**Developed reserves**

See Part 2 of this Appendix. [COGE Handbook]

**Development costs**

Costs incurred to obtain access to *reserves* and to provide facilities for extracting, treating, gathering and storing the *oil* and *gas* from the *reserves*.

More specifically, *development costs*, including applicable *operating costs of support equipment and facilities* and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, *gas* lines and power lines, to the extent necessary in developing the *reserves*;
- (b) drill and equip *development wells*, development type *stratigraphic test wells* and *service wells*, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install *production* facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, *natural gas* cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems. [CICA Accounting Guideline 5]

**Development well**

A well drilled inside the established limits of an *oil* or *gas reservoir*, or in close proximity to the edge of the *reservoir*, to the depth of a stratigraphic horizon known to be productive. [CICA Accounting Guideline 5]

**Effective date**

In respect of information, the date as at which, or for the period ended on which, the information is provided.

**Evaluation**

In relation to *reserves data*, the process whereby an economic analysis is made of a *property* to arrive at an estimate of a range of net present values of the estimated *future net revenue* resulting from the production of the *reserves* associated with the *property*. [COGE Handbook]

**Exploration costs**

Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have *prospects* that may contain *oil* and *gas reserves*, including costs of drilling *exploratory wells* and exploratory type *stratigraphic test wells*.

*Exploration costs* may be incurred both before acquiring the related *property* (sometimes referred to in part as "prospecting costs") and after acquiring the *property*. *Exploration costs*, which include applicable *operating costs of support equipment and facilities* and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to *properties* to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");
- (b) costs of carrying and retaining *unproved properties*, such as delay rentals, taxes (other than income and capital taxes) on *properties*, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping *exploratory wells*; and
- (e) costs of drilling exploratory type *stratigraphic test wells*.

[CICA Accounting Guideline 5]

**Exploratory well**

A well that is not a *development well*, a *service well* or a *stratigraphic test well*. [CICA Accounting Guideline 5]

**FAS 19**

FASB Statement of Financial Accounting Standards No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies", as amended from time to time. [NI 51-101]

**FAS 69**

FASB Statement of Financial Accounting Standards No. 69 "Disclosure about Oil and Gas Producing Activities - an amendment of FASB Statements 19, 25, 33 and 39", as amended from time to time.

**FASB**

United States Financial Accounting Standards Board.

**FASB Standard**

The following:

- (a) FAS 69; and
- (b) paragraphs .103, .106, .107, .108, .112, .160 through .167, .174 through .184, and .401 through .408 of FASB Current Text Section OI5, "Oil and Gas Producing Activities", which also reflects FAS 69.

**Field**

An area consisting of a single *reservoir* or multiple *reservoirs* all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

There may be two or more *reservoirs* in a *field* that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. *Reservoirs* that are associated by being in overlapping or adjacent *fields* may be treated as a single or common operational *field*. The geological terms "structural feature" and "stratigraphic condition" are intended to denote localized geological features, in contrast to broader terms such as "basin", "trend", "province", "play" or "area of interest".

[FASB Standard paragraph .403]

**Forecast prices and costs**

Future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future;
- (b) if, and only to the extent that, there are 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, those prices or costs rather than the prices and costs referred to in paragraph (a).

**Foreign geographic area**

A geographic area outside North America within one country or including all or portions of a number of countries.

**Form 51-101F1**

Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*.

**Form 51-101F2**

Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*.

**Form 51-101F3**

Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*.

**Future income tax expenses**

*Future income tax expenses* estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between *oil and gas activities* and other business activities;
- (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and
- (d) applying to the future pre-tax net cash flows relating to the *reporting issuer's oil and gas activities* the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

**Future net revenue**

The estimated net amount to be received with respect to the development and *production* of *reserves* (including *synthetic oil*, coal bed methane and other non-conventional *reserves*) estimated using:

- (a) *constant prices and costs*; or
- (b) *forecast prices and costs*.

This net amount is computed by deducting, from estimated future revenues:

- estimated amounts of future royalty obligations;
- costs related to the development and *production* of *reserves*;
- *well abandonment costs*; and
- *future income tax expenses*, unless otherwise specified in *NI 51-101, Form 51-101F1* or *Form 51-101F2*.

Corporate general and administrative expenses and financing costs are not deducted. Net present values of *future net revenue* may be calculated using a discount rate or without discount.

**Gas (or *natural gas*)**

The lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground *reservoir*, which under atmospheric conditions are essentially gases but which may contain *natural gas liquids*.



Gas can exist in a *reservoir* either

- (a) dissolved in *crude oil (solution gas)*; or
- (b) in a gaseous phase (*associated gas* or *non-associated gas*).

Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen.

[COGE Handbook]

**Gross**

- (a) In relation to a *reporting issuer's* interest in *production* or *reserves*, its "company gross reserves", which are the *reporting issuer's* working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the *reporting issuer*.

[COGE Handbook]

- (b) In relation to wells, the total number of wells in which a *reporting issuer* has an interest.
- (c) In relation to *properties*, the total area of properties in which a *reporting issuer* has an interest.

**Heavy oil**

In respect of *reserves* or *production*:

- (a) in a *jurisdiction* that has a royalty regime specific to *heavy oil*, "*heavy oil*" is oil that qualifies for royalties specific to *heavy oil*; or
- (b) in a *jurisdiction* that has no royalty regime specific to *heavy oil*, "*heavy oil*" is oil with a density between 10 to 22.3 degrees API (as that term is defined by the American Petroleum Institute). [COGE Handbook]

**Independent**

In respect of the relationship between a *reporting issuer* and a *qualified reserves evaluator* or *auditor*, the term has the meaning set out in the *COGE Handbook*.

**Instrument**  
(or *NI 51-101*)

*NI 51-101 Standards of Disclosure for Oil and Gas Activities*.

**Jurisdiction**

For the purposes of *NI 51-101*, a province or territory of Canada. [*NI 14-101*]

**Lease**

An agreement granting to the lessee rights to explore, develop and exploit a *property*.

**Marketable**

In respect of *reserves* or sales of *oil*, *gas* or associated by-products, the volume of *oil*, *gas* or associated by-products measured at the point of sale to a third party, or of transfer to another division of the issuer for treatment prior to sale to a third party. For *gas*, this may occur either before or after removal of *natural gas liquids*. For *heavy oil* or *bitumen*, this is before the addition of diluent.

**Material (or materiality)**

For the purposes of *NI 51-101*, information is *material*, in respect of a *reporting issuer*, if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer*.

This meaning differs from the definitions of "material change" and "material fact" in securities legislation, but is consistent with the meaning of the term as used, for accounting purposes, in the *CICA Handbook*.

[*NI 51-101*]

**Mcf**

Thousand cubic feet.

**McfGE**

Thousand cubic feet of gas equivalent. [*NI 51-101* and *COGE Handbook*]

**Natural gas**

Gas. [COGE Handbook]

<b>Natural gas liquids</b>	Those hydrocarbon components that can be recovered from <i>natural gas</i> as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.  [COGE Handbook]
<b>Net</b>	(a) In relation to a <i>reporting issuer's</i> interest in <i>production</i> or <i>reserves</i> , the <i>reporting issuer's</i> working interest (operating or non-operating) share after deduction of royalty obligations, plus the <i>reporting issuer's</i> royalty interests in <i>production</i> or <i>reserves</i> . [COGE Handbook]  (b) In relation to a <i>reporting issuer's</i> interest in wells, the number of wells obtained by aggregating the <i>reporting issuer's</i> working interest in each of its <i>gross wells</i> .  (c) In relation to a <i>reporting issuer's</i> interest in a <i>property</i> , the total area in which the <i>reporting issuer</i> has an interest multiplied by the working interest owned by the <i>reporting issuer</i> .
<b>NI 14-101</b>	National Instrument 14-101 <i>Definitions</i> .
<b>NI 44-101</b>	National Instrument 44-101 <i>Short Form Prospectus Distributions</i> .
<b>NI 51-101 or the Instrument</b>	National Instrument 51-101 <i>Standards of Disclosure for Oil and Gas Activities</i> .
<b>Non-associated gas</b>	An accumulation of <i>natural gas</i> in a <i>reservoir</i> where there is no <i>crude oil</i> . See <i>gas</i> .
<b>Oil</b>	<i>Crude oil</i> or <i>synthetic oil</i> . [COGE Handbook]
<b>Oil and gas activities</b>	" <i>Oil and gas activities</i> ":  (a) include:  (i) the search for <i>crude oil</i> or <i>natural gas</i> in their natural states and original locations;  (ii) the acquisition of property rights or <i>properties</i> for the purpose of further exploring for or removing <i>oil</i> or <i>gas</i> from <i>reservoirs</i> on those <i>properties</i> ;  (iii) the construction, drilling and <i>production</i> activities necessary to recover <i>oil</i> and <i>gas</i> from <i>reservoirs</i> , and the acquisition, construction, installation and maintenance of <i>field</i> gathering and storage systems, including lifting <i>oil</i> and <i>gas</i> to the surface and gathering, treating, <i>field</i> processing and <i>field</i> storage; and  (iv) the extraction of hydrocarbons from oil sands, shale, coal or other non-conventional sources and activities similar to those referred to in clauses (i), (ii) and (iii) undertaken with a view to such extraction; but  (b) do not include:  (i) transporting, refining or marketing <i>oil</i> or <i>gas</i> ;  (ii) activities relating to the extraction of natural resources other than <i>oil</i> and <i>gas</i> and their by-products; or  (iii) the extraction of geothermal steam or of hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources.  [NI 51-101]
<b>Operating costs</b>	<i>Production costs</i> .

<b>Possible reserves</b>	See Part 2 of this Appendix. [COGE Handbook]
<b>Preparation date</b>	In respect of written disclosure, the most recent date to which information relating to the period ending on the <i>effective date</i> was considered in the preparation of the disclosure.
<b>Probable reserves</b>	See Part 2 of this Appendix. [COGE Handbook]
<b>Production</b>	<p>Recovering, gathering, treating, <i>field</i> or plant processing (for example, processing <i>gas</i> to extract <i>natural gas liquids</i>) and <i>field</i> storage of <i>oil</i> and <i>gas</i>.</p> <p>The <i>oil production</i> function is usually regarded as terminating at the outlet valve on the lease or <i>field production</i> storage tank. The <i>gas production</i> function is usually regarded as terminating at the plant gate. In some circumstances, it may be more appropriate to regard the <i>production</i> function as terminating at the first point at which <i>oil</i>, <i>gas</i> or their by-products are delivered to a main pipeline, a common carrier, a refinery or a marine terminal.</p>
<b>Production costs (or Operating costs)</b>	<p>Costs incurred to operate and maintain wells and related equipment and facilities, including applicable <i>operating costs</i> of <i>support equipment and facilities</i> and other costs of operating and maintaining those wells and related equipment and facilities.</p> <p>Lifting costs become part of the cost of <i>oil</i> and <i>gas</i> produced.</p> <p>Examples of <i>production costs</i> are:</p> <ul style="list-style-type: none"><li>(a) costs of labour to operate the wells and related equipment and facilities;</li><li>(b) costs of repairs and maintenance;</li><li>(c) costs of materials, supplies and fuel consumed, and supplies utilized, in operating the wells and related equipment and facilities;</li><li>(d) costs of workovers;</li><li>(e) property taxes and insurance costs applicable to <i>properties</i> and wells and related equipment and facilities; and</li><li>(f) taxes, other than income and capital taxes.</li></ul>
<b>Production group</b>	<p>One of the following together, in each case, with associated by-products:</p> <ul style="list-style-type: none"><li>(a) light and medium <i>crude oil</i> (combined);</li><li>(b) <i>heavy oil</i>;</li><li>(c) <i>associated gas</i> and <i>non-associated gas</i> (combined); and</li><li>(d) <i>bitumen</i>, <i>synthetic oil</i> or other products from non-conventional <i>oil and gas activities</i>.</li></ul>
<b>Product type</b>	<p>One of the following:</p> <ul style="list-style-type: none"><li>(a) in respect of conventional <i>oil and gas activities</i>:<ul style="list-style-type: none"><li>(i) light and medium <i>crude oil</i> (combined);</li><li>(ii) <i>heavy oil</i>;</li><li>(iii) <i>natural gas</i> excluding <i>natural gas liquids</i>; or</li><li>(iv) <i>natural gas liquids</i>; and</li></ul></li><li>(b) in respect of non-conventional <i>oil and gas activities</i>:<ul style="list-style-type: none"><li>(i) <i>synthetic oil</i>;</li></ul></li></ul>

- (ii) *bitumen*;
- (iii) coal bed methane; or
- (iv) hydrates.

[NI 51-101]

**Professional organization**

A self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose professional practice includes *reserves evaluations* or *reserves audits*, that:

- (a) admits members primarily on the basis of their educational qualifications;
- (b) requires its members to comply with the professional standards of competence and ethics prescribed by the organization that are relevant to the estimation, *evaluation*, *review* or *audit* of *reserves data*;
- (c) has disciplinary powers, including the power to suspend or expel a member; and
- (d) is either:
  - (i) given authority or recognition by statute in a Canadian jurisdiction; or
  - (ii) accepted for this purpose by the *securities regulatory authority* or the *regulator*.

[NI 51-101]

**Property**

A *property* includes:

- (a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract *oil* or *gas* subject to such terms as may be imposed by the conveyance of that interest;
- (b) royalty interests, *production* payments payable in *oil* or *gas*, and other non-operating interests in *properties* operated by others; and
- (c) an agreement with a foreign government or authority under which a *reporting issuer* participates in the operation of *properties* or otherwise serves as "producer" of the underlying *reserves* (in contrast to being an independent purchaser, broker, dealer or importer).

A *property* does not include supply agreements, or contracts that represent a right to purchase, rather than extract, *oil* or *gas*.

[CICA Accounting Guideline 5]

**Property acquisition costs**

Costs incurred to acquire a *property* (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the *property*), including:

- (a) costs of lease bonuses and options to purchase or lease a *property*;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;
- (c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring *properties*.

[CICA Accounting Guideline 5]

**Prospect**

A geographic or stratigraphic area, in which the *reporting issuer* owns or intends to own one or more *oil* and *gas* interests, which is geographically defined on the basis of geological data

and which is reasonably anticipated to contain at least one *reservoir* or part of a *reservoir* of *oil* and *gas*.

**Proved property** A *property* or part of a *property* to which *reserves* have been specifically attributed.

**Proved reserves** See Part 2 of this Appendix. [COGE Handbook]

**Qualified reserves auditor** An individual who:

- (a) in respect of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* and *audit* of the *reserves data* and related information; and
- (b) is a member in good standing of a *professional organization*.

[NI 51-101]

**Qualified reserves evaluator** An individual who:

- (a) in respect of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data* and related information; and
- (b) is a member in good standing of a *professional organization*.

[NI 51-101]

**Qualified reserves evaluator or auditor** A *qualified reserves auditor* or a *qualified reserves evaluator*.

[NI 51-101]

**Regulator** The *securities regulatory authority* or a person who holds a specified position with the *securities regulatory authority* (in several instances, its Executive Director or Director) in each *jurisdiction*.

[NI 14-101]

**Reporting issuer** (a) A "reporting issuer" as defined in *securities legislation*; or  
(b) in a *jurisdiction* in which the term is not defined in *securities legislation*, an issuer of securities that is required to file financial statements with the *securities regulatory authority*.

**Reservation** In relation to a report on *reserves data*, a modification of the standard report of an *independent qualified reserves evaluator or auditor* on *reserves data* set out in *Form 51-101F2*, caused by a departure from the *COGE Handbook* or by a limitation in the scope of work that the *independent qualified reserves evaluator or auditor* considers necessary. A modification may take the form of a qualified or adverse opinion or a denial of opinion.

**Reserves** See Part 2 of this Appendix. [COGE Handbook]

**Reserves data**

The following estimates, as at the last day of the *reporting issuer's* most recent financial year:

- (a) *proved reserves* and related *future net revenue* estimated:
  - (i) using *constant prices and costs* as at the last day of that financial year; and
  - (ii) using *forecast prices and costs*; and
- (b) *probable reserves* and related *future net revenue* estimated using *forecast prices and costs*.

[NI 51-101]

**Reservoir**

A porous and permeable underground formation containing a natural accumulation of producible *oil* or *gas* that is confined by impermeable rock or water barriers and is individual and separate from other *reservoirs*. [CICA Accounting Guideline 5]

**Resources**

Those quantities of *oil* and *gas* estimated to exist originally in naturally occurring accumulations.

*Resources* are, therefore, those quantities estimated on a particular date to be remaining in known accumulations plus those quantities already produced from known accumulations plus those quantities in accumulations yet to be discovered.

*Resources* are divided into:

- (a) *discovered resources*, which are limited to known accumulations; and
- (b) *undiscovered resources*.

[COGE Handbook]

**Review**

In relation to the role of a *qualified reserves evaluator or auditor* in respect of *reserves data*, steps carried out by the *qualified reserves evaluator or auditor*, consisting primarily of enquiry, analytical procedures, analysis, review of historical reserves performance and discussion with *reserves* management staff related to a *reporting issuer's reserves data*, with the limited objective of assessing whether the *reserves data* is "plausible" in the sense of appearing to be worthy of belief based on the information obtained by the *qualified reserves evaluator or auditor* as a result of carrying out such steps. Examination of documentation is not required unless the information does not appear to be plausible.

A *reserves review*, due to the limited nature of the investigation involved, does not provide the level of assurance provided by a *reserves audit*. Although *reserves reviews* can be done for specific applications, they are not a substitute for an *audit*.

[COGE Handbook]

**SEC**

The Securities and Exchange Commission of the United States of America. [NI 14-101]

**Securities legislation**

The statute (in most cases entitled the "Securities Act") and subordinate legislation (in most cases including regulations or rules) specified, for each *jurisdiction*, in NI 14-101.

References in NI 51-101 to *securities legislation* are to be read as references to *securities legislation* in the particular *jurisdiction*.

**Securities regulatory authority**

The securities commission or comparable body specified, for each *jurisdiction*, in NI 14-101.

References in NI 51-101 to the *securities regulatory authority* are to be read as references to the *securities regulatory authority* in the particular *jurisdiction*.

**SEDAR**

The System for Electronic Document Analysis and Retrieval referred to in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*.

<b>Senior producing issuer</b>	<p>A <i>reporting issuer</i> that:</p> <ul style="list-style-type: none"><li>(a) demonstrates capability to estimate its <i>reserves</i> and <i>future net revenue</i> in accordance with the <i>COGE Handbook</i> (other than with respect to <i>independence</i>); and</li><li>(b) produced an average of more than 100,000 <i>BOEs</i> of <i>oil and gas</i> (converted in the ratio 6 <i>Mcf</i> :1 <i>bbbl</i>) per day throughout its most recent financial year.</li></ul>
<b>Service well</b>	<p>A well drilled or completed for the purpose of supporting <i>production</i> in an existing <i>field</i>. Wells in this class are drilled for the following specific purposes: <i>gas injection</i> (<i>natural gas</i>, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.</p> <p>[<i>CICA Accounting Guideline 5</i>]</p>
<b>Solution gas</b>	<p>Gas dissolved in <i>crude oil</i>. See <i>gas</i>.</p>
<b>Stratigraphic test well</b>	<p>A drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon <i>production</i>. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration.</p> <p><i>Stratigraphic test wells</i> are classified as</p> <ul style="list-style-type: none"><li>(a) "exploratory type" if not drilled into a <i>proved property</i>; or</li><li>(b) "development type", if drilled into a <i>proved property</i>. Development type stratigraphic wells are also referred to as "evaluation wells". [<i>CICA Accounting Guideline 5</i>]</li></ul>
<b>Support equipment and facilities</b>	<p>Equipment and facilities used in <i>oil and gas activities</i>, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.</p>
<b>Supporting filing</b>	<p>A document that has been filed by the <i>reporting issuer</i> with a <i>securities regulatory authority</i>. [<i>NI 51-101</i>]</p>
<b>Synthetic oil</b>	<p>A mixture of hydrocarbons derived by upgrading crude <i>bitumen</i> from oil sands or kerogen from oil shales or other substances such as coal.</p> <p>[<i>COGE Handbook</i>]</p>
<b>Undeveloped reserves</b>	<p>See Part 2 of this Appendix. [<i>COGE Handbook</i>]</p>
<b>Unproved property</b>	<p>A <i>property</i> or part of a <i>property</i> to which no <i>reserves</i> have been specifically attributed.</p>
<b>Well abandonment costs</b>	<p>Costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.</p>

## PART 2 DEFINITIONS OF RESERVES

This Part is derived from Section 5.4 of Volume 1 of the *COGE Handbook* (First Edition, June 30, 2002). Consult the *COGE Handbook* for additional explanation and guidance.

The following definitions and guidelines have been prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society) after many years of consultations and deliberations. These definitions and guidelines must be used by qualified evaluators when evaluating and reporting oil and gas reserves and related substances.

The definitions and guidelines are designed to assist:

- evaluators in making reserves estimates on a reasonably consistent basis;

- users of evaluation reports in understanding what such reports contain and, if necessary, in judging whether evaluators have followed generally accepted standards.

The guidelines outline

- general criteria for classifying *reserves*,
- procedures and methods for estimating *reserves*,
- confidence levels of individual entity and aggregate *reserves* estimates,
- verification and testing of *reserves* estimates.

The determination of *oil* and *gas reserves* involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of *proved*, *probable*, and *possible reserves* have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of *reserves* requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific *reserves* classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply *reserves* definitions. These concepts are presented and discussed in greater detail within the guidelines in Section 5.5 [of the *COGE Handbook*].

The following definitions apply to both estimates of individual *reserves* entities and the aggregate of *reserves* for multiple entities.

#### **Reserves Categories**

*Reserves* are estimated remaining quantities of *oil* and *natural gas* and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions<sup>1</sup>, which are generally accepted as being reasonable, and shall be disclosed.

*Reserves* are classified according to the degree of certainty associated with the estimates

- (a) **Proved reserves** are those *reserves* that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated *proved reserves*.
- (b) **Probable reserves** are those additional *reserves* that are less certain to be recovered than *proved reserves*. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated *proved plus probable reserves*.
- (c) **Possible reserves** are those additional *reserves* that are less certain to be recovered than *probable reserves*. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated *proved plus probable plus possible reserves*.

Other criteria that must also be met for the categorization of *reserves* are provided in [Section 5.5 of the *COGE Handbook*].

#### **Development and Production Status**

Each of the *reserves* categories (*proved*, *probable* and *possible*) may be divided into *developed* and *undeveloped* categories:

<sup>1</sup> For the purposes of NI 51-101, the key economic assumptions will be the prices and costs used in the estimate, namely:

- (a) **constant prices and costs** as at the last day of a reporting issuer's financial year; or
- (b) **forecast prices and costs**.



- (a) **Developed reserves** are those *reserves* that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the *reserves* on production. The *developed* category may be subdivided into producing and non-producing.
- (i) **Developed producing reserves** are those *reserves* that are expected to be recovered from completion intervals open at the time of the estimate. These *reserves* may be currently producing or, if shut-in, they must have previously been on *production*, and the date of resumption of *production* must be known with reasonable certainty.
- (ii) **Developed non-producing reserves** are those *reserves* that either have not been on *production*, or have previously been on *production*, but are shut-in, and the date of resumption of *production* is unknown.
- (b) **Undeveloped reserves** are those *reserves* expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of *production*. They must fully meet the requirements of the *reserves* classification (*proved*, *probable*, *possible*) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool *reserves* between the *developed* and *undeveloped* categories or to subdivide the *developed reserves* for the pool between *developed producing* and *developed non-producing*. This allocation should be based on the estimator's assessment as to the *reserves* that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and *production* status.

#### Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which *reserves* calculations are performed) and to reported *reserves* (which refers to the highest-level sum of individual entity estimates for which *reserves* estimates are presented). Reported *reserves* should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated *proved reserves*;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated *proved plus probable reserves*; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated *proved plus probable plus possible reserves*.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various *reserves* categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of *reserves* estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with *reserves* estimates and the effect of aggregation is provided in Section 5.5.3 [of the *COGE Handbook*].

APPENDIX 2  
TO  
COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE  
FOR OIL AND GAS ACTIVITIES

SAMPLE RESERVES DATA DISCLOSURE

**Format of Disclosure**

*NI 51-101* and *Form 51-101F1* offer *reporting issuers* considerable flexibility in the format of their disclosure of *reserves data* and related information. Whatever format and level of detail a *reporting issuer* chooses to use in satisfying the requirements of *NI 51-101*, the objective should be to enable reasonable investors to understand and assess the information, and compare it to corresponding information presented by the *reporting issuer* for other reporting periods or to similar information presented by other *reporting issuers*, in order to be in a position to make informed investment decisions concerning securities of the *reporting issuer*.

A logical and legible layout of information, use of descriptive headings, and consistency in terminology and presentation from document to document and from period to period, are all likely to further that objective.

*Reporting issuers* and their advisers are reminded of the materiality standard under section 1.4 of *NI 51-101*, and of the instructions in *Form 51-101F1*. See also sections 1.2, 2.2, 2.3 and 2.9 of Companion Policy 51-101CP.

**Sample Tables**

The following sample tables provide an example of how certain of the *reserves data* might be presented in a manner consistent with *NI 51-101*. Other manners of presentation may also satisfy the requirements of *NI 51-101*.

These sample tables do not reflect all of the information required by *Form 51-101F1*, and they have been simplified to reflect *reserves* in one country only. For the purpose of illustration, the sample tables also incorporate information not mandated by *NI 51-101* but which *reporting issuers* might wish to include in their disclosure; shading indicates this non-mandatory information.

**SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
as of December 31, 2003  
CONSTANT PRICES AND COSTS**

RESERVES CATEGORY	RESERVES							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS <sup>(1)</sup>		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
PROVED								
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined) and (ii) solution gas.


RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)				
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)
PROVED										
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx

OPTIONAL

Reference: Item 2.1(1) and (2) of Form 51-101F1

**TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED)  
as of December 31, 2003  
CONSTANT PRICES AND COSTS**

RESERVES CATEGORY	REVENUE (M\$)	ROYALTIES (M\$)	OPERATING COSTS (M\$)	DEVELOPMENT COSTS (M\$)	WELL ABANDONMENT COSTS (M\$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M\$)	INCOME TAXES (M\$)	FUTURE NET REVENUE AFTER INCOME TAXES (M\$)
Proved Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Proved Plus Probable Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

 OPTIONAL

Reference: Item 2.1(3)(b) of Form 51-101F1

**FUTURE NET REVENUE  
BY PRODUCTION GROUP  
as of December 31, 2003  
CONSTANT PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx

 OPTIONAL

Reference: Item 2.1(3)(c) of Form 51-101F1

**SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
as of December 31, 2003  
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	RESERVES							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS <sup>(1)</sup>		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
PROVED								
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

- (1) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined) and (ii) solution gas.

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)				
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)
PROVED										
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx

Reference: Item 2.2(1) and (2) of Form 51-101F1

**TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED)  
as of December 31, 2003  
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	REVENUE (M\$)	ROYALTIES (M\$)	OPERATING COSTS (M\$)	DEVELOPMENT COSTS (M\$)	WELL ABANDONMENT COSTS (M\$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M\$)	INCOME TAXES (M\$)	FUTURE NET REVENUE AFTER INCOME TAXES (M\$)
Proved Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Proved Plus Probable Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Reference: Item 2.2(3)(b) of Form 51-101F1

**FUTURE NET REVENUE  
BY PRODUCTION GROUP  
as of December 31, 2003  
FORECAST PRICES AND COSTS**


RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	xxx
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx

Reference: Item 2.2(3)(c) of Form 51-101F1

**SUMMARY OF PRICING ASSUMPTIONS  
as of December 31, 2003**

**CONSTANT PRICES AND COSTS**

Year	OIL <sup>(1)</sup>				NATURAL GAS <sup>(1)</sup> AECO Gas Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate (\$Cdn/bbl)	EXCHANGE RATE <sup>(2)</sup> (\$US/\$Cdn)
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40 <sup>0</sup> API (\$Cdn/bbl)	Hardisty Heavy 12 <sup>0</sup> API (\$Cdn/bbl)	Cromer Medium 29.3 <sup>0</sup> API (\$Cdn/bbl)			
Historical (Year End)							
2000	XX	XX	XX	XX	XX	XX	XX
2001	XX	XX	XX	XX	XX	XX	XX
2002	XX	XX	XX	XX	XX	XX	XX
2003 (Year End)	XX	XX	XX	XX	XX	XX	XX

 OPTIONAL

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a *reporting issuer*.
- (2) The exchange rate used to generate the benchmark reference prices in this table.

Reference: Item 3.1 of *Form 51-101 F1*

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS**  
as of December 31, 2003  
**FORECAST PRICES AND COSTS**

Year	OIL <sup>(1)</sup>				NATURAL GAS <sup>(1)</sup> AECO Gas Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate (\$Cdn/bbl)	INFLATION RATES <sup>(2)</sup> %/Year	EXCHANGE RATE <sup>(3)</sup> \$US/\$Cdn
	WTI Cushing Oklahoma \$US/bbl	Edmonton Par Price 40° API \$Cdn/bbl	Hardisty Heavy 12° API \$Cdn/bbl	Cromer Medium 29.3° API \$Cdn/bbl				
Historical <sup>(4)</sup>								
2000	XX	XX	XX	XX	XX	XX	XX	XX
2001	XX	XX	XX	XX	XX	XX	XX	XX
2002	XX	XX	XX	XX	XX	XX	XX	XX
2003	XX	XX	XX	XX	XX	XX	XX	XX
Forecast								
2004	XX	XX	XX	XX	XX	XX	XX	XX
2005	XX	XX	XX	XX	XX	XX	XX	XX
2006	XX	XX	XX	XX	XX	XX	XX	XX
2007	XX	XX	XX	XX	XX	XX	XX	XX
2008	XX	XX	XX	XX	XX	XX	XX	XX
Thereafter	XX	XX	XX	XX	XX	XX	XX	XX



**OPTIONAL**

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a *reporting issuer*.
- (2) Inflation rates for forecasting prices and costs.
- (3) Exchange rates used to generate the benchmark reference prices in this table
- (4) Item 3.2 (1)(b) of *Form 51-101F1* also requires disclosure of the *reporting issuer's* weighted average historical prices for the most recent financial year (2003, in this example).

Reference: Item 3.2 of *Form 51-101 F1*



**RECONCILIATION OF  
COMPANY NET RESERVES  
BY PRINCIPAL PRODUCT TYPE**

**[FORECAST/CONSTANT] PRICES AND COSTS <sup>(1)</sup>**

FACTORS	LIGHT AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
	Net Proved (Mbbbl)	Net Probable (Mbbbl)	Net Proved Plus Probable (Mbbbl)	Net Proved (Mbbbl)	Net Probable (Mbbbl)	Net Proved Plus Probable (Mbbbl)	Net Proved (MMcf)	Net Probable (MMcf)	Net Proved Plus Probable (MMcf)
December 31, 2002	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Improved Recovery	xx	xx	xx	xx	xx	xx	xx	xx	xx
Technical Revisions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Discoveries	xx	xx	xx	xx	xx	xx	xx	xx	xx
Acquisitions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Dispositions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Economic Factors	xx	xx	xx	xx	xx	xx	xx	xx	xx
Production	xx	xx	xx	xx	xx	xx	xx	xx	xx
December 31, 2003	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) A reconciliation of reserves estimates may be presented using either *constant prices and costs* or *forecast prices and costs* provided that the price and cost case is indicated in the disclosure of the reserves reconciliation.

Reference: Item 4.1 of Form 51-101F1

**RECONCILIATION OF CHANGES IN  
NET PRESENT VALUES OF FUTURE NET REVENUE  
DISCOUNTED AT 10% PER YEAR**

**PROVED RESERVES**

**CONSTANT PRICES AND COSTS**

PERIOD AND FACTOR	2003 (M\$)	2002 (M\$)
Estimated Future Net Revenue at Beginning of Year	xxx	xxx
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	xx	xx
Net Change in Prices, Production Costs and Royalties Related to Future Production	xx	xx
Changes in Previously Estimated Development Costs Incurred During the Period	xx	xx
Changes in Estimated Future Development Costs	xx	xx
Extensions and Improved Recovery Discoveries	xx	xx
Acquisitions of Reserves	xx	xx
Dispositions of Reserves	xx	xx
Net Change Resulting from Revisions in Quantity Estimates	xx	xx
Accretion of Discount	xx	xx
Net Change in Income Taxes	xx	xx
Estimated Future Net Revenue at End of Year	xxx	xxx



OPTIONAL

Reference: Item 4.2 of Form 51-101F1

**NOTES TO SAMPLE TABLES**

1. These sample tables do not reflect all of the information required by Form 51-101F1, and they have been simplified to reflect reserves in one country only, with no non-conventional oil and gas activities.
2. For the purpose of illustration, the sample tables also incorporate information not mandated by NI 51-101 but which reporting issuers might wish to include in their disclosure; shading indicates that this information is optional.
3. "M\$" means thousands of dollars.
4. The estimates of future net revenue presented in the sample tables do not represent fair market value. (Reference: Section 5.6 of NI 51-101).

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## Chapter 7

# Insider Reporting

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This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see [www.carswell.com](http://www.carswell.com)).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website ([www.sedi.ca](http://www.sedi.ca)).

## Chapter 8

# Notice of Exempt Financings

### Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

#### REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

<u>Transaction Date</u>	<u>Purchaser</u>	<u>Security</u>	<u>Total Purchase Price (\$)</u>	<u>Number of Securities</u>
12-Jul-2003	10 Purchasers	3DNA Corp. - Common Shares	831,440.00	1,430,292.00
30-Jun-2003	Vishnu Mathur	Acuity Pooled Fixed Income Fund - Trust Units	150,000.00	11,003.00
30-Jun-2003	Elaine Marshall	Acuity Pooled High Income Fund - Trust Units	155,000.00	10,004.00
24-Jun-2003	Peter Barton	Acuity Pooled Income Trust Fund - Trust Units	50,000.00	4,394.00
26-Jun-2003	10 Purchasers	ADB Systems International Ltd. - Units	355,500.00	1,481,249.00
01-Jan-2002 30-Sep-2002	19 Purchasers	AGF Funds Inc. - Units	103,416,590.03	9,721,994.00
02-Jul-2003	Ian W. & Catherine A. Delaney	Alpha Fund (The) - Limited Partnership Units	500,000.00	5.00
30-Jun-2003	5 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	2,435,408.22	5,038.00
02-Jul-2003	National Bank Financial	Apollo Trust - Bonds	1,800,000.00	1.00
25-Jun-2003	3 Purchasers	Arctic Star Diamond Corp. - Units	175,800.00	556,667.00
27-Jun-2003	Toronto Dominion Bank	Arrow Electronics, Inc. - Notes	6,986,420.00	7,000,000.00
03-Jul-2003	Business Development Bank of Canada	Atreus Systems, Inc. - Shares	1.00	1.00
03-Jul-2003	Business Development Bank of Canada	Atreus Systems, Inc. - Shares	692,033.75	8,052,808.00
31-Dec-2002 01-Feb-2002	6 Purchasers	AutoSoldNow Inc. - Common Shares	63,000.00	572,728.00
25-Jun-2003	Elaine Minacs	AutoSoldNow Inc. - Common Shares	20,000.00	181,818.00

**Notice of Exempt Financings**

04-Jul-2003	3 Purchasers	Avenue Financial Corporation - Convertible Debentures	100,000.00	450,000.00
01-Jul-2003	4 Purchaser	AXIS Capital Holdings Limited - Common Shares	1,352,335.60	46,000.00
01-Jun-2003	Amelia Perri	Bariview Invesment Corporation - Common Shares	25,700.00	257.00
30-Jun-2003	1989 Besse Family Trust	Bessecos Holdings Inc. - Shares	22,269,476.00	22,269,476.00
20-Jun-2003	George Tso	BPI American Opportunities RSP Fund - Units	25,478.47	266.00
13-Jun-2003	Gary Fruchtman	BPI Global Opportunites III Fund - Units	35,000.00	388,500.00
20-Jun-2003	James and Evelyn Hagan;Ronald Hanson	BPI Global Opportunites III Fund - Units	111,177.02	1,214.00
13-Jun-2003	Diane Hollywood;Ivan Varga	BPI Global Opportunites III RSP Fund - Units	20,035.05	208,330.00
03-Jul-2003	4 Purchasers	Bulldog Energy Inc. - Common Shares	1,780,000.00	2,225,000.00
23-Jun-2003	Ken Kukkee	Canadian Golden Dragon Resources Ltd. - Common Shares	2,800.00	20,000.00
07-Jul-2003	4 Purchasers	Canadian Western Bank - Debentures	30,000,000.00	0.00
03-Jul-2003	Citibank Canada	Capital International Emerging Markets Fund - Shares	8,516,178.00	228,469.00
30-May-2003	29 Purchasers	Carma Financial Services Corporation - Units	1,553,625.00	15,536,250.00
27-Jun-2003	3 Purchasers	Cascades Boxboard Group Inc. - Preferred Shares	35,000,025.00	1,400,000.00
24-Jun-2003	5 Purchasers	Chubb Corporation The - Common Shares	443,980.00	12,000.00
27-Jun-2003	19 Purchasers	ConjuChem Inc. - Common Shares	2,982,464.00	2,041,250.00
30-Jun-2003	6 Purchasers	Contemporary Investment Corp. - Common Shares	69,500.00	69,500.00
30-Jun-2003	5 Purchasers	Coronation Minerals Inc. - Common Shares	490,000.05	3,266,667.00
04-Jul-2003	The VenGrowth II Investment Fund Inc.	Critical Telecom Corp. - Preferred Shares	6,000,000.00	15,608,741.00
24-Jun-2003	Yorkton Securities Inc.	Crystallex International Corporation - Common Shares	207,500.00	83,000.00
02-Jul-2003	Dundee Capital Corporation	Dundee Wealth Management Inc. - Common Shares	818,050.20	127,820.00

**Notice of Exempt Financings**

02-Jul-2003	473270 Ontario Limited	Dynex Capital Limited Partnership - Common Shares	100,000.00	100.00
30-Jun-2003	15 Purchasers	Eden Tree Technologies, Inc. - Shares	167,860.00	226,848.00
07-Jul-2003	Altamira Management Ltd.	Endo Pharmaceuticals Holdings Inc. - Shares	522,505.00	25,000.00
04-Jul-2003	7 Purchasers	Euston Capital Corp. - Common Shares	30,600.00	10,200.00
26-Jun-2003 27-Jun-2003	50 Purchasers	Fronteer Development Group Inc. - Units	2,517,725.60	4,054,799.00
02-Jul-2003	Nelson Thomson Learning	Gage Learning Corporation - Shares	1,483,930.00	1,000,000.00
02-Jul-2003	Nelson Thomson Learning	Gage Learning Corporation - Shares	749,780.00	1,000,000.00
02-Jul-2003	Nelson Thomson Learning	Gage Learning Corporation - Shares	40,484,290.00	22,075,193.00
25-Jun-2003	G. Oliver Investments Inc.	GCP Mining Corporation - Flow-Through Shares	25,000.00	100,002.00
08-Jul-2003	7 Purchasers	GDI Global Data Inc. - Debentures	280,000.00	280,000.00
01-Jan-2001 30-Apr-2001	29 Purchasers	Giraffe Capital Corporation - Limited Partnership Units	11,059,044.00	2,182,628.00
30-Jun-2003	27 Purchasers	Grey Island Systems International Inc. - Units	979,000.00	3,916,000.00
25-Jun-2003	Cinram International Inc.	HSBC Euro Liquidity Fund - Units	2,802,107.48	1,800,000.00
02-Jul-2003	10 Purchasers	HydraLogic Systems Inc. - Convertible Debentures	375,000.00	375,000.00
27-Jun-2003	N/A	Ibis Petroleum Inc. - Common Shares	9,000.00	9,000.00
02-Jul-2003	Canadian Medical Protective Association	Imperial Capital Acquisition Fund III - Limited Partnership Units	199,990.00	199,990.00
02-Jul-2003	Kensington Fund of Funds;L.P.	Imperial Capital Acquisition Fund III (Institutional) 3 Limited Partnership - Limited Partnership Units	115,000.00	115,000.00
26-Jun-2003 02-Jul-2003	3 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	45,500.00	15,200.00
04-Jul-2003	14 Purchasers	Infowave Software, Inc. - Units	321,661.50	1,994,800.00
02-Jul-2003	CGI Information Systems and Management Consultants Inc.	Innovapost Inc. - Common Shares	28,399,714.98	49,000.00

**Notice of Exempt Financings**

03-Jul-2003	3 Purchasers	Intelligent Photonics Control Corp. - Preferred Shares	4,032,365.00	11,160,714.00
30-Jun-2003	5 Purchasers	IPC AL Real Estate Investment Trust - Shares	150,005.00	5.00
30-Jun-2003	5 Purchasers	IPC AL Real Estate Investment Trust - Shares	150,009.10	5.00
06-Jun-2003	12 Purchasers	IS2 Medical Systems Inc, - Preferred Shares	1,192,171.00	794,783.00
30-Jun-2003	Eleanor Barker	Kelso Energy Inc. - Units	7,000.00	7,000.00
26-Jun-2003	4 Purchasers	Ketch Resources Ltd. - Common Shares	14,400,000.00	2,000,000.00
01-Aug-2002 18-Oct-2002	7 Purchasers	King & Victoria Fund L.P. - Limited Partnership Units	4,550,000.00	4,480.00
13-Jun-2003	Silvio Deluca;Maria Deluca	Landmark Global Opportunities RSP Fund - Units	23,000.00	232,769.00
25-Jun-2003	Lawrence & Company Inc.	LipoScience, Inc. - Shares	155,003.55	35,633.00
02-Jul-2003	1072850 Ontario Limited	MediaOne Network Inc. - Common Shares	250,000.00	5,083.00
03-Jul-2003	16 Purchasers	Metalex Ventures Ltd. - Flow-Through Shares	3,003,859.00	870,684.00
04-Jul-2003	Nelson Gutta	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
04-Jul-2003	Wally Speckert	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
01-Jul-2003	4 Purchasers	MMCAP Limited Partnership Fund - Limited Partnership Units	696,000.00	696.00
27-Jun-2003	Paloma Securities	Mobifon Holdings B.V. - Notes	2,442,150.00	2,500,000.00
25-Jun-2003	GWD Ventures Inc.	MyAdGuys.com Inc. - Notes	243,720.00	1.00
01-Jul-2003	Alan Shayampour	N-able Technologies Inc. - Shares	100,010.00	200,000.00
11-Jul-2003	Mary Comi	Natural Data Inc. - Common Shares	1.00	20,000.00
08-Jul-2003	Francesco C. Labriciossa	Navaho Networks Inc. - Common Shares	64,000.00	64,000.00
07-Jul-2003	Daryl Charanduk	Navaho Networks Inc. - Common Shares	50,000.00	50,000.00
27-Jun-2003	45 Purchasers	Newport Capital Insurance Limited Partnership - Limited Partnership Units	20,200,000.00	404,000.00
03-Jul-2003	Kramer & Henderson	Nexus Group International Inc. - Common Shares	13,079.00	373,686.00



**Notice of Exempt Financings**

23-Jun-2003	Michael Newbury	Northern Orion Resources Inc. - Common Shares	20,250.00	15,000.00
26-Jun-2003	Canadian Science and Technology Growth Fund Inc. and OPG Ventures Inc.	NxtPhase Corporation - Units	622,787.00	3,500,000.00
08-Jul-2003	Amaranth Resources Limited	Oleum West Capital L.P. - Units	250,000.00	250.00
08-Jul-2003	08-07-2003	Online Hearing.com Inc. - Convertible Debentures	82,000.00	8.00
07-Jul-2003	3 Purchasers	Oxford Software Developers Inc. - Common Shares	2,250.00	2,250.00
04-Jul-2003	Canada Bread Company; Limited	Parisco Limited - Common Shares	6,877,896.00	10,000.00
07-Jul-2003 08-Jun-2003	4 Purchasers	Patrician Diamonds Inc. - Flow-Through Shares	145,000.00	1,450,000.00
01-Jul-2003	JRS Group	Paul Royalty Fund II, L.P. - Limited Partnership Units	1,280,000.00	0.00
30-Jun-2003	The Atkinson Charitable Foundation	Penreal Property Fund V Limited Partnership - Limited Partnership Units	1,000,000.00	200,000.00
30-Jun-2003	The General Synod Pension Plan	Penreal Property Fund V Ltd. - Common Shares	10,000,000.00	2,000,000.00
30-Jun-2003	941287 Ontario Inc.	Performance Market Neutral Fund - Limited Partnership Units	731,676.00	519.00
08-Jul-2003	Hutchold Ltd.	Plazacorp Partners I Limited Partnership - Limited Partnership Units	400,000.00	4,000.00
08-Jul-2003	7 Purchasers	Plazacorp Partners II Limited Partnership - Limited Partnership Units	1,019,600.00	10,196.00
02-Jul-2003	Sun Life Assurance Company of Canada	QSPE-VFC Trust II - Notes	1,500,000.00	1.00
03-Jul-2003	Amaranth LLC	Queenstake Resources Ltd. - Warrants	0.00	39,000,000.00
30-Jun-2003	Dan Goodman; Peter Walker	Quest Capital Corporation - Shares	250,000.00	208,344.00
25-Jun-2003	6 Purchasers	Recognia Inc. - Notes	80,345.00	6.00
09-Jul-2003	Susan Thomson	Red Media Corp. - Special Warrants	5,000.00	25,000.00
07-Jul-2003	CMP 2003 Resource Limited Partnership	Regis Resources Inc. - Common Shares	300,000.00	375,000.00
27-Jun-2003	MRF 2003 Limited Partnership and CMP 2003 Resource Limited	River Gold Mines Ltd. - Flow-Through Shares	2,000,001.00	571,429.00

**Notice of Exempt Financings**

30-Jun-2003	5 Purchasers	Sonomax Hearing Healthcare Inc. - Common Shares	265,600.00	585,334.00
07-Jul-2003	6 Purchasers	Sonomax Hearing Healthcare Inc. - Common Shares	245,510.40	818,368.00
07-Jul-2003	5 Purchasers	Stealth Minerals Limited - Common Shares	205,000.00	700,000.00
08-Jul-2003	Ralph Steedman; Management Inc.	Stealth Minerals Limited - Warrants	5,000,000.00	4,200,000.00
26-Jun-2003	4 Purchasers	Storm Energy Ltd. - Flow-Through Shares	9,516,000.00	1,189,500.00
09-Jul-2003	3 Purchasers	SynX Pharma Inc. - Debentures	2,500,000.00	3,750,000.00
02-Jul-2003	3 Purchasers	Tagish Lake Gold Corp. - Flow-Through Shares	1,046,916.24	3,610,056.00
02-Jul-2003	CMP 2003 Resources Limited Partnership	Tahera Corporation - Flow-Through Shares	999,999.98	7,142,857.00
02-Jul-2003	NCE Flow-Through (2003) Limited Partnership;MRF 2003 Limited Partnership	Tahera Corporation - Flow-Through Shares	999,999.98	7,142,857.00
01-Jul-2002 01-Jun-2003	15 Purchasers	The Gluskin Sheff Fund - Limited Partnership Units	3,605,962.14	51,995,872.00
01-Mar-2003 01-Jun-2003	25 Purchasers	The GS+A Global Fund - Class "A" - Units	6,255,523.91	62,119.00
01-Jul-2002 01-Jun-2003	83 Purchasers	The GS+A Premium Income Fund - Units	19,921,017.02	167,044.00
01-Jul-2002 01-Jun-2003	29 Purchasers	The GS+A Value Fund - Limited Partnership Units	5,933,945.12	57,848,036.00
02-Jul-2003	James Fleck	TLContact.com, Inc. - Notes	676,400.00	500,000.00
13-Jun-2003	Gary Fruchtman	Trident Global Opportunities Fund - Units	35,000.00	338,066.00
08-Jul-2003	CMP 2003 Resources Limited Partnership	Twin Mining Corporation - Flow-Through Shares	500,000.20	1,785,715.00
04-Jul-2003	6 Purchasers	Unigold Inc. - Shares	120,000.00	633,333.00
26-Jun-2003 03-Jul-2003	5 Purchasers	Vaquero Energy Ltd. - Common Shares	1,726,080.00	982,800.00
30-Jun-2003	9 Purchasers	Vasogen Inc. - Common Shares	8,370,000.00	15,500,000.00
04-Jul-2003	Bedford Trading Ltd.	Vasogen Inc. - Common Shares	536,000.00	100,000.00
30-Jun-2003	3 Purchasers	Vertex Fund - Trust Units	80,000.00	2,941.00
18-Jun-2003	44 Purchasers	Viracocha Energy Inc. - Common Shares	11,999,997.10	5,581,394.00
04-Jul-2003	6 Purchasers	Wycliffe Resources Inc. - Common Shares	30,221.68	302,215.00

**Notice of Exempt Financings**

25-Jun-2003	9 Purchasers	Xerox Corporation - Common Shares	457,150.00	44,600.00
24-Jun-2003	Stikeman Elliott LLP	Yamana Resources Inc. - Common Shares	150,000.00	1,500,000.00

**RESALE OF SECURITIES - (FORM 45-501F2)**

<u>Transaction Date</u>	<u>Seller</u>	<u>Security</u>	<u>Total Selling Price</u>	<u>Number of Securities</u>
26-Jun-2003	MRF 2001 Limited Partnership	Ariane Gold Corp. - Common Shares		12,500.00
26-Jun-2003	MRF 2001 Limited Partnership	Atlas Energy Ltd. - Common Shares		250,000.00
07-Jan-2003 26-Jun-2003	MRF 2001 Limited Partnership	BelAir Energy Corporation - Common Shares		300,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Bow Valley Energy Ltd. - Common Shares		188,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Canadian Hydro Developers, Inc. - Common Shares		211,000.00
07-Jun-2003	MRF 2001 Limited Partnership	Canadian Superior Energy Inc. - Common Shares		50,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Clear Energy Inc. - Common Shares		50,000.00
03-Feb-2003	MRF 2001 Limited Partnership	Compton Petroleum Corporation - Common Shares		100,000.00
27-Feb-2003	MRF 2001 Limited Partnership	Corridor Resources Inc. - Common Shares		9,500.00
26-Jun-2003	MRF 2001 Limited Partnership	Crescent Point Energy Ltd. - Common Shares		490,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Devlan Exploration Inc. - Common Shares		375,000.00
05-Mar-2003	MRF 2001 Limited Partnership	Diaz Resources Ltd. - Common Shares		93,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Energy North Inc. - Common Shares		1,666,600.00
26-Jun-2003	MRF 2001 Limited Partnership	High Point Resources Inc. - Common Shares		416,667.00
25-Jul-2002	MRF 2001 Limited Partnership	Ketch Energy Ltd. - Common Shares		100,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Luke Energy Ltd. - Common Shares		56,500.00

**Notice of Exempt Financings**

26-Jun-2003	MRF 2001 Limited Partnership	Miramar Mining Corporation - Common Shares	328,750.00
26-Jun-2003	MRF 2001 Limited Partnership	Oiltec Resources Ltd. - Common Shares	985,000.00
29-Apr-2003	MRF 2001 Limited Partnership	Olympia Energy Inc. - Common Shares	100,000.00
08-Jan-2003	MRF 2001 Limited Partnership	Provident Energy Trust - Common Shares	11,830.00
26-Jun-2003	MRF 2001 Limited Partnership	Purcell Energy Ltd. - Common Shares	246,914.00
26-Jun-2003	MRF 2001 Limited Partnership	Ravenwood Resources Inc. - Common Shares	625,000.00
26-Jun-2003	MRF 2001 Limited Partnership	River Gold Mines Ltd. - Common Shares	250,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Southern Resources Limited - Common Shares	76,665.00
26-Jun-2003	MRF 2001 Limited Partnership	Terraquest Energy Corporation - Common Shares	1,000,000.00
27-May-2003	MRF 2001 Limited Partnership	TriQuest Energy Corp. - Common Shares	30,000.00
26-Jun-2003	MRF 2001 Limited Partnership	True Energy Inc. - Common Shares	527,000.00
07-Jul-2003	LH Enterprises Company Inc.	Ursa Major Minerals Incorporated - Common Shares	50,000.00
26-Jun-2003	MRF 2001 Limited Partnership	Viking Energy Royalty Trust - Common Shares	153,007.00

**NOTICE OF INTENTION TO DISTRIBUTE SECURITIES AND ACCOMPANYING DECLARATION UNDER SECTION 2.8 OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES - FORM 45-102F3**

<b><u>Seller</u></b>	<b><u>Security</u></b>	<b><u>Number of Securities</u></b>
Glen R. Estill	EMJ Data Systems Ltd. - Common Shares	9,334.00
Sylvia Gin	Extreme CCTV Inc. - Common Shares	80,000.00
Conrad M. Black	Hollinger Inc. - Preferred Shares	1,611,039.00
Victor D"Souza	Imperial Plastech Inc. - Common Shares	5,145,233.00
Mustang Minerals Corp.	JML Resources Ltd. - Common Shares	931,999.00
Mustang Minerals Corp.	JML Resources Ltd. - Common Shares	697,483.00
Kalimantan Investment Corporation	Kalimantan Gold Corporation Limited - Common Shares	2,173,619.00

**Notice of Exempt Financings**

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Targa Group Inc.	Plaintree Systems Inc. - Common Shares	34,315,760.00
Andrew J. Malion	Spectra Inc. - Common Shares	700,000.00
Samuel Hahn	Stellar International Inc. - Common Shares	150,000.00

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## IPOs, New Issues and Secondary Financings

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**Issuer Name:**

AEterna Laboratories Inc.  
Principal Regulator - Quebec

**Type and Date:**

Preliminary Short Form Prospectus dated July 9, 2003  
Mutual Reliance Review System Receipt dated July 9, 2003

**Offering Price and Description:**

\$35,550,000.00 - 4,500,000 Subordinate Voting Shares  
Price: \$7.90 per Subordinate Voting Share

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
National Bank Financial Inc.  
Paradigm Capital Inc.  
Desjardins Securities Inc.  
Loewen, Ondaatje, McCutcheon Limited

**Promoter(s):**

-

**Project #556431**

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**Issuer Name:**

Alto Aggressive Registered Portfolio  
Alto Aggressive Portfolio  
Alto Moderate Aggressive Registered Portfolio  
Alto Moderate Aggressive Portfolio  
Alto Moderate Portfolio  
Alto Moderate Conservative Portfolio  
Alto Conservative Portfolio  
Principal Regulator - Manitoba

**Type and Date:**

Preliminary Simplified Prospectus dated June 27, 2003  
Mutual Reliance Review System Receipt dated July 9, 2003

**Offering Price and Description:**

Series "A" and Series "B" Units

**Underwriter(s) or Distributor(s):**

Investors Group Financial Services Inc.  
Investors Group Financial Services Inc.  
Investor Group Financial Services Inc.  
Investors Group financial Services Inc.  
Investors group Financial Services Inc.  
Investors Group Financial Services

**Promoter(s):**

Investors Group Financial Services Inc.  
**Project #554135**

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**Issuer Name:**

Borex Power Income Fund  
Principal Regulator - Quebec

**Type and Date:**

Preliminary Short Form Prospectus dated July 11, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

\$165,375,000.00 - 16,875,000 Subscription Receipts,  
each representing the right to receive one Trust Unit Price:  
\$9.80 per Subscription Receipt

**Underwriter(s) or Distributor(s):**

National Bank Financial Inc.  
TD Securities Inc.  
BMO Nesbitt Burns Inc.  
Scotia Capital Inc.  
CIBC World Markets Inc.  
Canaccord Capital Corp.  
Desjardins Securities Inc.  
FirstEnergy Capital Corp.  
HSBC Securities (Canada) Inc.

**Promoter(s):**

-

**Project #556920**

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**Issuer Name:**

Clean Power Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated July 11, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

\$32,000,000.00 - 3,200,000 Trust Units Price: \$10.00 per  
Trust Unit

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
BMO Nesbitt Burns Inc.  
National Bank Financial Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.

**Promoter(s):**

Clean Power Inc.  
**Project #556812**

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**Issuer Name:**

Espoir Exploration Corp.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Prospectus dated July 9, 2003  
Mutual Reliance Review System Receipt dated July 9, 2003

**Offering Price and Description:**

Minimum: 6,000 Units (\$6,000,000); Maximum: 9,000 Units (\$9,000,000) Price: \$1,000 per Unit - Minimum  
Subscription: 5 Units (\$5,000)

**Underwriter(s) or Distributor(s):**

Griffiths McBurney & Partners

**Promoter(s):**

Bruce M. Beynon  
Harley L. Winger  
A. Scott Dawson  
Project #556403

**Issuer Name:**

Gabriel Resources Ltd.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated July 10, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

\$ \* - \* Common Shares Price: \$ \* per Common Share

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.

**Promoter(s):**

-

Project #556776

**Issuer Name:**

O&Y Real Estate Investment Trust  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated July 11, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

\$65,642,500.00 - 6,050,000 Limited Voting Units

**Underwriter(s) or Distributor(s):**

CIBC World Markets Inc.  
TD Securities Inc.  
RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
Scotia Capital Inc.  
National Bank Financial Inc.  
Desjardins Securities Inc.  
Raymond James Ltd.

**Promoter(s):**

-

Project #556822

**Issuer Name:**

Pengrowth Energy Trust  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Short Form Prospectus dated July 9, 2003  
Mutual Reliance Review System Receipt dated July 9, 2003

**Offering Price and Description:**

\$118,650,000.0 - 7,000,000 Trust Units Price: \$16.95 per Trust Unit

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
TD Securities Inc.  
National Bank Financial Inc.  
HSBC Securities (Canada) Inc.  
Scotia Capital Inc.  
Canaccord Capital Corporation  
Dundee Securities Corporation  
Raymond James Ltd.  
FirstEnergy Capital Corp.  
Peters & Co. Limited

**Promoter(s):**

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Project #556409

**Issuer Name:**

Royal Global Titans Fund  
Royal Global Resources Sector Fund  
Royal Global Industrials Sector Fund  
Royal Global Health Sciences Sector Fund  
Royal Global Financial Services Sector Fund  
Royal Global Consumer Trends Sector Fund  
Royal Global Communications and Media Sector Fund  
Royal Global Technology Sector Fund  
Royal Global Balanced Fund  
Royal U.S. Equity Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated July 10, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

Advisor Series Units

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
RBC Asset Management Inc.  
RBC Asset Management Inc.

**Promoter(s):**

RBC Asset Management Inc.

Project #556635



**Issuer Name:**

Real Assets Social Leaders Fund  
Real Assets Social Impact Balanced Fund  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Simplified Prospectus dated July 10, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

Class A and I Units

**Underwriter(s) or Distributor(s):**

Real Assets Investment Management Inc.

**Promoter(s):**

-

**Project #556980**

**Issuer Name:**

Vasogen Inc.

**Type and Date:**

Preliminary Short Form Shelf Prospectus dated July 10, 2003

Received on July 11, 2003

**Offering Price and Description:**

8,120,000 Common Shares

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #556769**

**Issuer Name:**

Yellow Pages Income Fund  
Principal Regulator - Quebec

**Type and Date:**

Amended and Restated Preliminary Prospectus dated July 9, 2003

Mutual Reliance Review System Receipt dated July 10, 2003

**Offering Price and Description:**

\$ \* - \* Units Price: \$ \* per Unit

**Underwriter(s) or Distributor(s):**

CIBC World Markets Inc.

Scotia Capital Inc.

RBC Dominion Securities Inc.

BMO Nesbitt Burns Inc.

TD Securities Inc.

National Bank Financial Inc.

HSBC Securities (Canada) Inc.

Credit Suisse First Boston Canada Inc.

Canaccord Capital Corporation

Desjardins Securities Inc.

Dundee Securities Corporation

Raymond James Ltd.

**Promoter(s):**

Yellow Pages Group Co.

**Project #553748**

**Issuer Name:**

York Receivables Trust III  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated July 15, 2003  
Mutual Reliance Review System Receipt dated July 15, 2003

**Offering Price and Description:**

\$ \*\* % Credit Card Receivables-Backed Class A Notes, Series 2003- \* Expected Final Payment Date of \* , 200 \* \$ \*  
\* % Credit Card Receivables-Backed Class B Notes, Series 2003- \* Expected Final Payment Date of \* , 200 \* \$ \*\* %  
Credit Card Receivables-Backed Class C Notes, Series 2003- \* Expected Final Payment Date of \* , 200 \*

**Underwriter(s) or Distributor(s):**

TD Securities Inc.

BMO Nesbitt Burns Inc.

CIBC World Markets Inc.

RBC Dominion Securities Inc.

Scotia Capital Inc.

Merrill Lynch Canada Inc.

National Bank Financial Inc.

HSBC Securities (Canada) Inc.

Desjardins Securities Inc.

**Promoter(s):**

The Toronto-Dominion Bank

**Project #557275**

**Issuer Name:**

York Receivables Trust III  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated July 15, 2003  
Mutual Reliance Review System Receipt dated July 15, 2003

**Offering Price and Description:**

\$ \*\* % Credit Card Receivables-Backed Class A Notes, Series 2003- \* Expected Final Payment Date of \* 200 \* \$ \*  
\* % Credit Card Receivables-Backed Class B Notes, Series 2003- \* Expected Final Payment Date of \* , 200 \* \$  
\*\* % Credit Card Receivables-Backed Class C Notes, Series 2003- \*  
Expected Final Payment Date of \* , 200 \*

**Underwriter(s) or Distributor(s):**

TD Securities Inc.

BMO Nesbitt Burns Inc.

CIBC World Markets Inc.

RBC Dominion Securities Inc.

Scotia Capital Inc.

Merrill Lynch Canada Inc.

National Bank Financial Inc.

HSBC Securities (Canada) Inc.

Desjardins Securities Inc.

**Promoter(s):**

The Toronto-Dominion Bank

**Project #557280**

**Issuer Name:**

York Receivables Trust III  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated July 15, 2003  
Mutual Reliance Review System Receipt dated July 15, 2003

**Offering Price and Description:**

\$ \* \* % Credit Card Receivables-Backed Class A Notes,  
Series 2003- \* Expected Final Payment Date of \* , 200 \* \$  
\* \* % Credit Card Receivables-Backed Class B Notes,  
Series 2003- \* Expected Final Payment Date of \* , 200 \* \$  
\* \* % Credit Card Receivables-Backed Class C Notes,  
Series 2003- \*  
Expected Final Payment Date of \* , 200 \*

**Underwriter(s) or Distributor(s):**

TD Securities Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.  
Merrill Lynch Canada Inc.  
National Bank Financial Inc.  
HSBC Securities (Canada) Inc.  
Desjardins Securities Inc.

**Promoter(s):**

The Toronto-Dominion Bank  
**Project #557284**

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**Issuer Name:**

Borealis Retail Real Estate Investment Trust  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated July 10, 2003  
Mutual Reliance Review System Receipt dated July 10, 2003

**Offering Price and Description:**

\$178,070,000.00 - 17,807,000 Units @\$10.00 per Unit

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
CIBC World Markets Inc.  
TD Securities Inc.  
BMO Nesbitt Burns Inc.  
Scotia Capital Inc.  
National Bank Financial Inc.  
Desjardins Securities Inc.  
Raymond James Ltd.

**Promoter(s):**

Borealis Real Estate Management Inc.  
**Project #548000**

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**Issuer Name:**

Burgundy American Equity Fund  
Burgundy Balanced Income Fund  
Burgundy Bond Fund  
Burgundy Canadian Equity Fund  
Burgundy European Equity Fund  
Burgundy European Foundation Fund  
Burgundy Focus Canadian Equity Fund (formerly Burgundy Large Cap Canadian Equity Fund)  
Burgundy Foundation Trust Fund  
Burgundy Money Market Fund  
Burgundy Partners Equity RSP Fund  
Burgundy Partners' Fund  
Burgundy Partners' RSP Fund  
Burgundy T-Bill Fund  
Burgundy U.S. Money Market Fund  
Burgundy U.S. T-Bill Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus dated July 9, 2003  
Mutual Reliance Review System Receipt dated July 11, 2003

**Offering Price and Description:**

Mutual Fund Securities at Net Asset Value

**Underwriter(s) or Distributor(s):**

Burgundy Asset Management Ltd.  
Burgundy Asset Management Ltd.

**Promoter(s):**

Burgundy Asset Management Ltd.  
**Project #549572**

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**Issuer Name:**

CFI Trust  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Shelf Prospectus dated July 14, 2003  
Mutual Reliance Review System Receipt dated July 14, 2003

**Offering Price and Description:**

Up to \$500,000,000 of Receivables-Backed Notes

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Corpfinance International Limited  
**Project #528955**

**Issuer Name:**

Enerplus Resources Fund  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated July 10, 2003  
Mutual Reliance Review System Receipt dated July 10, 2003

**Offering Price and Description:**

\$126,280,000.00 - 4,100,000 TRUST UNITS @\$30.80  
PER TRUST UNIT

**Underwriter(s) or Distributor(s):**

CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.  
BMO Nesbitt Burns Inc.  
National Bank Financial Inc.  
TD Securities Inc.  
Canaccord Capital Corporation  
FirstEnergy Capital Corp.  
Raymond James Ltd.  
Desjardins Securities Inc.  
Dundee Securities Corporation  
HSBC Securities (Canada) Inc.  
Peters & Co. Limited

**Promoter(s):**

-

**Project #554331**

**Issuer Name:**

Ethical Money Market Fund  
Ethical Income Fund  
Ethical Global Bond Fund  
Ethical Balanced Fund  
Ethical Canadian Dividend Fund  
Ethical Canadian Equity Fund  
Ethical Growth Fund  
Ethical Special Equity Fund  
Ethical North American Equity Fund  
Ethical RSP North American Equity Fund  
Ethical Global Equity Fund  
Ethical RSP Global Equity Fund  
Ethical Pacific Rim Fund and  
Ethical US Special Equity Fund  
Ethical Global Growth Fund  
Ethical International Equity Fund  
Ethical European Equity Fund  
Principal Regulator - British Columbia

**Type and Date:**

Final Simplified Prospectus and Annual Information Form  
dated July 4, 2003

Mutual Reliance Review System Receipt dated July 9,  
2003

**Offering Price and Description:**

Mutual Fund Securities @ Net Asset Value

**Underwriter(s) or Distributor(s):**

Credential Asset Management Inc.  
Credential Asset Management Inc.

**Promoter(s):**

Ethical Funds Inc.

**Project #545093**

**Issuer Name:**

Inex Pharmaceuticals Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Final Short Form Prospectus dated July 9, 2003  
Mutual Reliance Review System Receipt dated July 10,  
2003

**Offering Price and Description:**

\$25,070,000.00 - 4,600,000 Common Shares @\$5.45 per  
Common Share

**Underwriter(s) or Distributor(s):**

BMO Nesbitt Burns Inc.  
Raymond James Ltd.  
Desjardins Securities Inc.  
Orion Securities Inc.

**Promoter(s):**

-

**Project #554613**

**Issuer Name:**

National Bank of Canada  
Principal Regulator - Quebec

**Type and Date:**

Final Short Form Shelf Prospectus dated July 14, 2003  
Mutual Reliance Review System Receipt dated July 15,  
2003

**Offering Price and Description:**

\$500,000,000.00 (Maximum) - NBC Ex-Tra Total Return  
Linked Notes

**Underwriter(s) or Distributor(s):**

National Bank Financial Inc.

**Promoter(s):**

-

**Project #528867**

**Issuer Name:**

Royal Tax Managed Return Fund  
Principal Regulator - Ontario

**Type and Date:**

Amendment #3 dated July 7, 2003 to the Final Simplified  
Prospectus of the above issuer dated July 16, 2003; and  
Amendment #4 dated July 7, 2003 to the Annual  
Information Form of the above issuer dated July 16, 2003  
Mutual Reliance Review System Receipt dated July 11,  
2003

**Offering Price and Description:**

Series A and F Units

**Underwriter(s) or Distributor(s):**

RBC Asset Management Inc.  
RBC Asset Management Inc.

**Promoter(s):**

RBC Fund Inc.

**Project #459378**

**Issuer Name:**

Ultima Energy Trust  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated July 14, 2003  
Mutual Reliance Review System Receipt dated July 15, 2003

**Offering Price and Description:**

\$62,400,000.00 - 12,000,000 Trust Units @\$5.20 per Unit

**Underwriter(s) or Distributor(s):**

BMO Nesbitt Burns Inc.  
National Bank Financial Inc.  
CIBC World Markets Inc.  
Scotia Capital Inc.  
TD Securities Inc.

**Promoter(s):**

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**Project #555912**

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**Issuer Name:**

Ag Growth Income Fund  
Principal Jurisdiction - Manitoba

**Type and Date:**

Preliminary Prospectus dated November 6th, 2002  
Withdrawn on April 9, 2003

**Offering Price and Description:**

\$ \* - \* Trust Units @ \$10.00 per Trust Unit

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
CIBC World Markets Inc.  
TD Securities Inc.  
National Bank Financial Inc.  
HSBC Securities (Canada) Inc.  
Wellington West Capital Inc.

**Promoter(s):**

Tricor Pacific Capital Partners (Fund II), Limited  
Partnership

**Project #491270**

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## Chapter 12

# Registrations

### 12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	The Boston Company Asset Management LLC One Boston Place Boston MA 02108 USA	International Adviser Investment Counsel & Portfolio Manager	Jun 27/03
New Registration	Kalyx Securities Ltd. Attention: Deanna Naus 556 Cranbrooke Avenue Toronto ON M5M 1P1	Limited Market Dealer	Jul 09/03
Change of Name	RBC Asset Management Inc./ RBC Gestion D'Actifs Inc. 77 King Street West Suite 3800 Royal Trust Tower P O Box 121 TD Centre Toronto ON M5K1H1	From: RBC Global Investment Management Inc./ RBC Gestion Mondiale des Investissements Inc.  To: RBC Asset Management Inc./ RBC Gestion D'Actifs Inc.	Jul 01/03
Change of Name	Prudential Equity Group, Inc. One Seaport Plaza New York NY 10292 USA	From: Prudential Securities Incorporated  To: Prudential Equity Group, Inc.	Jul 01/03
Change of Name	Global Maxfin Investments Inc. 100 – 800 Arrow Road Toronto ON M9M 2Z8	From: Global Educations Funds Incorporated  To: Global Maxfin Investments Inc.	Jun 26/03

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## SRO Notices and Disciplinary Proceedings

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### 13.1.1 RS Disciplinary Notice - Donald Greco

#### DISCIPLINARY NOTICE

July 16, 2003

2003-007

#### Person Disciplined

On July 15, 2003, following a contested hearing, a Hearing Panel of the Hearing Committee of Market Regulation Services Inc. ("RS") rendered a decision concerning Donald Greco.

#### Requirement Contravened

Mr. Greco was found to have contravened Rule 4-204(1) of the Rules of the Toronto Stock Exchange in connection with trading conducted on November 22, 2001.

#### Sanctions Assessed:

The Hearing Panel imposed the following sanctions upon Mr. Greco:

- (a) a fine of \$15,000;
- (b) suspension from access to markets regulated by RS for one (1) month;
- (c) payment to RS of \$250 representing the financial benefit as a result of the contravention;
- (d) payment of \$10,000 to RS for costs.

#### Summary of Facts

On November 22, 2001, Donald Greco, a registered trader, was informed by an inventory trader at another investment dealer, Garrett Prins, of a client order to purchase 10,100 shares of Abitibi Consolidated Inc. ("A"). As a result of this information, Mr. Greco entered a short sale for 10,100 A at \$10.82. Seconds later, Mr. Greco entered a buy order for 8,000 shares of A at \$10.80 which was filled for 6,800 shares at \$10.75, \$10.78 and \$10.80, respectively, from available offers. As a result, Mr. Greco's remaining 1,200 shares from the 8,000 share bid at \$10.80 became best bid and his offer for 10,100 shares at \$10.82 became the next best ask. Four seconds later, Mr. Prins hit the offer for 10,100 shares, filling his client buy order at \$10.82. The 6,800 shares had been available for Mr. Prins to purchase for his client at the same prices paid by Mr. Greco. Mr. Greco covered the remainder of his short position within the next few minutes, making an overall personal profit on the trading in A of approximately \$250.

Following a review of findings of RS's investigation, RS determined there were no grounds for any disciplinary proceedings against Griffiths McBurney & Partners, Mr. Greco's employer at the time of the misconduct.

#### Further Information

Participants who require additional information should direct questions to Marie Oswald, Vice President, Investigations and Enforcement, Market Regulation Services Inc. at 416-646-7283.

#### About Market Regulation Services Inc.

Market Regulation Services Inc. is the regulation services provider for Canadian equity markets including the TSX and TSX Venture Exchanges. RS has been recognized by the securities commissions of Ontario, Quebec, British Columbia, Alberta and Manitoba to regulate the trading of securities on these markets by participant firms and their trading and sales staff. RS is mandated to conduct its regulatory activities in a neutral, cost-effective, service-oriented and responsive manner.

ALEXANDER DASCHKO  
VICE PRESIDENT  
OPERATIONS AND GENERAL COUNSEL

**13.1.2 CNQ Notice and Request for Comments –  
Proposed Amendments to CNQ Issuer Policies  
– Out of Province Issuers**

**CANADIAN TRADING AND QUOTATION SYSTEM INC.  
PROPOSED AMENDMENTS TO CNQ ISSUER  
POLICIES — OUT OF PROVINCE ISSUERS  
NOTICE AND REQUEST FOR COMMENT**

On July 3, 2003, the Board of Directors of Canadian Trading and Quotation System Inc. ("CNQ") approved amendments to the CNQ Issuer Policies that would make companies that are reporting issuers in good standing in British Columbia, Alberta or Quebec eligible to be CNQ Issuers without having to become reporting issuers in Ontario, provided the company does not have a substantial connection to Ontario (as described below). The proposed amendments are attached to this notice as Appendix "A."

The Board has determined that the proposed amendments are in the public interest and have authorized them to be published for public notice and comments. Comments should be made no later than 30 days from the date of publication of this notice and should be addressed to:

Canadian Trading and Quotation System Inc.  
BCE Place, 161 Bay Street  
Suite 3850, P.O. Box 207  
Toronto ON  
M5J 2S1

Attention: Timothy S. Baikie, General Counsel & Corporate Secretary

Fax: 416.572.4160  
E-mail: Timothy.Baikie@cnq.ca

A copy should be provided to the Ontario Securities Commission at the following address:

Capital Markets Branch  
Ontario Securities Commission  
Suite 800, Box 55  
20 Queen Street West  
Toronto ON  
M5H 3S8

Attention: Cindy Petlock, Manager, Market Regulation

Fax: 416.595.8940  
E-mail: cpetlock@osc.gov.on.ca

**Background**

Unlike the exchanges, issuers on a quotation and trade reporting system do not automatically become reporting issuers in the province(s) in which the QTRS is recognized by virtue of being quoted. Even though the process to become an Ontario reporting issuer is relatively straightforward by filing an application pursuant to OSC Rule 12-602, CNQ has been told by issuers and their legal advisors in other provinces that the requirement that a quoted company be an Ontario reporting issuer and the

associated ongoing costs are significant impediments to applying for quotation that are not justified by better ongoing disclosure if the issuer is a reporting issuer in another Canadian jurisdiction. In addition, the requirement in OSC Policy 12-602 that applicants generally be reporting issuers in other jurisdictions for at least 12 months prior to the application means that newer issuers will have to clear a prospectus in Ontario to qualify to be quoted on CNQ.

**A Proposed "Passport" Approach**

The proposed rule changes introduce a "passport" approach to quotation on CNQ. Under this approach, issuers that are reporting issuers in good standing in recognized jurisdictions would not be required to become reporting issuers in Ontario, as they are subject to substantially similar rules as Ontario reporting issuers. The additional cost of becoming and remaining a reporting issuer would not be justified by better disclosure. If CNQ or its regulation services provider detects a violation of applicable securities law by a quoted company or its insiders, the matter would be referred to the appropriate commission(s) for enforcement action. CNQ would halt trading upon issuance of a cease trade order in any jurisdiction.

It is not CNQ's intention to quote issuers that are not reporting issuers in a province with equivalent rules to Ontario. Initially, the rule provides that issuers in British Columbia, Alberta and Quebec would qualify as their regimes are substantially similar to Ontario's and all Canadian companies currently eligible to be traded on a marketplace (as defined in National Instrument 21-101) are reporting issuers in one or more of those jurisdictions. Once CNQ has had experience with the passport approach, it intends to propose extending it to other jurisdictions with substantially similar rules as Ontario.

This approach is consistent with recent initiatives by the Canadian Securities Administrators, such as the uniform securities law project, that aim to reduce the complexity and expense of provincial securities regulation for issuers and market participants, and is consistent with the a cost/benefit approach to regulation.

*Exception: Companies with Substantial Connections to Ontario*

The proposed amendments will require a company to become a reporting issuer if it has a substantial connection to Ontario, which it will have if

- (a) registered and beneficial securityholders (which for this purpose includes both Non-Objecting Beneficial Owners as defined in National Instrument 54-101 or any successor instrument and any shareholders appearing on the Demographic Summary Report prepared by International Investors Communications Corporation and whose shares are disclosed in the issuer's books and records or shareholder list as being held by an intermediary) resident in



Ontario own more than 20% of the equity securities of the issuer; or

- (b) the majority of the board of directors or the President or the Chief Executive Officer are residents of Ontario and registered and beneficial securityholders resident in Ontario own more than 10% of the equity securities of the issuer.

Quoted companies would be required to assess on an annual basis whether they have a substantial connection to Ontario. This is the same requirement that applies to companies listed on the TSX Venture Exchange.

#### *Application of OSC Rule 61-501: Related Party Transactions*

All companies listed on the TSX Venture Exchange are required to comply with OSC Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* (formerly OSC Policy 9.1) regardless of whether they were reporting issuers in Ontario. Substantial revisions to that policy have been proposed for comment, including more exemptions for junior companies. It is expected that, once the revisions are finalized, the OSC will require CNQ to apply those provisions to its issuers that the TSX Venture Exchange will be required to apply to its issuers.

#### *Other Amendments*

A number of rule amendments are proposed, but in the main these replace Ontario-specific references with more generic ones (e.g. "applicable securities legislation" instead of "Ontario securities law"). In particular, the compliance certificates to be completed and filed monthly and with certain transactions have been amended to require certification that the issuer is in compliance with applicable rules of all jurisdictions in which it is a reporting issuer, not merely Ontario. This is a requirement under the current CNQ policies, but is not referenced in the certificate.

#### **Rules of Other Jurisdictions**

None of the other Canadian exchanges or the NYSE or Nasdaq has a similar rule as issuers listed on those markets automatically become reporting issuers by virtue of being listed. The markets therefore do not have any requirement that an applicant be a reporting issuer to be qualified for listing. The NYSE has repeatedly expressed an interest in trading foreign-based issuers without having them become U.S. reporting issuers, but has not proposed formal rules.

#### **Alternatives Considered**

##### *Local Markets*

An alternative considered was for CNQ to establish separate markets in various provinces, each with its own stock list. Although they would use the same trading system, each would be subject to province-specific rules (e.g. reporting issuer requirements, registration of dealers,

etc.). Issuers would pick the market on which they wished to trade and would only trade on one. Each one of the markets would be recognized or exempt from recognition as the case may be. This is a less desirable alternative, as it leaves open the possibility that different commissions may require different rules and quotation standards which would add to complexity and open the door to forum shopping. This would also cause considerable confusion among dealers and investors as to who is eligible to trade in which market.

##### *Automatic Reporting Issuer Status*

Another alternative was for the CNQ to apply to have its recognition order amended so that it is recognized as an exchange for the purpose of the definition of "reporting issuer" in the *Securities Act* (Ontario). This would mean that issuers would not have to make a separate application to the Commission but would automatically become reporting issuers upon being accepted for quotation. However, while this would make the process of becoming an Ontario reporting issuer simpler, quoted issuers would still be subject to the ongoing costs of being a reporting issuer.

## APPENDIX "A"

Be it resolved that:

1. The fifth sentence of section 1.4 of Policy 1 is amended by replacing the word "Ontario" with "applicable" and "law" with "legislation," such that the sentence reads: "CNQ Issuer disclosure obligations are in addition to or supplementary to the continuous disclosure obligations under applicable securities legislation."
2. Section 1.1 of Policy 2 is repealed and replaced with "Only issuers which are reporting issuers under the securities legislation of Alberta, British Columbia, Ontario or Quebec and not in default of any requirement thereunder are eligible for quotation. However, notwithstanding the foregoing, an issuer must be a reporting issuer in Ontario if it has a significant connection to Ontario, which it will have if
  - (a) registered and beneficial securityholders (which for this purpose includes both Non-Objecting Beneficial Owners as defined in National Instrument 54-101 or any successor instrument and any shareholders appearing on the Demographic Summary Report prepared by International Investors Communications Corporation and whose shares are disclosed in the Issuer's books and records or shareholder list as being held by an intermediary) resident in Ontario own more than 20% of the equity securities of the Issuer; or
  - (b) the majority of the board of directors or the President or the Chief Executive Officer are residents of Ontario and registered and beneficial securityholders resident in Ontario own more than 10% of the equity securities of the Issuer."
3. Clause 2.3(3) (ii) of Policy 2 is repealed and replaced with "is a reporting issuer or equivalent under the securities legislation of [state all applicable jurisdictions] and is not in default of any requirement of any jurisdiction in which it is a reporting issuer or equivalent;"
4. Paragraph 2.3(h) of Policy 2 is repealed and replaced with "a certificate of the applicable commission(s) that the Issuer is a reporting issuer and not on the list of defaulting reporting issuers maintained under applicable securities legislation; and"
5. Paragraph 2.3(i) of Policy 2 is enacted as follows:
  - (i) if applicable, a certificate of the Chief Executive Officer that the Issuer does not have a significant connection to Ontario as defined in section 1.1 of this Policy."
6. Paragraph 3.1(b) of Policy 2 is repealed and replaced with "the CNQ issuer must remain a reporting issuer or equivalent in good standing in each jurisdiction in which it is a reporting issuer or equivalent and must not be in default of any requirement of any such jurisdiction:"
7. Sections 3.2-4 of Policy 2 are enacted as follows:
  - 3.2 A CNQ Issuer that is not a reporting issuer in Ontario must assess on at least an annual basis whether it has a significant connection to Ontario as defined in section 1.1 of this Policy. If as a result of this assessment or otherwise the CNQ Issuer becomes aware that it has a significant connection to Ontario, it must forthwith apply to become an Ontario reporting issuer and must become a reporting issuer within six months.
  - 3.3 An issuer that has determined it must apply to become an Ontario reporting issuer shall disclose this fact on the next Monthly Progress Report (Form 7) it is required to file under CNQ Requirements.
  - 3.4 Issuers that are subject to section 3.2 shall maintain a record of their assessment for at least 3 years and make those records available to CNQ on request.
8. Section 9.4 of Policy 5 is enacted as follows:
  - 9.4 — Similar provisions exist in the securities legislation of other jurisdictions. CNQ Issuers that are reporting issuers in other jurisdictions must ensure that they comply with all applicable rules in addition to this Policy.
9. Section 11.1 of Policy 5 is amended by replacing the phrase "Ontario securities law" with "applicable securities legislation."
10. Section 12.1(d) of Policy 5 is amended by replacing the phrase "Ontario securities law" with "applicable securities legislation."
11. Paragraph 13.1(b) of Policy 5 is amended by replacing the word "Commission" with "any Commission for a jurisdiction in which the CNQ Issuer is a reporting issuer of equivalent,"
12. Paragraph 13.1(d) of Policy 5 is amended by replacing the phrase "the Securities Act (Ontario)" with "applicable securities legislation."

13. Paragraph 5.3 of Policy 6 is amended by replacing the phrase "Commission Rule 45-503 Trades to Employees, Executives and Consultants" with "Multilateral Instrument 45-105 Trades to Employees, Senior Officers, Directors and Consultants" and "Rule 45-503" with "Multilateral Instrument 45-105."
14. Paragraph 2.2 of Policy 7 is amended by replacing the phrase "the Securities Act" with "applicable securities legislation."
15. Paragraph 1.6 of Policy 8 is amended by adding the words "Ontario Securities" before the phrase "Commission Rule 41-501."
16. Item 25.1 (a) of Form 2A is amended by inserting the phrase "as if the issuer were subject to such law" following "Ontario securities law."
17. Paragraph 1 of Form 4 is amended by deleting the words "the Ontario Securities Commission and"
18. Paragraph 3 of the Certificate of Compliance contained in Form 5 is amended by replacing the phrase "Ontario securities law (as such term is defined in the Securities Act (Ontario))" with "all applicable securities legislation (as such term is defined in National Instrument 14-101)."
19. Form 6 is amended by replacing the phrase "Ontario securities law (as such term is defined in the Securities Act (Ontario))" with "all applicable securities legislation (as such term is defined in National Instrument 14-101)."
20. Item 3 of the Certificates of Compliance contained in Forms 7,8,9,11 and 12 and Item 4 of the Certificate of Compliance contained in Form 10 are amended by replacing the phrase "Ontario securities law (as such term is defined in the Securities Act (Ontario))" with "applicable securities legislation (as such term is defined in National Instrument 14-101)."

Passed and enacted this 3rd day of July, 2003 to become effective as soon as possible upon Ontario Securities Commission approval following public notice and comment.

"Ian Bandeen"  
Chairman

"Timothy Baikie"  
Secretary

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## Chapter 25

# Other Information

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### 25.1 Approvals

#### 25.1.1 C.A. Delaney Capital Management Ltd. - cl. 213(3)(b) of the LTCA

##### Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

##### Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., clause 213(3)(b).

July 15, 2003

Stikeman Elliott LLP  
5300 Commerce Court West,  
199 Bay Street, Toronto  
M5L 1B9

Dear Jennifer Northcote:

**Re: C.A. Delaney Capital Management Ltd.  
("Delaney")  
Application pursuant to clause 213(3)(b) of the  
*Loan and Trust Corporations Act (Ontario)* to  
act as trustee of certain mutual funds to be  
established by Delaney from time to time and  
offered pursuant to prospectus exemptions  
(the "Pooled Funds").**

##### **Application No. 431/03**

Further to your letter dated June 27, 2003 (the "Application") filed on behalf of Delaney, and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the *Loan and Trust Corporations Act (Ontario)*, the Commission approves the proposal that Delaney may act as trustee of the Pooled Funds which Delaney will manage.

"Paul M. Moore"

"Harold P. Hands"

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